

# Staff costs

## Fact sheet on eligibility of staff costs<sup>1</sup> February 2019

### Definition

Expenditure on costs of staff members employed by the partner organisation, who are formally engaged to work on the project

- full-time;
- part-time:
  - part-time with a fixed percentage of time dedicated to the project per month;
  - part-time with a flexible number of hours worked on the project per month;
- contracted on an hourly basis.

Staff costs include staff costs of employees in line with the employment/ work contract, and costs of natural persons working for the partner organisation under a contract other than an employment/ work contract and receiving salary payments<sup>2</sup>.

### General principles

- Staff costs must relate to activities, which the partner organisation would not carry out if the project was not undertaken.
- Overheads and any other office and administration costs cannot be included under this budget line.
- Daily allowances and any other travel and accommodation costs cannot be included under this budget line.

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<sup>1</sup> Guidance provided in this fact sheet takes account of provisions of the regulatory framework 2014-2020 (in particular, rules on eligibility of expenditure for cooperation programmes set up in the Commission Delegated Regulation (EU) 481/2014) and practices in use by ETC programmes in 2014-2020. The fact sheet is by no means a legally binding document.

<sup>2</sup> Both the employment/work contract and an appointment decision/contract of natural persons working for the partner organisation and receiving salary payments are hereinafter referred to as 'employment document'.

## Reimbursement forms

Staff costs can be reimbursed based on<sup>3</sup>

1. real costs, or
2. simplified cost options (lump sum, flat rate, standard scale of unit costs).

Each partner organisation must decide on the reimbursement form and indicate it in the Application Form<sup>4</sup>. Within the same project, different project partners can choose different options (e.g. one partner applies a real cost approach, while another partner chooses flat rate). However, the same reimbursement option has to apply to all staff members of the partner organisation working on the project. The approach to be applied has to be fixed at the beginning of the staff involvement in the project and for the whole project duration.

### I. Real costs

#### Budget line specific rules

Staff costs must be calculated individually for each staff member.

- Staff costs cover real costs paid out based on a payslip or a document of equivalent probative value. Data from the organisation's accounting system can be accepted, in line with the controllers' professional judgement regarding reliability of the system<sup>5</sup>.
- The following costs are eligible components of staff costs:
  - salary payments fixed in the employment/work contract, an appointment decision (in the case of natural persons working for the partner organisation under a contract other than an employment/work contact), or by law;
  - any other costs directly linked to the salary payments, incurred and paid by the employer (e.g. employment taxes and social security including pensions) as long as they are fixed in the employment document and they are in accordance with the legislation and standard practices in the country and/or organisation.
- The salary payments must relate to responsibilities specified in a job description of the individual staff member.
- Costs of social security including pensions are only eligible, if they are not recoverable by the employer.

<sup>3</sup> The Monitoring Committee can decide to limit the reimbursement options, e.g. some programmes will finance staff costs as real costs only.

<sup>4</sup> The Monitoring Committee of the programme can decide to set out the reimbursement options at the programme level and apply defined options to certain types of partners (e.g. use a standard scale of unit costs for staff costs in cases where the partner is an SME; a pply 20% flat rate to universities; real costs to all other partners).

<sup>5</sup> In some countries first level controllers are not allowed to see payslips, which are protected by the privacy law. If an extract from an accounting system of the partner organisation is provided, it is the responsibility of the partner to demonstrate that staff costs do not include costs covered under office and administration (e.g. telephone bills), travel and accommodation (e.g. daily allowances), or any other costs ineligible under the staff costs budget line.

- Taxable benefits linked to salary payments are eligible as long as they are in line with the employment policy of the partner organisation, e.g. lunch vouchers, bonus payments, relocation benefits<sup>6</sup>.
- Holidays as resulting from normal employer's obligations are eligible. The cost forms part of the gross employment cost.
- Overtime is eligible, provided it is in conformity with the national legislation and the employment policy of the partner organisation, and it is actually paid to the staff member.

### Calculation of staff costs and audit trail

Depending on the type of staff engagement in the project (full-time, part-time, contracted on an hourly basis), staff costs of each individual are calculated as follows.

Engagement in the project	Calculation methods
<p><b>Full-time</b></p>	<p>An individual dedicates 100% of his/her working time to the project.</p> <p><b>Staff costs = Total of the gross employment cost</b></p> <p><u>Audit trail</u></p> <p>The following main documents must be available for control purposes:</p> <ul style="list-style-type: none"> <li>• employment document;</li> <li>• job description providing information on responsibilities related to the project;</li> <li>• payslips or other documents of equivalent probative value;</li> <li>• proof of payment of salaries and the employer's contribution.</li> </ul> <p><i>No registration of the working time is required.</i></p>
<p><b>Part-time assignment with a fixed percentage of time worked on the project per month</b></p>	<p>An individual dedicates a fixed percentage of his/her working time to the project.</p> <p><b>Staff costs = Fixed percentage of the gross employment cost</b></p> <p><u>Audit trail</u></p> <p>The following main documents must be available for control purposes:</p> <ul style="list-style-type: none"> <li>• employment document;</li> </ul>

<sup>6</sup> Extra bonuses or changes to salaries due to running of an EU project should be evaluated against sound financial management principles (if they are justified by e.g. special qualifications, changes to the task description, etc.).

	<ul style="list-style-type: none"> <li>• document setting out the percentage of time to be worked on the project per month (if not specified in the employment document);</li> <li>• job description providing information on responsibilities related to the project;</li> <li>• payslips or other documents of equivalent probative value;</li> <li>• proof of payment of salaries and the employer's contribution.</li> </ul> <p><i>No registration of the working time is required.</i></p>
<p><b>Part-time assignment with a flexible number of hours worked on the project per month</b></p>	<p>An individual dedicates a flexible share of his/her working time to the project.</p> <p><b>Staff costs = Part of the gross employment cost depending on the number of hours actually worked on the project</b></p> <p>Staff costs are calculated based on an hourly rate basis determined either by option 1 or 2<sup>7</sup>:</p> <p>(1) An hourly rate established based on the average monthly working time (number of hours per month) fixed in the employment document (this option is currently under construction)<sup>8</sup>:</p> <p><i>Hourly rate = Monthly gross employment cost / Average number of hours per month fixed in the employment document</i></p> <p><i>Staff costs = Hourly rate * Number of hours worked on the project per month</i></p> <p>(2) An hourly rate established based on a standard number of 1720 hours per year (a corresponding pro-rata of 1720 hours for persons working part-time<sup>9</sup>):</p> <p><i>Hourly rate = Latest documented annual gross employment cost / 1720h</i></p> <p><i>Staff costs = Hourly rate * Number of hours worked on the project per month</i></p> <p>For each employee working part-time (and a flexible number of hours per month) on the project, the partner organisation should select one of the two methods to calculate the hourly rate. The same method will apply to the employee for the entire project duration<sup>10</sup>.</p>

<sup>7</sup> Article 6 of Commission Delegated Regulation (EU) No 481/2014.

<sup>8</sup> Commission Delegated Regulation amending Delegated Regulation (EU) No 481/2014 as of 7.02.2019 (Article 1, point 4).

<sup>9</sup> Article 68a(2) of Regulation (EU, Euratom) 2018/1046 (Omnibus Regulation): 1720 hours can be used for determining staff costs for persons working full time, and corresponding pro-rate of 1720 hours for persons working part-time.

<sup>10</sup> In the event of necessary amendments to the employment document, changes to that can be justified.

	<p>NB: Where annual gross employment costs are not available, they can be derived from the available documented gross employment cost or from the employment document, duly adjusted for a 12-month period (thus, extrapolation is possible)<sup>11</sup>. Furthermore, such pro-rata calculation is also possible for people working less than 100%.</p> <p><u>Audit trail</u></p> <p>The following main documents must be available for control purposes:</p> <ul style="list-style-type: none"> <li>• employment document (including information on the monthly working time, if method (1) is used);</li> <li>• job description including information on tasks related to the project;</li> <li>• payslips or other documents of equivalent probative value;</li> <li>• data from the working time registration system, e.g. time sheets, providing information on the number of hours spent per month on the project (time registration system must cover 100% of the actual working time of the individual);</li> <li>• proof of payment of salaries and the employer's contribution.</li> </ul>
<p><b>Contracted on an hourly basis</b></p>	<p>An employee is contracted on an hourly basis and dedicates a certain number of hours to work on the project.</p> <p><b>Staff costs = Part of the gross employment cost depending on the number of hours worked on the project</b></p> <p>The staff costs are calculated on the basis of an hourly rate fixed in the employment document:</p> <p><i>Staff costs = Hourly rate<sup>12</sup> * Number of hours worked on the project</i></p> <p><u>Audit trail</u></p> <p>The following main documents must be available for control purposes:</p> <ul style="list-style-type: none"> <li>• employment document (including information on the hourly rate);</li> <li>• job description providing information on responsibilities related to the project;</li> <li>• payslips or other documents of equivalent probative value;</li> <li>• data from the working time registration system, e.g. time sheets, providing information on the number of hours spent per month on the project;</li> <li>• proof of payment of salaries and the employer's contribution.</li> </ul>

<sup>11</sup> Article 68a (4) of Regulation (EU, Euratom) 2018/1046 (Omnibus Regulation)

<sup>12</sup> 'Hourly rate' can also consist of an 'hourly rate in the contract' + 'social security payments by the employer'.

## II. Simplified cost options

### Lump sum

A programme can decide to use lump sums for specific project activities (e.g. project management). In such cases, staff costs will be included in the lump sum, i.e. a pre-defined amount. The lump sum is paid if the predefined terms of agreement on activities and/or outputs are completed. No supporting documents are required for verification of the staff costs in such case.

### Flat rate

#### Calculation of staff costs

Staff costs are calculated as a flat rate of up to 20% of the direct costs other than the staff costs<sup>13</sup>.

#### **Staff costs = Eligible direct costs other than staff costs \* up to 20%**

- Direct costs are all costs that can be attributed directly to the project and are identified by the partner organisation as such, in accordance with accounting principles and internal rules of the organisation.
- Indirect costs (i.e. costs that cannot be assigned in full to the project) must not be taken into account in the calculation of staff costs.
- Direct costs that form the basis for calculation of staff costs must be incurred and paid by the partner organisation as real costs.
- Direct costs that form the basis for calculation of staff costs must not include any office and administration costs, if a flat rate option is used on the office and administration budget line.

#### Audit trail

By applying the up to 20% flat rate option, partners do not need to document that the expenditure has been incurred and paid, or that the flat rate corresponds to the reality (no employment document, job description, data from the working registration system etc. should be provided). They only need to document that they have at least one employee.

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<sup>13</sup> Article 19 of Regulation (EU) 1299/2013 (ETC Regulation)

## Standard scale of unit costs

### Calculation of staff costs

Staff costs are calculated by applying a standard scale of unit costs defined by the programme.

### **Staff costs = Unit cost \* Number of hours worked on the project per month**

Regardless of the assignment (full-time, part-time) to work on the project, staff costs of each individual are calculated by multiplying a standard hourly rate (according to the staff category the individual belongs to) by the total number of hours worked on the project per month.

### Audit trail

The following main documents must be available for control purposes:

- employment document or an appointment decision/contract considered as an employment document;
- job description providing information on responsibilities related to the project;
- data from the working time registration system, e.g. time sheets, providing information on the number of hours spent per month on the project (data must be provided for all staff working full-time and part-time on the project).

*Neither payslips or other documents of equivalent probative value nor proof of payment are required.*

## Eligible and ineligible costs

An all-inclusive list of cost elements covered under the staff costs category is provided in the Commission Delegated Regulation (EU) 481/2014. The Interact Matrix of costs presents further examples of eligible and ineligible costs eligible under this budget line.

## Programme-specific conditions

For programmes that allow contributions in-kind (Article 69(1) Common Provisions Regulation (EU) 1303/2013), unpaid voluntary work is eligible provided that the value of the work is determined by taking into account the verified time spent and the rate of remuneration for equivalent work (based on a market price or a fixed unit cost; the principle of sound financial management must be respected). All requirements regarding calculation of the eligible cost (identification of time spent on the project and application of the remuneration rate) as specified above are valid<sup>14</sup>.

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<sup>14</sup> For voluntary work, the Monitoring Committee of the programme can decide to base the remuneration rate on the national minimum salary wages applicable in Member States of the respective programme zone.

### Example of a time sheet template

1. Time sheets can be used as a tool to record time spent on carrying out project activities by staff members assigned to work part-time on the project (and full-time staff in case of standard scale of unit costs).
2. Time sheet must cover 100% of the actual working time of the staff member.
3. An overall description of the work carried out by the staff member on the project in the month concerned should be provided.
4. In addition to hours spent on project activities, timesheets should indicate time dedicated to other activities outside the project that contributed to the employee's salary payment in the same month.
5. Working time must be recorded per month throughout the entire duration of the project.
6. Only time included in time sheets is eligible and can be reported by the partner organisation.
7. Estimation of hours worked are not accepted.

#### Minimum requirements in a timesheet

Project title: .....

Organisation name: .....

Employee name: .....

Month / Year .....

Date	Project work description	Number of hours worked	Other activities <sup>15</sup> (number of hours)	Total
<b>TOTAL</b>				actual 100% working time <sup>16</sup>

I hereby confirm that the project work as stated above is correct and true:

.....  
 (Place, date and signature of project employee)

I hereby confirm that the project work as stated above is correct and true:

.....  
 (Place, date and signature of line manager)

<sup>15</sup> Other activities include general training not related to the project.

<sup>16</sup> Actual working time does not include sick leave and holidays.