



Staff costs

Fact sheet on the eligibility of staff costs¹

February 2022

Definition

Staff costs cover costs of staff members employed by the partner organisation who are directly working on the project. Staff costs include salary payments and other costs directly linked to salary payments and paid by the employer (such as employment taxes and social security, including pensions) in line with the employment/ work contract² or other documents³.

Legal references

A list of cost elements covered by the staff category of costs is provided in Article 39 of Regulation (EU) No 2021/1059 (Interreg Regulation).

Staff costs consist of gross employment costs of staff employed by the Interreg partner in one of the following ways:

- a) full-time;
- b) part-time with a fixed percentage of time worked per month;
- c) part-time with a flexible number of hours worked per month;
- d) on an hourly basis.

The Interact tool, Matrix of costs⁴, presents further details of eligible and ineligible costs under this cost category.

Below, you will find all articles from CPR and Interreg Regulation applicable for staff costs, referenced in this fact sheet:

Regulation (EU) No 2021/1060 - CPR

- Article 55 – Direct staff costs concerning grants,

¹ Guidance provided in this fact sheet takes account of the provisions of the regulatory framework 2021-2027 (in particular, rules on eligibility of expenditure for cooperation programmes set up in the Interreg Regulation 2021/1059 and Common Provision Regulation (CPR) 2021/1060)) and practices in use by Interreg programmes in the 2014-2020 period. The fact sheet is by no means a legally-binding document.

² 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'.

³ Payments to natural persons working for the Interreg partner under a contract other than an employment or work contract may be assimilated to salary payments. Such a contract must be considered to be an employment document (Article 39(2b) Interreg Regulation).

⁴ Currently available for the 2014-2020 period, to be updated in 2022.

- Article 63 – Eligibility,
- Article 64 – Non-eligible costs.

Regulation (EU) No 2021/1059 - Interreg Regulation

- Article 37 - Rules on eligibility of expenditure,
- Article 38 - General provisions on eligibility of cost categories,
- Article 39 - Staff costs.

General principles

- Costs must be borne by the partner organisation.
- Principles of sound financial management and cost-efficiency should be applied.
- Staff costs must relate to activities which the partner organisation undertakes due to project implementation.
- The following costs are eligible components of staff costs:
 - salary payments fixed in the employment document, an appointment decision (in the case of natural persons working for the partner organisation under a contract other than an employment document), 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), in accordance with the legislation and standard practices in the country and/or organisation.
- Costs are only eligible if they are not recoverable by the employer.
- Benefits linked to salary payments are eligible if they are in line with the employment policy of the partner organisation; e.g., lunch vouchers, bonus payments, relocation benefits⁵.
- Holidays resulting from the employer's normal obligations are eligible. They form part of the gross employment cost.
- Overtime is eligible, provided it is in line with the national legislation and the employment policy of the partner organisation, and it is actually paid to the staff member.
- Overheads and any other office and administrative costs, daily allowances and any other travel and accommodation costs cannot be included under this cost category.
- Costs of staff are eligible if no other EU funds have contributed towards financing of the same expenditure item; i.e., no double-financing is permissible (Article 63(9) CPR).

HIT⁶ agreements

All staff costs options available in Regulation (EU) No 2021/1059 will be presented below in the fact sheet. However, please keep in mind that – following a HIT agreement - the staff cost category has been limited to the use of the real costs (full-time), fixed percentage method and SCOs.

⁵ Extra bonuses or changes to salaries due to the 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.).

⁶ HIT – Harmonised Implementation Tools.

Due to its limitations and difficulties in assessment and implementation, HIT agreed not to use in-kind contributions as part of jointly-developed rules (and, therefore, documents). There are no further agreements for this cost category according to HIT.

Reimbursement forms

Staff costs can be reimbursed based on:

1. real costs, or
2. simplified cost options (SCOs).

Each partner organisation must decide on the reimbursement form and indicate this in the application form. In some cases, specific reimbursement forms might be prescribed by the programme, but cannot be chosen by the partner organisation itself. Within the same project, different project partners can choose different options (e.g., one partner applies a real cost approach, while another partner chooses a flat rate). However, the same reimbursement option has to apply to all staff members of the partner organisation working on the project. If a programme offers both options for reimbursement (real costs and simplified cost options), the chosen option within cost category/part of the cost category must be applied at the partner level for the entire duration of the project (i.e., changes to a different reimbursement option, such as from real costs to SCOs or vice versa, are not possible during the project implementation unless such changes are justified by a force majeure situation).

Real costs

Staff costs must be calculated individually for each staff member.

Regardless of the staff engagement in the project (full-time, part-time, contracted on an hourly basis), the employment must be proven by at least the employment document, payslips and, in the case of a part-time or hourly basis, other supporting documents.

Staff costs cover costs actually incurred and 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 the reliability of the system⁷.

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

Engagement in the project	Calculation methods
	An individual dedicates 100% of his/her working time to the project.

⁷ In some countries, controllers are not allowed to see payslips because of data protection rules (GDPR). 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 that are considered ineligible under the staff costs category.

Full-time	<i>Staff costs = Total of the gross employment cost</i>
Part-time assignment with a fixed percentage of time worked on the project per month	<p>An individual dedicates a fixed percentage of his/her working time to the project.</p> <p><i>Staff costs = Total monthly salary (gross salary) * Fixed percentage</i></p>
Part-time assignment with a flexible number of hours worked on the project per month	<p>An individual dedicates a flexible monthly share of his/her working time to the project based on a registration system covering 100% of the working time.</p> <p><i>Staff costs = Part of the gross employment cost depending on the number of hours actually worked on the project</i></p> <p><i>Staff costs = Hourly rate⁸ * Number of hours worked on the project</i></p>

A fixed percentage method⁹ to calculate staff costs can be used to calculate the costs of staff members who work on a part-time assignment on the project (Article 39(4) Interreg Regulation). The percentage of the assignment must reflect the employee's related tasks, responsibilities and functions performed in the project. A task assignment document, issued individually for each employee working on the project part-time, should include the percentage of working time of an employee on the project per month and a description of tasks of the employee in the project, with a proportionate level of detail reflecting the indicated percentage. When the fixed percentage method is used, there is no requirement to use timesheets. Please see the Interact example [template for the task assignment](#) at the end of this document.

SCOs

Flat rate

Staff costs can be calculated as a flat rate of up to¹⁰ 20% of the direct costs other than the staff costs¹¹. This is the off-the-shelf option, so programmes do not have to develop their own calculation methodology.

$$\text{Staff costs} = \text{Eligible direct costs other than staff costs} * (\text{up to}) 20\%$$

If office and administration costs and/or travel and accommodation costs are calculated as a flat rate (or if any other flat rate is used in the programme), they cannot be part of the basis costs which are used to calculate the staff costs (circular reference). In this case, the cost category(ies) calculated as flat rates must be excluded from the calculation. If the off-the-shelf

⁸ Article 55(2) CPR offers 2 ways to calculate hourly rate. This hourly rate is considered a simplified cost option (i.e., unit cost) – you will more details on calculations under the section SCOs – Unit costs.

⁹ [Interact Facts sheets on Fixed percentage staff cost calculation method.](#)

¹⁰ Where 'up to' is used, a monitoring committee of the programme may decide to use a lower rate (however, the principle of equal treatment should be respected). If a lower rate is used, there is no obligation to provide justification for it.

¹¹ Article 39(3c) Interreg Regulation 2021/1059.

option is not satisfactory, a programme can develop its own flat rate, where the basis costs are different and/or the percentage is higher than 20%. In such a case, the programme needs to develop a methodology.

Unit costs

In addition, Article 55(2) CPR offers two off-the-shelf methods to calculate an hourly rate:

- dividing the latest documented annual gross employment costs by 1 720 hours for persons working full-time, or by a corresponding pro-rata of 1 720 hours, for persons working part-time.

Hourly rate = Latest documented annual gross employment costs / 1 720h

*Staff costs = Hourly rate * Number of hours worked on the project per month*

- dividing the latest documented monthly gross employment costs by the average monthly working time of the person concerned, in accordance with applicable national rules referred to in the employment or work contract, or an appointment decision (both referred to as the employment document).

Hourly rate = Latest documented monthly gross employment costs / Average monthly working time

*Staff costs = Hourly rate * Number of hours worked on the project per month*

When calculating staff costs based on an hourly rate, remember that:

- the total number of hours declared per person for a given year must not exceed the number of hours used for the calculation of that hourly rate;
- (1 720 h method) where annual gross employment costs are not available, they may be derived from the available documented gross employment costs or from the employment document¹², duly adjusted for a 12-month period;
- (1 720 h method) where a person is working part-time for the partner organisation (e.g., only 50 or 80%), a pro-rata calculation for 1 720h can be applied.

It is also possible to develop programme-specific unit costs, for example:

- hourly rates for different types of staff categories/ performance groups. The rates represent functions in the project¹³.
- hourly rates per Member /Partner State in the programme. Depending on the location of the project partner, a specific hourly rate is used.

¹² The latest documented annual gross employment costs should cover a 12-month period preceding the end of the reporting period (which could be the exact 12 months preceding the reporting period, 12 months preceding the subsidy contract, or the 12 months of the previous calendar year). However, if such annual data does not exist, available data from a few months can be extrapolated to 12 months, in order to comply with the requirement that gross employment costs are annual. When extrapolating any such data, the managing authority must ensure that the extrapolation takes into account any particular specificities in that Member State concerning staff costs – for example, additional holiday pay or a so-called '13th month', or equivalent arrangements.

¹³ To find out more about this approach, have a look at [these fact sheets](#) in the SCOs community.

Lump sums

A programme can decide to use lump sums for specific project activities (e.g., project management costs, preparation costs lump sum). In such cases, staff costs will be included in a lump sum. 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.

Audit trail

Real costs

The following documents must be available for control purposes:

- employment document or any other equivalent legal agreement that permits the identification of the employment relationship with the partner's organisation;
- document setting out the percentage of time to be worked on the project per month (if not specified in the employment document) (for part-time assignment using fixed percentage);
- tasks description (task assignment) providing information on responsibilities related to the project (if not included in the document in the previous point or employment document (for part-time assignment using fixed percentage);
- payslips or other documents of equivalent probative value;
- proof of payment of salaries and the employer's contribution;
- time recording system (not required when a person works on the project full-time or at a fixed percentage)

SCOs

For the audit/ control of the correct application of the SCO, the following documents should be in place:

- For flat rates: programme rules to verify that the flat rate takes into account the correct cost categories, and that the correct percentage is used, and that calculations are correct; basis costs; verification against double-financing.
- For unit costs: delivered outputs of the project (if relevant); verification that the amount declared is justified by quantities; verification against double-financing.
- For lump sums: delivered outputs of the project; criteria for the payment of the lump sum (payment triggers); verification against double-financing.

To find out more about the audit trail of SCOs, check out the Interact [publication](#) on simplified cost options in Interreg programmes.

Summary

The table below presents a short recap of the audit trail for verification of staff costs:

Required documents depending on the reimbursement option	Real costs			SCOs		
	Full-time	Part-time		Hourly rate		Flat rate ¹⁴ (e.g., up to 20% of direct costs)
		Fixed percentage ¹⁵	Actual hours	1720h method (Article 55(2)(a) CPR)	Average monthly working time (Article 55(2)(b) CPR)	
Employment/work contract/ contract/ another document	✓	✓	✓	✓	✓	✗
Job description	✓	✓	✓	✓	✓	✗
Payslips	✓	✓	✓	✓ ✗ ¹⁶	✓ ✗ ¹⁷	✗
Data from the time registration system (e.g., timesheets)	✗	✗	✓	✓	✓	✗
Proof of payment	✓	✓	✓	✗	✗	✗

Other/ Programme-specific information

For programmes that allow contributions in-kind (Article 67(1) CPR), unpaid voluntary work is eligible provided that the value of the work is determined by 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 the

¹⁴ The controller needs to check the existence of the staff costs cost category, i.e., if there is any staff working for a beneficiary's organisation. This can be done by checking any allowed by (national) law document that confirms an employee relation between a person and the organisation. The organization should have at least a staff of one.

¹⁵ For the fixed percentage method, on top of the documents listed in the table, a task assignment (a document setting out the percentage of working time on the project per month with information on tasks and responsibilities of an employee related to the project) should be verified. It could be specified in a separate document (task assignment document) or directly in the employment document/work contract. See template in Annex 2.

¹⁶ For the calculation of the hourly rate, verification of payslips is necessary when establishing the amount and whenever the rate is updated (to check annual/ monthly gross employment cost). Once the hourly rate is confirmed, verification of payslips is not required!

¹⁷ For the calculation of the hourly rate, verification of payslips is necessary when establishing the amount and whenever the rate is updated (to check annual/ monthly gross employment cost). Once the hourly rate is confirmed, verification of payslips is not required!

calculation of the eligible cost (identification of time spent on the project and application of the remuneration rate) as specified above are valid¹⁸.

Annex 1 - Example of a timesheet template¹⁹

1. Timesheets 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 the case of unit costs).
2. Timesheet 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. Working time should be recorded for every month worked on the project throughout the entire duration of the project.
5. Only time recorded in timesheets is eligible and can be reported by the partner organisation.
6. Estimations of hours worked are not accepted.
7. The total amount of hours worked (annually or monthly) cannot exceed the number of hours used for the basis calculation.

Minimum requirements in a timesheet

Project name:

Project acronym/ID:

Name of project partner:

Name of employee:

Month / Year

Date	Project work description	Number of hours worked	Other activities ²⁰ (number of hours)	Total
TOTAL				actual 100% working time ²¹

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

.....

(Signature of project employee)

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

¹⁸ For voluntary work, the monitoring committee of the programme can decide to base the remuneration rate on the national minimum salary wages applicable in the Member States of the respective programme zone.

¹⁹ This timesheet template is limited to hourly rate calculation methods.

²⁰ Other activities include general training not related to the project.

²¹ Actual working time does not include sick leave and holidays, because these are already included in the calculation.

.....
(Signature of project employee)

Annex 2 – Task assignment template (Real costs, fixed percentage method to calculate staff costs for persons working on the part-time assignment to the project)

For information for the project partner:

- This template can be used for the task assignment, and is an example of the minimum requirements which should be covered if the fixed percentage method is used (if not part of an employment document/contract or another document). It has to be submitted for verification of staff cost expenditure to the relevant control body.
- If changes have been made to the tasks and responsibilities of an employee, the task assignment document can be reviewed and amended (the percentage cannot change every month and should apply as a minimum for one full reporting period).

Project Information	
Project name	Please indicate
Project acronym/ ID	Please indicate
Name of project partner	Please indicate
Name of employee	Please indicate
Applicable from	Please indicate
Version N°:	Please indicate

With this task assignment, I confirm that [Name employee] works on the above-mentioned project.

Should I be involved in other EU-funded projects, I [Name employee] confirm that there is no double-financing, as not more than 100% of my working time will be reported.

[Name employee] carries out the following tasks in the frame of the implementation of the project:

- | |
|---|
| <ul style="list-style-type: none">- [specify task]- [specify task]- [...] |
|---|

[Name employee] will dedicate [%] of his/her working time per month to carrying out the tasks as described above.

[name of employer]

[name of employee]

Employer's signature

Employee's signature