



Fact Sheet 2 - Staff Costs

	Valid from	Valid to	Main changes
Version 1	27.04.15	11.05.16	
Version 2	12.05.16		Clarifies details around hourly rate calculations

Core message: There are detailed rules about who can claim staff costs, how to claim staff costs and the documentation required for this. This Fact Sheet lays out the requirements for staff working full time and part time on the project.

**This Fact Sheet applies to every country
 except Flanders and The Netherlands**

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Background

Staff costs represent a major part of the costs claimed by most projects and it is therefore very important that these costs are reported correctly. This fact sheet explains which staff costs are eligible and how to calculate costs for the hours used on the project. Only staff costs calculated according to the rules set out here are eligible¹. It is also important to remember that:

- Staff costs must result from approved project activities
- Only staff formally employed by a beneficiary can report staff costs – and to become a beneficiary, an organisation must be named separately in the approved application

Full time project staff and part-time project staff

Staff members can be divided into four categories:

- Staff members working full time on the project
- Staff members working part-time on the project with a fixed percentage of time allocated to the project
- Staff members working part-time on the project with a flexible amount of time allocated to the project
- Staff paid by the hour

¹ Provisions in the EC regulations make it possible to use three different options for reporting of staff costs but the partner countries in the programme have selected one option only.



There are different requirements in terms of documentation for each of the different categories.

Eligible costs and documentation for full time staff

Staff costs = Gross employer costs

The gross salary is the amount on the payslip and any other costs, which must be paid by the employer. These costs might include pension and insurance contributions. To be eligible, such extra costs must be:

- Stated in the employment document or required by law
- In accordance with any legislation referred to in the employment document and the norms of the country and organisation where the employee works
- Not recoverable by the employer²

Staff working full time on the project do not need to keep timesheets. Staff working fulltime on the project can never use an hourly rate calculation.

Eligible costs and documentation for staff working part-time on the project with a fixed percentage of hours

Staff costs = The relevant percentage of gross employer costs

The employer must issue a document for each employee that sets out the percentage of time to be used on the project³. Gross employer costs are calculated as above. No registration of working time (time sheets) is required because the amount of time worked on the project is fixed in the written agreement with the employer⁴.

Eligible costs and documentation for staff working part-time on the project with a flexible number of hours

Staff costs = Hours worked x Hourly rate

² 481/2014 §3.2 (b)

³ 481/2014 §3.5

⁴ 481/2014 §3.4 (a)



The hours worked must be documented in a time registration system (timesheets or equivalent) covering 100% of the employee's working time (i.e. also covering all hours worked on tasks not related to the project)⁵. The system used must make it possible to clearly distinguish the time spent on the project.

The hourly rate can be calculated in two different ways. After one of these options has been selected for a beneficiary, this decision cannot be changed during project implementation. It is not possible to use any other way of calculating the hourly rate. See above for the calculation of gross employer costs. Costs claimed in a given month using the hourly rate can never exceed the amount actually paid out as salary for the month.

Hourly rate option 1:

The hourly rate is calculated according to the total working time laid down in the employment contract.

- Hourly rate = Gross Employer Costs/Total number of working hours fixed in the employment contract

Hourly rate option 2:

The hourly rate is calculated on the basis of a set number of 1720 hours per year. This number is set in the regulations⁶.

- Hourly rate = Latest documented annual gross employer costs /1720 hours
- Where the latest annual gross employer costs are not available (e.g. for a new member of staff), the rate should be calculated using the contracted salary or the actual salary payments made during the reporting period. For example, assuming a 6-month period (the standard programme reporting period), the hourly rate is calculated by taking the actual payments for these 6 months and dividing by 860 (half of the annual 1720).

Eligible costs and documentation for staff paid by the hour

Staff costs = Hours worked x Hourly rate set in employment document

The hours worked must be documented in a time registration system (timesheets or equivalent).

⁵ 481/2014 §3.4 (b)

⁶ 481/2014 §3.6 (ii)



Additional points and clarifications

- Staff costs must be calculated individually for each staff member
- Any bonuses or increases of salaries resulting from involvement in an EU co-financed project must be evaluated against the principle of sound financial management.⁷ Any such payments should not be excessive, must be linked to new responsibilities and/or targets, and must reflect norms in the country and organisation involved.
- No overhead costs can be reported under this budget line
- Daily allowances and any other travel and accommodation costs cannot be included under this budget line and must be reported under Travel and accommodation instead
- The staff costs reported can never exceed the documented Gross Employer Costs
- In the event of sickness, holiday, maternity leave etc. these hours can sometimes be charged to the project proportionally if they are non-recoverable by the employer:
 - For a full time employee 100% of these hours can be charged to the project.
 - For staff working part-time on the project with a fixed percentage of time, the same percentage can be charged to the project.
 - For part time workers with a flexible percentage of time allocated to the project and for workers contracted on an hourly basis, no sick time etc. can be charged to the project.
- Overtime payments are eligible provided they are paid out to the employee and are in conformity with national legislation and the employment policy of the beneficiary. Overtime must also be charged proportionally to the project i.e. it is not possible to work all regular hours on standard tasks and then charge all project hours at overtime rates

Minimum requirements for timesheets

Each beneficiary should use a time registration system that fits its own internal rules and procedures. The sample below is intended to show the minimum information that needs to be recorded. Where electronic time registration systems are used, these must comply with the requirements set out in Regulation 1303/2013 regarding standards and security. Note again that staff working part-time with a variable number of hours need to record 100% of their working time and not just the time spent on the project.

⁷ Part of this must include an assessment of whether special qualifications, new tasks, etc. are required,



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Project Title:

Beneficiary organisation:

Timesheet for: (Name of person)

Date	Project	Hours used

Signatures:

Date _____ Name of worker

Date _____ Responsible manager

References

- Regulation (EU) No 1303/2013 of the European Parliament and the Council of 17 December 2013 laying down Common Provision Regulation, Articles 67-69
- Commission Delegated Regulation (EU) no 481/2014 of 4 March 2014 Article 3