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Personnel Costs

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Reminder : The Legal Framework of a H2020 project

1. EU Financial Regulation
H2020 Rules for Participation
Applicable FCH Work Plan

2. Grant Agreement (GA)

Governs the relation between the funding body and the beneficiaries

*Annotated Model Grant Agreement vers. 2.1 of 30 Oct. 2015 : Resource to check !

http://ec.europa.eu/research/participants/data/ref/h2020/mga/gga/h2020-mga-gga-multi_en.pdf

3. Consortium Agreement (CA)

Governs the relation between beneficiaries

Overview of the Presentation

Main objective: → *error free financial statements !*

1. Personnel Costs Reporting

- a) Budget Categories (DIRECT Costs: Personnel, Sub-contracting, Other >< INDIRECT Costs)
- b) Forms of Costs - Actual, Unit, Flat rate

2. Personnel Cost Calculation : Hours worked X Hourly rate

- a) Hours Worked - from Timesheet
- b) Hourly Rate = Annual Personnel Costs / Annual Productive Hours
 - b.1) Annual Productive Hours - 3 options
 - b.2) Annual Personnel costs: Basic Remuneration+ NPFOs only: Additional Remuneration

WHAT Changed in H2020 related to personnel costs ?

- 3 options for determining annual productive hours
- Clearer and simpler obligations on time records
- More flexibility for average personnel costs
- Provisions on additional remuneration for NfPOs
- Eligibility of non-deductible VAT
- Less audit burden (2 years auditability)

Forms of Costs and Budget Categories

FORMS OF COSTS	BUDGET CATEGORIES					
	DIRECT COSTS				INDIRECT COSTS	SPECIFIC CATEGORIES OF COSTS
	Personnel	Sub contracting	Financial support to 3rd parties	Other		
Actual costs	✓	✓	✓	✓	✗	✓
Unit costs	Yes for - Average personnel costs - SME owners & natural persons without a salary	✗	✗	✗	✗	Yes if foreseen by Comm. Decision
Flat-rate costs	✗	✗	✗	✗	✓	✗
Lump sum costs	✗	✗	✗	✗	✗	Yes if foreseen by Comm. Decision

Not used by FCH

Forms of Costs

Actual costs

- Costs actually incurred, identifiable and verifiable, recorded in the accounts, etc.
 - **NEW:** non-deductible VAT paid is also eligible

Unit costs

- A fixed amount per unit determined by the Commission.
Example: SME owners' unit cost
- Average personnel cost (based on the usual accounting practices)

Flat rate

- A percentage to be calculated on the eligible costs
Example: Indirect costs = 25 % Direct costs

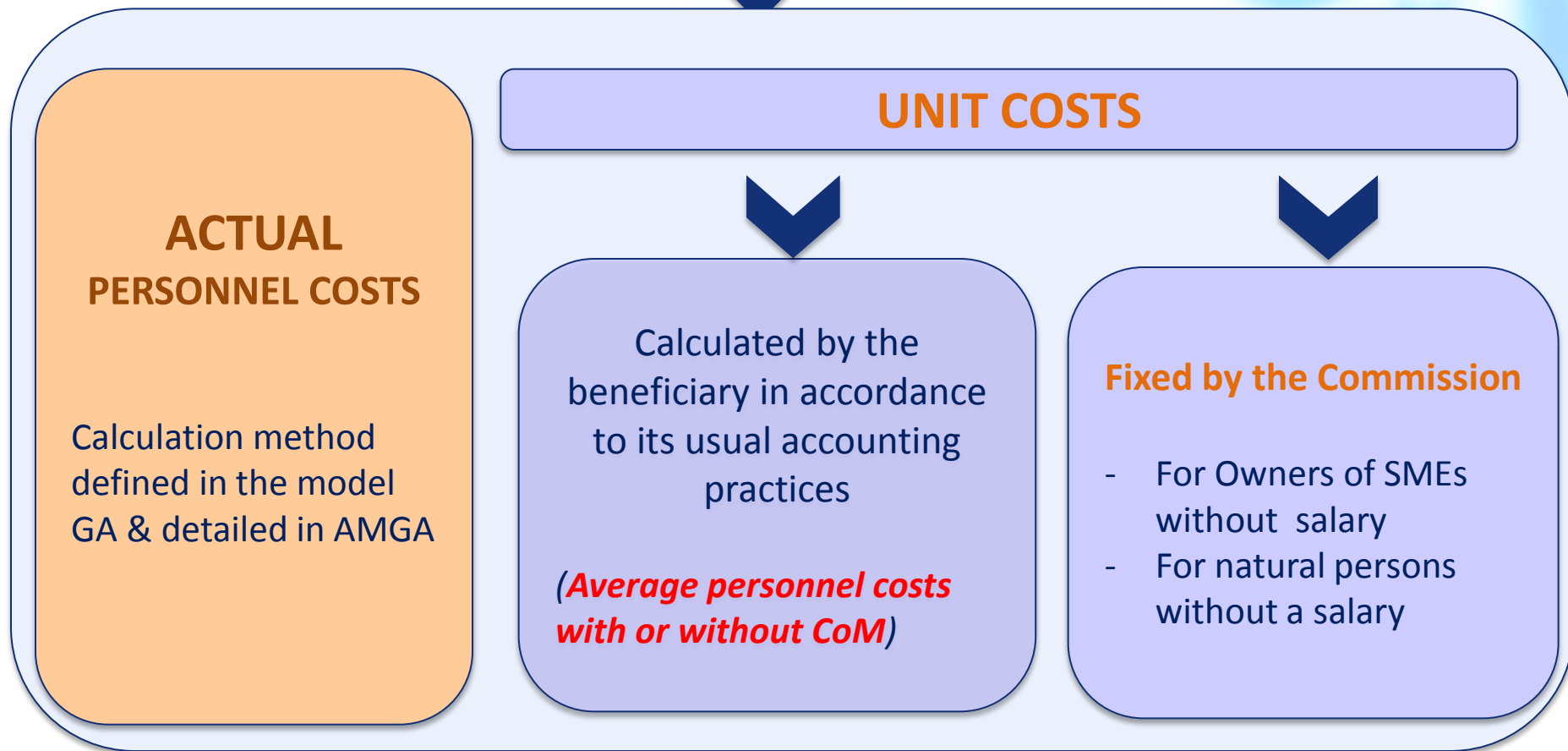
Lump sum

- A global amount to cover one or several cost categories
Example: Phase 1 of the SME instrument

Not used by FCH JU !

Personnel Costs: Overview

• CALCULATING PERSONNEL COSTS



WARNING: check carefully your personnel cost model.
In case of mistake, it might be necessary to AMEND grant agreement to allow report

Actual Personnel Costs: The Calculation

$$\text{Actual Personnel Cost} = \text{Hours worked for the project} \times \text{Hourly rate}$$

where

$$\text{Hourly rate} = \frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

- What elements to include in *Annual Personnel Costs*? Total Remuneration
- How to determine the *Annual Productive Hours*? 3 options to choose from clarified

NB !!! **Hourly rates** are calculated **per financial year**. If the financial year is not closed at the time of reporting, the beneficiary must use the last closed financial year available =>

HOURS WORKED: Why do I need a time-recording system?

Timesheets :

- Allow to comply with the terms & conditions of the GA Art.18: “the beneficiaries must keep time records for the number of hours declared”
- Allow to reconcile the salary costs
- Allow to calculate the person-month effort per WP to be reported
- Reviewed by auditors as verification that work carried out by staff is consistent with the salary and tasks agreed under the terms of the GA.
- Only the hours actually worked to be reported. You cannot declare:
 - Budgeted time (i.e. what you indicated for the budget)
 - Estimated time (e.g. person 'guessing' at the end of the year)
 - Time allocation (e.g. x % of the contractual time of the person)
- If timesheets are not completed, costs insufficiently substantiated will be ineligible and may be rejected and the grant may be reduced (see Article 18.2 of GA: Consequences of non-compliance).

Timesheet needs to correspond to the narrative reports of activities done - if no timesheets then efforts may need to be validated via Alternative Evidence.

Timesheet contd.

I don't keep timesheets, so I can use the 'alternative evidence option', correct?

- First, why are your timesheets not in order ? IT solutions exist.
- Second, why don't you fill them in?
- Third, TS? I don't use them because I use... What? How do you follow projects?

Alternative evidence is NOT an option, but a thin border b/n Problems & **BIG Problems**.
Must give same level of assurance as timesheets + assessed & accepted by auditors.

Hence, use the time-sheet. It needs to show at minimum:

1. Title and number of the project, as specified in the GA
2. Beneficiary's full name, as specified in the GA
3. Full name, date and signature of the person working for the project
4. Number of hours worked for the project in week/month covered by the time record, & includes absences (sick leave, annual leave, workshop attendance, training...).
5. Supervisor's full name and signature & date
6. Reference to the project tasks or work package described in DoA
7. Brief description of the activities carried out, to show what work was done

Exemple : Timesheet

- Hours worked on this project only (not on other projects/activities)
- Auditable time recording based on Timesheets

Declaration by Persons working Exclusively on the Action.

Version 1.1 – December 2014

Model available on Portal or in the AGA
(version 19/12/2014 : Art. 18- Keeping records)

Declaration on a person working exclusively on a H2020 action

Action		
Title of the action (acronym)		Grant Agreement number
Beneficiary's/linked third party's name		
Reporting period covered by this declaration ¹		
Reporting period number	from (date)	to (date)

This document certifies that² has worked for the beneficiary/linked third party exclusively on the above-mentioned H2020 action during (chose one below):

- ☐ the whole reporting period
- ☐ from³ until⁴
(This period must cover at least one full natural month)⁵

Short description of the activities carried out during the period covered by this declaration	
Reference (e.g. work package)	Activities

SIGNATURES

For the beneficiary/linked third party (supervisor)
Name:
Date:
Signature:

For the person working exclusively on the action
Date:
Signature:

¹ Only one declaration can be made per reporting period for each person working in the action.
² Insert name of the person.
³ Insert date.
⁴ Insert date.
⁵ The person must keep timesheets for any hours worked for the action outside the period indicated herein.

- ☐ the whole reporting period
- ☐ from/...../.....³ until/...../.....⁴
(This period must cover at least one full natural month)⁵



Only one declaration can be made per reporting period for each person

Time recording : Most Common Errors

I work 100% on the project , so I don't have to fill in timesheet, right?

- Did I travel for other unforeseen activities?
- Did I spend time building up a network with other entities for future projects?
- Did I spend time in writing proposals for the next calls?
- Did I give lectures for the University during working hours?

=> If any of the answers above is YES, then you **have to** fill in a timesheet.

Most Common Errors (non-exhaustive....)

- Inconsistency with HR records. (part-time 80% staff completing time daily, weekly or monthly timesheet sheet for full-time, leave time reported as worked time) => *!Indicate nothing but **the Reality!***
- More than full time employment charged to different projects - double funding!
- Poor or limited information captured
- Time sheets not properly dated or signed

Actual Personnel Costs: The Calculation

$$\text{Actual Personnel Cost} = \text{Hours worked for the project} \times \text{Hourly rate}$$

where

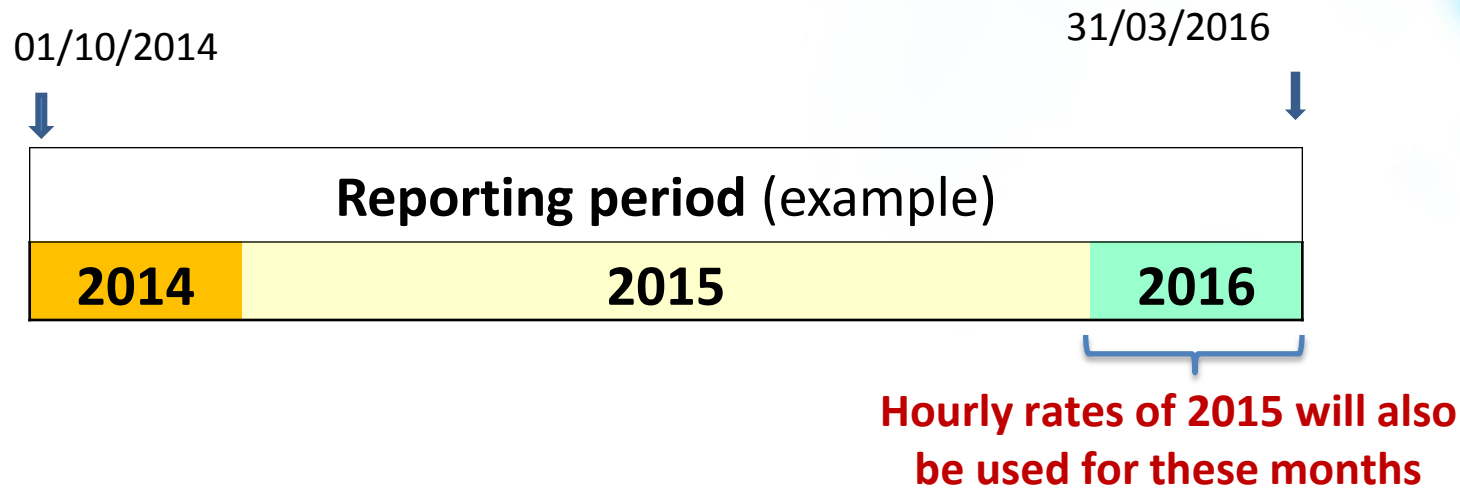
$$\text{Hourly rate} = \frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

- What elements to include in *Annual Personnel Costs*? - Total Remuneration
- How to determine the *Annual Productive Hours*? - 3 options clarified

NB !!! **Hourly rates** are calculated **per financial year**. If the financial year is not closed at the time of reporting, the beneficiary must use the last closed financial year available =>

Actual Personnel Costs: **Hourly Rate** Calculation

Use of Hourly Rates from the Last Closed Financial Year



ADVANTAGES FOR THE BENEFICIARIES

- ➡ NO ADJUSTMENTS TO BE DECLARED IN THE NEXT PERIOD
- ➡ LEGAL CERTAINTY: NO DOUBTS ABOUT WHAT PERIOD AND WHAT DATA MUST BE USED FOR THE CALCULATION
- ➡ REMOVES ERRORS DUE TO INCORRECT CALCULATIONS FOR FRACTIONS OF A YEAR

Annual Personnel Costs: Composition

TOTAL REMUNERATION

Standard remuneration

Basic
Salary



"Mandatory extras"

- Fixed by law or by contract to remunerate the main activity of the employee
 - Payment not subject to discretion by the employer
 - Not linked to a specific project
- Examples: 13th month, hazardous work allowance, etc.

Additional remuneration

Other bonuses

- Only eligible for non-profit legal entities
- If usual and consistent practice (max 8000 €/year or pro-rata)
- Maybe triggered by the participation in a specific project



**Hourly rate calculation : the Annual Personnel Costs (Numerator)
divided by Annual Productive Hours (Denominator) =>**

2.b. Actual personnel costs: annual productive hours

A: General case

$$\text{Hourly rate} = \frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

Annual productive hours

Advice

1720 hours

⚠ you must use this option if the employment contract does not specify the working time conditions or if the "annual workable hours" cannot be determined

Individual annual productive hours

• Formula: annual workable hours + overtime - absences

Standard annual productive hours

• According to the beneficiary's usual accounting practices. Minimum threshold: annual productive hours \geq 90 % of the standard annual workable hours

Unit (of) Cost: SME Owners, or Natural Persons without Salary

C: if you are a SME owner without a salary or a natural person without a salary

Costs must be declared on the basis of the unit cost (hourly rate) fixed by Commission Decision C(2013) 8197 and indicated in Annexes 2 and 2a of the GA.

WP

In practice: SYGMA calculates the hourly rate for you by using the formula:

$$\frac{\text{Monthly living allowance for experienced researchers under the IF actions}}{143} \times \text{Country correction coefficient}$$

- SYGMA calculates automatically once you enter hours estimated/ worked;
- 143 Hours per month relate to the max.1720 fixed annual productive hours;
- Max. total hours chargeable per year is 1720 for all projects worked on.

B: if you use average personnel costs

You calculate the hourly rate according to your usual practice provided that:

- ✎ *You applied it in a consistent manner, based on objective criteria, and regardless of the source of funding*
- ✎ *You calculate the hourly rate using the actual personnel costs recorded in your accounts, excluding ineligible cost or costs included in other budget categories*
- ✎ *You use one of the options of the Grant Agreement to determine the annual productive hours*

Personnel Costs: Additional Remuneration

How to treat **Variable** Extras, paid in addition to Salary & **Fixed** Complements as per Labor Contract ?
Depending on their characteristics, these may be :

Personnel costs: additional remuneration

Ineligible

- Arbitrary bonus
- Bonus based on commercial targets (e.g. sales target), fund raising targets or representing profit distribution (dividends)
- Bonus applied only to EU actions

Additional Remuneration

- Triggered by specific projects
- Paid for additional work or expertise
- Part of the usual remuneration practices of the entity
- Determined using objective criteria established in the internal rules
- ⚠ Eligible only for non-profit legal entities

(also) Basic Remuneration

- If not triggered by specific projects
- Under a scheme authorised by law, collective agreement of contract
- Determined using objective criteria established in the internal rules

Example : BONUS as part of Basic Remuneration

Co X pays bonus (bonus, “interressement”&“participation”) to staff

Bonuses eligible as part of “basic remuneration”= Basic salary & complements) as per AGMA p.45-48, as long as conditions for eligibility met, namely costs shall:

1. Fulfil the general conditions for cost to be eligible as per art 6.1 (a) & (b);
2. Are fixed (as conditions & amount or percentage) & mandatory according to the employment contracts, national law or collective labour agreement;
3. Are paid to the employees for their usual work/ duties/ tasks as defined in employment contract, and do not depend on participation in a specific project.

For the variable complements, in addition to points 1 and 3 above,

1. they are authorized under national law, collective labour agreement or part of the employment contract and
2. the amount is determined based on objective conditions and not at the sole discretion of the employer.