HORIZON 2020

Model Grant Agreement

PERSONNEL COSTS
The Framework Programmes timeline

2007  2014  2021

Each Framework Programme has its own rules!

Horizon Europe

Disclaimer: Information not legally binding
**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
- For average personnel cost (based on the usual accounting practices – with or without Certificate)

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

**Flat rate**
- A percentage to be calculated on the eligible costs
  - Example: 25% flat rate for indirect costs

Disclaimer: Information not legally binding
Classifying workforce contracts

Is it an employment contract or another type of contract?

Is it the only contract with the person or are there several contracts?

Does the contract establish the working time conditions?

Is the contract concluded with a person or with a company?

And what about 'consultants'?
### What contract under what budget category

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**Workforce costs**
What contract under what budget category

What workforce contracts can you declare under personnel costs?

**Standard case:** persons hired by the beneficiary via an employment contract

(qualified as such under national law; and for whom the entity pays social security contributions)

**Other cases:**

→ Natural persons hired directly via a contract other than an employment contract

**if:**

- the person works under conditions similar to those of an employee organisation or work, premises, etc.)
- The result of the work belongs to the beneficiary (exceptions may apply)
- The costs are not significantly different from those of an employee of the beneficiary doing similar tasks

→ Employees of a third party seconded to the beneficiary (must be set in Annex 1!)

Disclaimer: Information not legally binding
What you can **NOT** declare under personnel costs?

- Contracts with companies (e.g. temporary work agencies) to provide staff

- Natural persons (e.g. consultants) not fulfilling any of the conditions mentioned in the previous slide.
  
  e.g. working systematically off-site while employees have to work in the premises of the beneficiary

- Natural persons (e.g. consultants) paid *for deliverables* rather than for *working time*

  **In the cases above the costs may be eligible under 'Other goods and services' or under 'Subcontracting' but not as personnel costs**
Personnel costs: finding your way

SME owners → Actual costs → Average costs

1B Project-based remuneration

Additional remuneration?
- Not eligible
- Eligible?
  - Above the cap
  - Within the cap

1A Non project-based remuneration

Basic remuneration
- Hourly rates
  - Within the cap
  - Above the cap
- Monthly
  - 1720
- Annual
  - Individual
  - Standard
Personnel costs: Calculation

- Hours worked
- Hourly rate (EUR/hour)

Formula for actual costs

+ Additional remuneration

 Applies only to beneficiaries with project-based remuneration schemes

Time records and/or Declaration on exclusive work

Disclaimer: Information not legally binding
Personnel costs: hours worked for the action

Only the hours **actually worked** on the action can be charged.

- Think of how *you* follow different projects

You **cannot** declare:

> Budgeted time (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)

*Hours declared to the action must be supported by reliable records and documentation!*
**Time records: supporting documents**

- **Depends if the person works exclusively on a H2020 action**
  - For this purpose, "working exclusively" refers to an uninterrupted period of at least one full calendar month during which all the hours worked by the employee for the beneficiary were dedicated to the H2020 action.

<table>
<thead>
<tr>
<th>Working exclusively</th>
<th>Records</th>
<th>Conditions (full details available in the AGA; page 160)</th>
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</table>
| **YES**             | Declaration on exclusive work for the action | → only one per reporting period (per person)  
 → covering one uninterrupted period of exclusive dedication of at least one calendar month |
| **NO**              | Time records (i.e. timesheets) | → dated and signed at least monthly by the person and his/her supervisor  
 → **minimum conditions** and information needed are detailed in the AGA |
Declaration on a person working exclusively on a H2020 action

**Model available in the AGA (version 19/12/2014)**

- [ ] the whole reporting period
- [ ] from ...../...../........ until ...../...../........
  (This period must cover at least one full natural month)

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

Disclaimer: Information not legally binding
Inconsistency with HR records

Time sheets not properly dated or signed

More than full time employment charged among different projects  double funding!

Poor or limited information captured
Do keep time records

Time records should include, as a minimum:

- title and number of the action
- beneficiary’s full name
- full name, date and signature of the person working for the action
- number of hours worked for the action
- supervisor’s full name and signature
- reference to the action tasks or work packages of Annex 1

Information included in time-sheets must match records of annual leave, sick leave, other leaves and work-related travel.
**Personnel costs: hourly rate**

**SME owner without a salary**

- Fixed hourly rate (unit cost) determined in the grant

**Average personnel costs**

- Average hourly rate (unit cost) calculate in accordance with the beneficiary's practices

**Actual costs**

- Salary is **project-based** Per **full-financial year**
- Salary is **NOT** project-based Per **month**
**Personnel costs: hourly rate**

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 grant agreement.

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

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

The SME owner or natural person may be remunerated by dividends, service contracts between the company and the owner, etc.;

**Still, the unit cost must be declared if there is no salary**
Personnel costs: hourly rate

If you use average personnel costs

You calculate the hourly rate according to your usual cost accounting 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 to determine the annual productive hours provided in the Model Grant Agreement
**Personnel costs: hourly rate**

**Actual costs**

1A - **General case:** the salary does not depend on specific projects

\[
\text{Hourly rate} = \frac{\text{Total personnel costs}}{\text{Total productive hours}}
\]

1B - **Specific case:** project-based remuneration

\[
\text{Hourly rate} = \frac{\text{Personnel costs for the H2020 action}}{\text{Hours worked for the H2020 action}}
\]

Subject to the provisions on additional remuneration

Disclaimer: Information not legally binding
How do I know if I am in the general case 1A or in the specific case 1B?

If your remuneration for time worked in some projects is different from your remuneration for your other duties: you are in the **specific case (1B)**

For example:

- You get a supplementary employment contract for the work in the project
- You get a bonus or premium for the time worked in the project
- Your contract fixes a specific hourly rate for work in specific projects

Otherwise, you are in the **general case (1A)**
**Hourly rate: CASE 1A** (remuneration is not project-based)

\[ \text{Hourly rate} = \frac{\text{Personnel costs}}{\text{Productive hours}} \]

**Annual hourly rate**
- Hourly rates calculated per full financial year
  - \( \frac{\text{Annual personnel costs}}{\text{Annual productive hours}} \)

**Monthly hourly rate**
- Hourly rates calculated per month
  - \( \frac{\text{Monthly personnel costs}}{\text{Monthly productive hours}} \)

**Two options**

*Since 2016*
Eligible personnel costs

- **Include:**
  - Salaries
  - Social security contributions (employers' and employees')
  - Taxes and other costs included in the remuneration if they arise from national law or the employment contract

- **Do not include:**
  - Any ineligible item (article 6.5)
  - Any costs included in other budget categories (e.g. indirect costs)
Hourly rate: CASE 1A (remuneration is not project-based)

Annual productive hours

1720 hours

Advice:

- 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 ≥ 90% of the standard annual workable hours

Hourly rate = \( \frac{\text{Personnel costs}}{\text{Productive hours}} \)
Annual productive hours options: principles

- Same option applied to all personnel working in H2020 actions; although... different options for different types of personnel are possible, if:
  - the same option is applied at least per group of personnel employed under similar conditions (e.g. same staff category, same type of contract, cost center, etc.); and
  - the options are applied consistently (e.g. the choice of the option is not changed ad-hoc for specific employees)

- Keep the same option(s) for the full financial year
  - Options may be changed for the next financial year
**Hourly rate: CASE 1A** (remuneration is NOT project-based)

**Annual hourly rate specificities**

The annual hourly rate must be calculated **per full financial year**

If the financial year is not closed at the end of the reporting period, the beneficiary must use the hourly rate of the *last closed financial year available*.

- **01/10/2014**
- **31/03/2016**

**Reporting period (example)**

- **2014**
- **2015**
- **2016**

**Hourly rate of 2014**

**Hourly rate of 2015**

**Hourly rate of 2015 also for these months**

Disclaimer: Information not legally binding
Monthly hourly rate specificities

One hourly rate per each month the person works in the action

Monthly productive hours = 1/12 of the annual productive hours

Only options 1 (1720) and 3 (standard) are allowed. Option 2 (individual) is NOT allowed for monthly hourly rates.

Thirteen salary (and similar) included in each month "pro-rata"; not in full in the month when they are paid.

Time spent in parental leave cannot be deducted from the monthly productive hours. However, personnel costs incurred during parental leave may be charged in proportion to the time the person worked for the action.
Beneficiaries must ensure that:

- the total number of hours declared in EU and Euratom grants for a person for a year is NOT higher than the number of annual productive hours used for the calculation of the hourly rate.

\[ \sum \text{hours declared} \leq \text{total annual productive hours} \]

- the total amount of personnel costs declared (for reimbursement as actual costs) in EU and Euratom grants for a person for a year is NOT higher than the total personnel costs recorded in the beneficiary’s accounts (for that person for that year).

\[ \sum \text{cost declared} \leq \text{total personnel costs for the person} \]
CASE 1B: FOUR STEPS TO CALCULATE THE PERSONNEL COSTS

1. Additional remuneration?

Identify what part of the remuneration of the employee is 'basic' and what part is 'additional'.

2. Hourly rate

Calculate the hourly rate of the employee using only the 'basic remuneration'.

3. Personnel costs: 'basic'

Multiply that hourly rate by the number of hours worked in the action.

4. + Additional remuneration

Calculate what part of the additional remuneration identified in Step 1 is eligible & add it to the result of Step 3.

Since 2017

Disclaimer: Information not legally binding
STILL PUZZLED?

Why don’t you try the Personnel Cost Wizard?
Ms R. has worked in 2015 and 2016 for the H2020 action whose reporting period runs from 01/10/14 to 31/03/16.

How do we calculate the personnel costs to be charged to the action?

Step 1: Calculate the hourly rate

Step 2: Identify the hours worked for the action

Step 3: Multiply the hours worked for the action by the hourly rate
Exercise: General calculation of personnel costs

Cost = Hours worked for the action \times \frac{\text{Annual personnel costs}}{\text{Annual productive hours}}

Step 1.a

Calculate the hourly rate: annual personnel costs

As 2016 is on-going at the end of the reporting period, the 2015 hourly rate will apply also for the 2016 months of the reporting period

Ms R. has a gross monthly salary of 2 500 EUR and the employer pays 30 % on top as social security

Annual personnel costs = (2 500 \times 12) + 30 \% = 30 000 + 9 000 = 39 000
**Exercise: General calculation of personnel costs**

\[
\text{Cost} = \frac{\text{Hours worked for the action}}{\text{Annual productive hours}} \times \frac{\text{Annual personnel costs}}{\text{Annual productive hours}}
\]

**Step 1.b**

Calculate the hourly rate: annual productive hours

Out of the three options offered by the H2020 grant agreement:

i. Fixed hours
ii. Individual annual productive hours
iii. Standard annual productive hours

The beneficiary applies option 1 for all its staff

Annual productive hours of Ms R. = 1720

What if Ms R. would be a part time employee?
Exercise: General calculation of personnel costs

Cost = Hours worked for the action \times \frac{Annual personnel costs}{Annual productive hours}

Step 2
Identify the hours worked for the action

Ms R. worked some hours in December 2015 (registered in a timesheet):

| DAY | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | Total |
|-----|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| WP 2 | 8 | 8 | 8 | 4 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |

And in 2016 she signed a declaration of exclusive work in the action covering the period:

\[\begin{array}{c}
\text{from 01/01/2016}^{3} \text{ until 15/02/2016}^{4} \\
(\text{This period must cover at least one full natural month})^{5}
\end{array}\]

Hours worked for the action in 2016 = \((1720 / 12 \text{ months}) \times 1.5 \text{ months} = 215\)
Exercise: General calculation of personnel costs

\[ \text{Cost} = \text{Hours worked for the action} \times \frac{\text{Annual personnel costs}}{\text{Annual productive hours}} \]

Step 3

Multiply the hours worked for the action by the hourly rate

\[ \text{Cost 2015} = 84 \times \frac{39\,000}{1\,720} = 84 \times 22.67 = 1\,904.28 \]

As 2016 is on-going, the 2015 hourly rate will apply also for the 2016 months of the reporting period

\[ \text{Cost 2016} = 215 \times 22.67 = 4\,874.05 \text{ EUR} \]
Participant Portal
At: http://ec.europa.eu/research/participants/portal/desktop/en/home.html

- Horizon 2020 Annotated Grant Agreement

- Horizon 2020 On-line Manual
  http://ec.europa.eu/research/participants/portal/desktop/en/funding/guide.html#

- Questions? Research Enquiry Service
  http://ec.europa.eu/research/enquiries
Thank you for your attention!

Find out more: http://ec.europa.eu/programmes/horizon2020/