



HORIZON 2020

Model Grant Agreement PERSONNEL COSTS

The Framework Programme timeline

2007

2014

2021



Each Framework Programme has its own rules !

Horizon Europe

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

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?



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

Does the contract establish the working time conditions?

And what about 'consultants'?

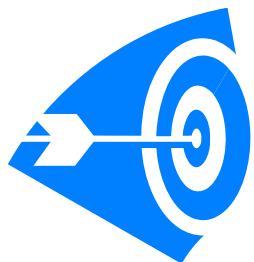
What contract under what budget category

A. Direct personnel costs		B. Direct costs of subcontracting	C. Direct costs of fin. support]	D. Other direct costs	E. Indirect costs ²
A.1 Employees (or equivalent)	A.4 SME owners without salary			D.1 Travel	
A.2 Natural persons under direct contract	A.5 Beneficiaries that are natural persons without salary			D.2 Equipment	
A.3 Seconded persons				D.3 Other goods and services	
[A.6 Personnel for providing access to research infrastructure]				[D.4 Costs of large research infrastructure]	
Actual	Unit ⁷	Unit ⁸	Actual	Actual	Flat-rate ⁹

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

Since
(2017)

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

What contract under what budget category

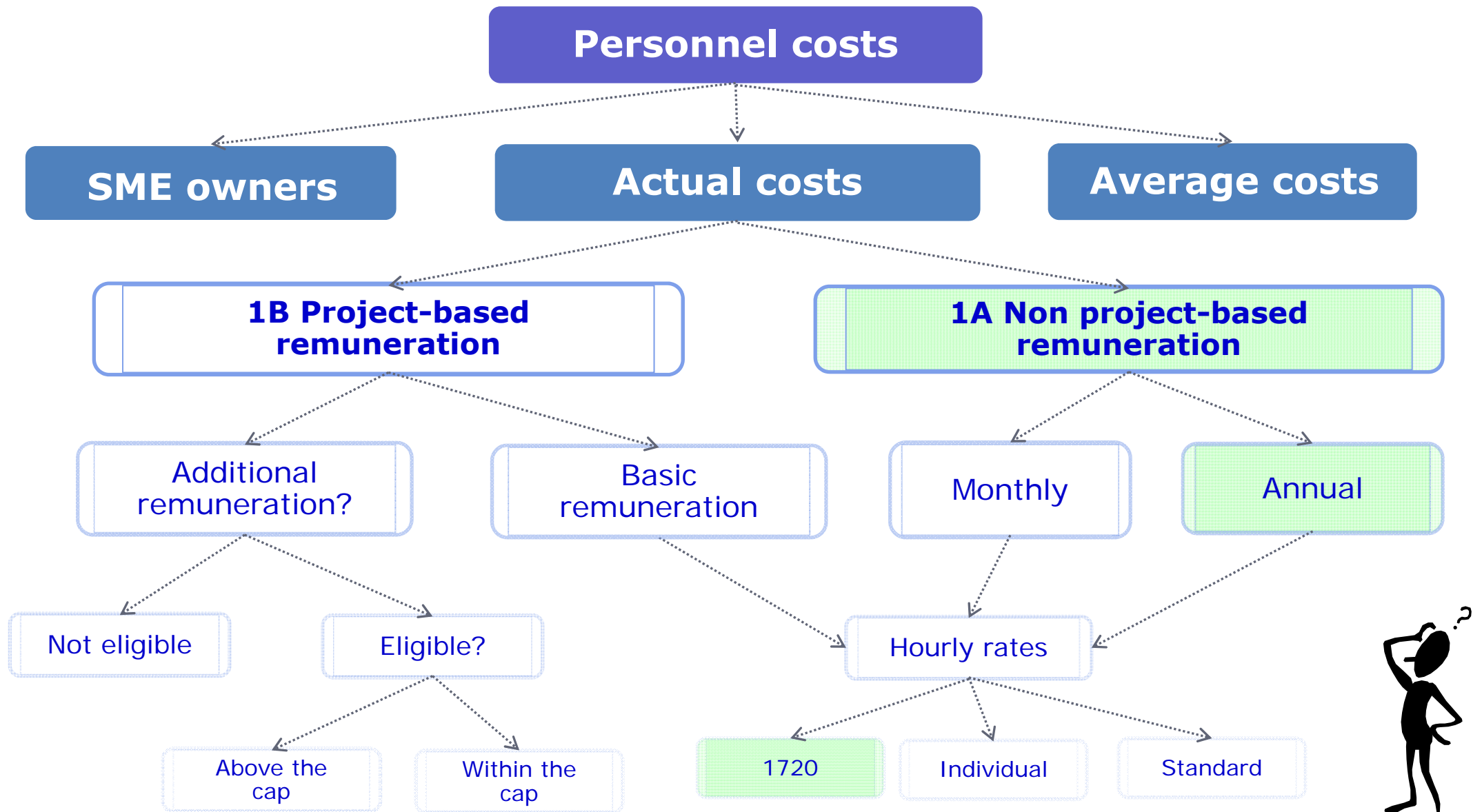
What you can **NOT** declare under personnel costs?

- ❌ 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



Personnel costs: Calculation



Time records
and/or
Declaration on
exclusive work



Formula for actual
costs



**Applies only to
beneficiaries with project-
based remuneration schemes**

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

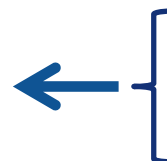
↳ For this purpose, "*working exclusively*" refers to an uninterrupted period of at least one full calendar month during which all the hours worked by the employee for the beneficiary were dedicated to the H2020 action.

Working exclusively	Records	Conditions (full details available in the AGA; page 160)
YES	Declaration on exclusive work for the action	<ul style="list-style-type: none">→ 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)	<ul style="list-style-type: none">→ dated and signed at least monthly by the person and his/her supervisor→ minimum conditions and information needed are detailed in the AGA

Declaration for persons working exclusively on the action:

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

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



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:



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

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.

Time recording: common errors

- ✘ 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.

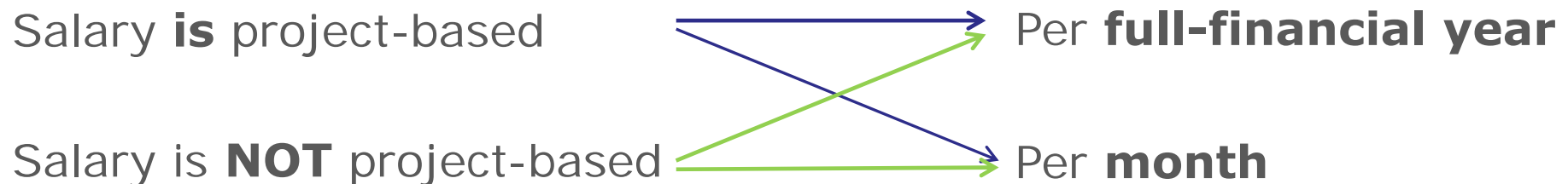
SME owner without a salary

- 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



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:

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



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**

ACTUAL personnel costs: hourly rate

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)

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

Since
2016

Annual hourly rate

Hourly rates calculated per full financial year

$$\frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

Two
options

Monthly hourly rate

Hourly rates calculated per month

$$\frac{\text{Monthly personnel costs}}{\text{Monthly productive hours}}$$

Hourly rate: CASE 1A (remuneration is not project-based)

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

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)

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

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

Hourly rate: CASE 1A (remuneration is NOT project-based)

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**

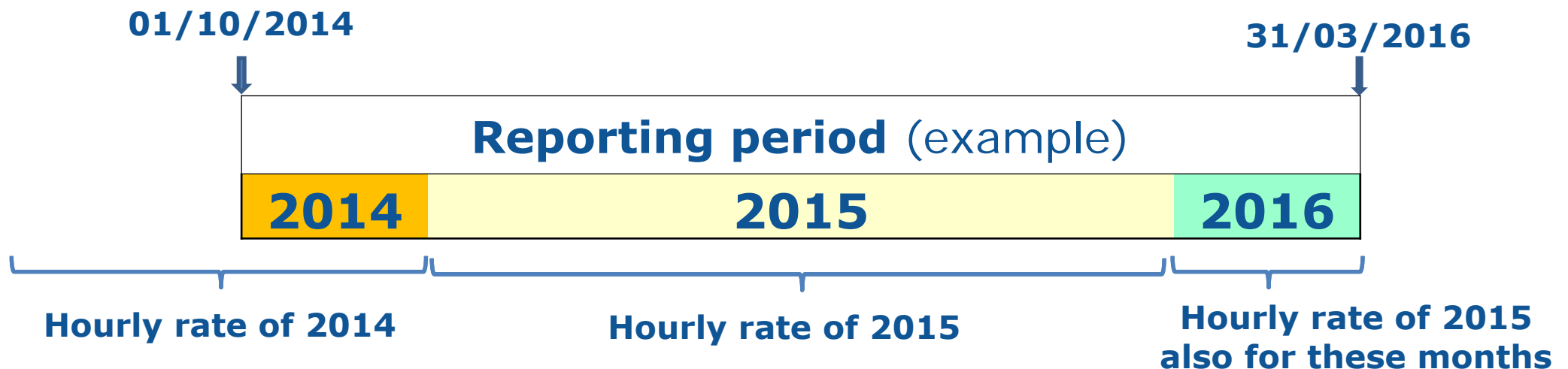
Hourly rate: CASE 1A (remuneration is NOT project-based)

Annual hourly rate specificities

$$\frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

 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*.



Hourly rate: CASE 1A (remuneration is NOT project-based)

Monthly hourly rate specificities

$$\frac{\text{Monthly personnel costs}}{\text{Monthly productive hours}}$$

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.

Personnel costs: double ceiling

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



Σ hours declared \leq 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).



Σ cost declared \leq total personnel costs for the person

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

CASE 1B: FOUR STEPS TO CALCULATE THE PERSONNEL COSTS

STILL PUZZLED?

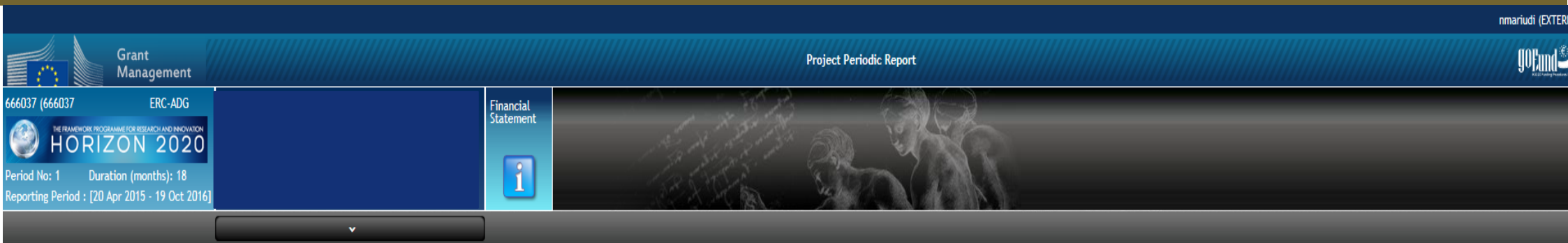
Why don't you try the Personnel Cost Wizard?

Grant Management Project Periodic Report nmariudi (EXTER)

666037 (666037) ERC-ADG

Financial Statement

Period No: 1 Duration (months): 18 Reporting Period : [20 Apr 2015 - 19 Oct 2016]



Financial Statement

Financial information from contract




No contribution requested? Yes No

Financial Statements

Period	Adjustment	Requested Contribution
20 Apr 2015 - 19 Oct 2016 (Period No. 1)	No	66,855.18 €

Financial Statement for period '1' - (20 Apr 2015 - 19 Oct 2016)

Eligible costs: 1

Cost Category	Total	Actions
a) Direct personnel costs declared as actual costs	0.00 €	
b) Direct personnel costs declared as unit costs (average costs)	0.00 €	
d) Direct costs of subcontracting	0.00 €	
e) Other direct costs	0.00 €	
g) Costs of internally invoiced goods and services	0.00 €	
h) Indirect costs (= 0.25 * (a + b + e + g - n))	0.00 €	
i) Total costs (= a + b + d + e + g + h)	0.00 €	
l) Maximum EU contribution (= 100% * i)	0.00 €	
m) Requested EU contribution	0.00 €	

Wizard entry point



Additional Information for indirect costs:

Use of 'costs of in-kind contributions not used on premises?' (n) Yes No 0.00 €

Exercise: Calculation of personnel costs (general case)

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

$$\text{Cost} = \text{Hours worked for the action} \times \underbrace{\frac{\text{Annual personnel costs}}{\text{Annual productive hours}}}_{\text{Hourly rate}}$$

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

$$\text{Annual personnel costs} = (2\,500 \times 12) + 30\% = 30\,000 + 9\,000 = 39\,000$$

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 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

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

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
Reference e.g. work package																																
WP 2		8	8	8			4	8	8	8	8				8	8	8															84

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

- from 01/01/2016³ until 15/02/2016⁴
(This period must cover at least one full natural month)⁵

Hours worked for the action in 2016 = (1720 / 12 months) x 1,5 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

http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-amga_en.pdf



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>



HORIZON 2020

**Thank you
for your attention!**

Find out more:

<http://ec.europa.eu/programmes/horizon2020/>

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Innovation*