

ANNEX

to the

COMMISSION DECISION

authorising the use of reimbursement of the costs of staff on the basis of unit costs for actions implemented under grant and delegation agreements¹ following the models established by DG DEVCO and DG ECHO

1. Forms of grants or contributions and categories of costs covered

The reimbursement of eligible direct staff costs may take the form of reimbursement of actual eligible costs incurred or of unit costs declared in accordance with the usual cost accounting practices of Grant Beneficiaries under grant agreements signed following the models established by DG DEVCO and DG ECHO.

The reimbursement of costs of staff directly assigned to tasks other than budget implementation tasks under indirect management, may take the form of reimbursement of actual eligible costs incurred or of unit costs declared in accordance with the usual cost accounting practices of the persons referred to in Article 58.1(c) of the Financial Regulation² ("*entrusted persons*") under delegation agreements signed following the models established by DG DEVCO and DG ECHO.

For this purpose:

- "*staff*" (also referred to as "*personnel*" under grant or delegation agreements) means persons working under an employment contract or equivalent appointing act with the Grant Beneficiary or with the entrusted person (*the entity*)
- "*staff costs*" means salaries plus social security contributions and other statutory costs included in the remuneration.

Staff costs therefore include contributions for pension, health insurance and unemployment insurance schemes (including loss of employment indemnities or terminal emoluments) arising from national law, collective labour agreement or the employment contract (or equivalent appointing act). Those contributions are considered as staff costs only if they are paid by the entity to external offices or bodies running the schemes.

Contributions for schemes run by the entity according to its staff regulation (or equivalent rules and policies) and accounted for by the entity as provisions or reserves according to its

¹ Including the "Grant Contract" applicable to External Actions of the European Union

² Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union

usual accounting practices may not be considered as staff costs, unless the entity can demonstrate that the following conditions are fulfilled:

- (i) the amount provisioned or reserved by the entity does not exceed the contribution that would have been paid under a scheme run by an external office or body and arising from national law or collective labour agreement (if any);
- (ii) the amount provisioned or reserved by the entity does not exceed the actual payments, i.e. it does not exceed the percentage corresponding to:
the amount of pension, health or unemployment benefits actually paid by the entity
divided by
the total staff costs, calculated on an annual basis and registered in the entity's accounts.

Staff costs may include additional remunerations, including payments on the basis of supplementary contracts regardless of the nature of those contracts, if they are paid in a consistent manner whenever the same kind of work or expertise is required, independently from the source of funding used;

- the costs of natural persons seconded by a third party to the entity against payment or working under a contract with the entity other than an employment contract may be assimilated to such staff costs, if the following conditions are fulfilled:

- (i) the natural person works under the instructions of the entity and, unless otherwise agreed with the entity, in the premises of the entity;
- (ii) the result of the work belongs to the entity; and
- (iii) the costs are reasonable, in accordance with the normal practices of the entity and not significantly different from the costs of staff performing similar tasks under an employment contract with the entity.

Where staff costs are reimbursed on the basis of unit costs:

- the amounts of the unit costs to be declared by the entity shall be calculated by the entity in accordance with the method set out in Point 3.1;
the staff costs to be declared shall correspond to the amount obtained by multiplying the "*unit costs*" (rates per hour, day or half a day) by the number of "*actual units*" (number of actual hours, days or half-days worked by staff on the action or other tasks).

2. Justification

2.1. Nature of the supported actions or tasks

The actions or other tasks supported by the EU grants or contributions are very staff intensive. The human resources necessary for the implementation of the action or tasks are detailed (per category of staff and/or profile and/or function) in the description of the action or tasks and in the estimated budget annexed to the grant or delegation agreement. The actions or tasks

require a detailed monitoring, by the entity and the Commission, of the time spent by staff on the actions or tasks.

2.2. Risks of irregularities and fraud and costs of control

Staff costs are, together with indirect costs, the category of costs which is the most prone to errors. The reimbursement of costs determined on the basis of the cost accounting data contributes to the simplification of the financing arrangements and to the decrease of administrative errors linked to the reporting of actual staff costs.

In addition, for entrusted persons, the risk of fraud or irregularity is limited by the *ex ante* assessment required by the Financial Regulation, in particular with regard to their accounting procedures.

3. Method to determine the amounts

3.1. Unit costs for staff costs

The unit cost for staff costs declared by the entity shall be the rate (per hour, day or half a day) calculated by the entity in accordance with its usual cost accounting practices, on the condition that:

- the cost accounting practices used are applied in a consistent manner, based on objective criteria, regardless of the source of funding;
- the rate is calculated using the actual staff costs as defined in Point 1 and as recorded in the entity's accounts, excluding costs which are not eligible under the grant or delegation agreement, any other cost such as indirect costs, provisions or reserves, performance-based bonuses, or any cost included in other budget categories. The actual staff costs may be adjusted by the entity on the basis of budgeted or estimated elements. Those elements must be relevant for calculating the staff costs, reasonable and correspond to objective and verifiable information;
- the rate is calculated using the number of annual productive units (see below), and
- the number of actual units worked by the staff and charged by the entity to the action is necessary for the implementation of the action or other tasks and is identifiable and verifiable. For this purpose, the entity shall retain appropriate evidence of the units charged for the staff to the action or other tasks through a comprehensive time-recording system or through an employment or service contract stipulating the precise assignment to those activities. The time records are approved by the staff assigned to the action and their supervisors at least monthly.

For the number of annual productive units (hours, days or half-days), the entity may choose one of the following:

- (i) 1 720 hours or 215 days or 430 half-days for persons working full time (or corresponding pro-rata for persons not working full time);

- (ii) the total number of units worked by the person in the year for the entity, calculated as follows:
{annual workable units of the person (according to the employment contract, applicable labour agreement or national law)
plus
overtime worked minus absences (such as sick leave and special leave)}.
Annual workable units means the period during which the staff must be working, at the employer's disposal and carrying out his/her activity or duties under the employment contract, applicable collective labour agreement or national working time legislation.
If the contract (or applicable collective labour agreement or national working time legislation) does not make it possible to determine the annual workable units, this option cannot be used;
- (iii) the "standard number of annual units" generally applied by the entity for its staff in accordance with its usual cost accounting practices. This number must be at least 90% of the 'standard annual workable units'.
If there is no applicable reference for the standard annual workable units, this option cannot be used.

3.2 Compliance of the cost accounting practices

The entity declaring direct staff costs calculated in accordance with its usual cost accounting practices shall keep adequate records and documentation to prove that the cost accounting practices used comply with the conditions set out above. The number of actual units worked by the personnel and consultants is necessary for the implementation of the Action and this number shall be identifiable and verifiable.

The Commission may establish compliance of the entity's cost accounting practices for staff costs with the conditions set out in Point 3.1 upon request from the entity.

The approval of the entity's cost accounting practices shall be based on:

- (a) a description prepared by the entity of the cost accounting practices it uses to determine staff costs in accordance with the entity's usual cost accounting practices,
- (b) a description of the entity's time-recording system insofar as such a system is used to determine the above mentioned staff costs, and
- (c) evidence that entity's cost accounting practices satisfy the conditions set out in Point 3.1.

Evidence shall take the form of a report with a conclusion stating that the entity's cost accounting practices used to determine staff costs comply with the conditions set out in Point 3.1.

Such report shall be issued by an independent external auditor who is a registered member of a national accounting or auditing body or institution which in turn is member of the International Federation of Accountants (IFAC) and who is certified to perform (statutory) audits. Independent means that the auditor complies with the IFAC Code of Ethics for Professional Accountants, which establishes fundamental ethical principles with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards.

If the Commission approves the entity's cost accounting practices, the Commission will not challenge ex post the staff unit costs declared, provided that the cost accounting practices used comply with those approved by the Commission and that the entity did not conceal information for the purpose of the approval of these practices.

The above mentioned compliance report may be a Certificate on the Methodology (currently Annex 6 of the Horizon 2020 model Grant Agreement) accepted under the Horizon 2020 programme. Any change to the cost accounting practices shall be notified to the Commission and may lead to a reassessment of their compliance with the conditions set out in Point 3.1.

If the entity does not request ex ante approval of its cost accounting practices, does not provide the compliance report or if the Commission does not give its approval, the Commission may verify and challenge ex post the staff costs declared by the entity in application of the aforementioned practices.

4. No-profit and co-financing principles and absence of double financing for grants

- (a) The unit costs are based on the actual costs recorded on an annual basis in the Grant Beneficiary's accounts. These unit costs shall not systematically exceed the actual costs and create a bias in favour of the Grant Beneficiary. In addition, the other costs are mainly reimbursed through the grant on an actual cost basis. The absence of profit is thus verified at the time of payment of the balance according to the conditions stated in each grant agreement.
- (b) Compliance with the principle of co-financing for grants is ensured by applying the reimbursement rate set out in the specific grant agreement (with the exception for external action referred to in Article 192 of the Financial Regulation).
- (c) Double financing is avoided through:
 - the clear identification of the categories of eligible costs,
 - exclusion of the "indirect" costs from the categories of costs eligible under staff costs, as well as of any cost included in other budget categories.