

## Supporting questions for staff costs

### 0. How to use this document

This document is for (potential) project partners and can be used to support budgeting and reporting staff costs and especially selecting a suitable staff cost calculation method. The [Programme Manual](#) (Chapter F.3.1) defines different methods for calculation and documentation of staff costs. For each of these methods this document provides supporting questions and an example of how to calculate the staff costs correctly.

The supporting questions reflect the rules defined in the Programme Manual. They shall help the partner to verify whether and how the specific method for reporting staff costs can be used correctly. Only if every question or statement can be answered with “yes” is the chosen method applicable for the partner’s employee and can be implemented correctly. If the answer for one or more questions is “no”, the method cannot be used. In order to ensure the correct calculation of staff costs the Programme has developed the **staff costs tool** (available [here](#)). If the staff costs tool was completed with the correct data required for the selected calculation method, the tool calculates the eligible amount of staff costs to be reported.

Please note that this document does not include the recommendations for documentation and reporting of unpaid voluntary work.

**Please note: This guidance has been updated due to recent changes of the EC regulations (2019/693 and 2018/1046). The changes require also an update of the Programme Manual (currently version 6.0), which will follow later this year.**

**The changes allow in general a more flexible use of some methods (e.g. monthly hourly rate and yearly hourly rate) and are applicable retrospectively as of 14.05.2014.**

### 1. A few definitions

- **Employment document** refers to the employment or work contract, annexes to the contract, appointment decision or any other legal document (considered as an equivalent of the employment contract in the respective country) setting up the employment conditions. **It must contain** the responsibilities of the employee in the project and the working time dedicated to the project (e.g. information on whether the person is working full time/fixed percentage/flexible number of hours for the project).  
If the employment contract with the project partner organisation does not contain such information, the project partner **must** prepare an additional employment document that includes a description of the tasks in the project as well as dedicated working time. An optional template for such a document is available on the Programme website (<http://www.interreg-baltic.eu/for-projects/reporting.html>)

Collaborative labour agreements/collective agreements also form a part of the employment document if the employment/work contract is bound to such agreements. Each employment document must be concluded with a partner organisation listed in the application form. Staff costs of persons employed by organisations other than project partner organisations, including staff costs of the employees of third organisations that are directly or indirectly linked to the partner organisation (e.g. umbrella organisations/mother/subsidiary companies), are not eligible.

- **Gross employment costs** refers to salary payments fixed in the employment document or by law as well as any other costs directly linked to salary payments that are fixed in an employment document or by law, incurred and paid by the employer (for details please see [Programme Manual](#), chapter F.3.1.2 Eligible staff cost components).

For example this can be gross salary (fixed in the employment contract and including taxes or other obligatory employee's payments) + employer's taxes and social security payments (fixed in the employment document or by law) + holiday payments (paid by the employer and non-recoverable) + sick leave payments (paid by the employer and non-recoverable).

The gross employment costs must in all calculation methods refer to the person for which the staff costs are calculated. This means it is not possible to use any average costs, costs of a comparable position or the like.

- **Time sheets/time registration system** refers to a system in which the employee records his/her total working time as well as the time spent on the project activities. The registered time has to be confirmed by the employee and his/her superior (a system user's electronic confirmation or certified electronic signature is also possible).

The project partners should use their existing internal systems if it is ensured that this system:

- covers each employee individually;
- contains the amount of hours worked for the project on a daily basis;
- is signed by the employee and his/her supervisor; and
- covers 100% of the working time of the employee (including activities outside the project under the same employment document).

Alternatively (if such a system is not available or it does not fulfil the requirements), the Programme time sheet template incorporated in the staff costs tool can be used.

A common **mistake** made by project partners is using the Programme template to **document the hours worked for the project only**. It does not matter if the Programme template or internal system is used. In both cases **100% of the working time should be documented**.

- **Proof of payment:** Payslips provide evidence of the expenditure incurred. In addition, proof of payment must be provided in order to justify the actual defrayal of the salaries and the employer's contribution.

For example, extracts from a reliable accounting system of the beneficiary organisation are considered by the MA/JS as a sufficient proof of payment. In such cases, the control/audit could be focused on the reliability of the accounting system, e.g. whether booked amounts are automatically transferred so that transactions are not reversible. Other examples of proof of payment include: bank account statements, bank transfer confirmations, cash receipts, etc.

## 2. How to select the calculation method

In the following section, each calculation method is explained in detail including examples. Each method has different requirements regarding the supporting data and documents.

The starting advice is:

## DO NOT MIX THE CALCULATION METHODS!!!

Once you have decided on one method for the employee in question, please carefully study the requirements for the selected method. Experience shows that many mistakes happen because methods are mixed, which leads to ineligible costs or the creation of unnecessary documents.

### 2.1. Full-time

#### Supporting questions

- Is the person working solely for the project?
- Does the person have an [employment document](#) for working full-time for the project?
- Does the person have a job description with tasks related to the project?
- Are all eligible staff costs components included in the [gross employment costs](#) of the months for which the staff costs are reported?

#### Calculation of the staff costs

100% of [gross employment costs](#) is allocated to the project, so no specific calculation method is used.

#### Bear in mind

- [Time sheet/time registration system](#) is **not needed** for the person.
- A part-time employment contract of e.g. 20 working hours per week (50% of the usual full working load (40 hours per week)), however, solely dedicated to the project should be considered as full-time employment within the project ([Programme Manual](#), Chapter F.3.1.5, type (A))
- The [employment document](#) must contain the working time dedicated to the project. For a full-time person it could state e.g. “NN works 100% on the BSRXX PROJECT for period DD.MM.YYYY-DD.MM.YYYY.” An optional template for such a document is available at the Programme webpage (<http://www.interreg-baltic.eu/for-projects/reporting.html>).

### 2.2. Part-time based on a fixed percentage of time

#### Supporting questions

- Does the person have an [employment document](#) to work for the project?
- Does the person have a job description with tasks related to the project?
- Is there a document fixing the share (%) of working time that the person works at for the project?
- Was this share (%) agreed (documented agreement) before the person started to work for the project? **Does the share (%) correlate to the tasks in the job description?**
- Are all eligible staff costs components included in the [gross employment costs](#) of the months for which the staff costs are reported?

#### Calculation of the staff costs

A defined share (%) of the working time is allocated to the project. The costs to be reported for the project is calculated as follows:

- the gross employment costs per month multiplied with the defined share (%) of the working time for the project

**Example:**

- gross employment costs per month: €4,000
- defined share of the working time for the project: 25 %
- eligible costs for the project: €4,000 \* 25 % = €1,000

**Bear in mind**

- Time sheet/time registration system is not needed for the person.
- The employment document must contain a share (%) of the total working time dedicated to the project. It could state e.g. “NN works 25% of total working time for the BSRXX PROJECT for period DD.MM.YYYY-DD.MM.YYYY.” An optional template for such a document is available at the Programme webpage (<http://www.interreg-baltic.eu/for-projects/reporting.html>)

**2.3. Part-time with flexible hours, based on the monthly working time (UPDATED!!!)**

**Supporting questions**

- Does the person have an employment document for working for the project?
- Is the **working time of the person defined (e.g. per day, week or month) and expressed in hours** in the employment document or fixed by law or agreements between the social partners on the relevant level? Does the person have a job description with tasks related to the project?
- Does the person have time sheets/time registration system to show the number of hours worked?
- Does the time sheet/time registration system meet the requirements of the Programme (see above)?
- Are all eligible staff costs components included in the gross employment costs for the months for which the staff costs are reported?

**Calculation of the staff costs**

The calculation of the staff costs for the project should be made in three steps:

Step 1 - the average monthly working time expressed in hours is identified/calculated:

The partner should check first, whether the average monthly working time is fixed in the employment document/by law/in arrangements between social partners. If yes, this figure shall be used (see Example 1 below). If these documents do not specify the monthly working time but e.g. the weekly or daily working time, the project partner needs to calculate for each staff concerned the average monthly working time in accordance with Example 2.

Step 2 - the hourly rate is calculated: the monthly gross employment costs are divided by the average monthly working time expressed in hours (identified/calculated in step 1);

Step 3 - the hourly rate (calculated in step 2) is multiplied by the hours worked in the relevant month for the project as recorded in the time sheet/time registration system.

#### Example 1:

- Gross employment costs per month €4,000
- Total available monthly working time defined in the employment document: 152 hours
- Working time for the project according to the time sheet/time registration system): 43 hours in a specific month

Calculation:

- 1) Hourly rate:  $\text{€}4,000 / 152 \text{ h} = 26.32 \text{ €/h}$  (rounded economically with 0.005 being rounded up)
- 2) Eligible costs for the project :  $43 \text{ h} * 26.32 \text{ €/h} = \text{€}1,131.76$

#### Example 2:

- Gross employment costs per month: €4,000
- Working time defined in the employment document: 40 hours per week
- Number of working days per week: 5
- Number of working hours per day: 8 hours (weekly working time divided by 5 working days)
- Number of working days in the example month (any public/bank holidays shall be subtracted): 22 days
- Number of monthly holidays (days) as per the employment contract: 2.5 days (30 days annual holidays / 12 months)
- Working time for the project according to the time sheet/time registration system) 43 hours in the example month

Calculation:

- 1) Average monthly working time in the example month:  
 $19.5 \text{ days} (22 \text{ minus } 2.5 \text{ days}) \times 8 \text{ hours} = 156 \text{ hours}$
- 2) Hourly rate:  $\text{€}4,000 / 156 \text{ h} = 25.64 \text{ €/h}$  (rounded economically with 0.005 being rounded up)
- 3) Eligible costs for the project :  $43 \text{ h} * 25.64 \text{ €/h} = \text{€}1,102.52$

#### Bear in mind

- [Time sheets/time registration system](#) for 100% of the working time is required.
- **Working time must be stated in the [employment document](#)** or working time can also be set in social agreements on the relevant level (e.g. collaborative labour/collective agreements) or by national law. In case this working time is not set as monthly time but e.g. as weekly or daily working time, the available monthly working time must be calculated in line with the Example 2 above.
- The monthly working time may vary between the calendar months depending on the number of the working days and public holidays of the respective month.
- If the number of project related hours is higher than the contractual number of hours for the month (e.g. due to overtime), the staff costs reported for this month must not be higher than the [gross employment costs](#). In the staff costs tool this capping is done automatically.

## 2.4. Part-time with flexible hours, based on the standard number of 1720 h as annual working time (UPDATED!!!)

### Supporting questions

- Does the person have an [employment document](#) for working for the project?
- Does the person have a job description with tasks related to the project?
- Are the latest documented **annual gross employment costs** available?

#### Bear in mind

Latest annual gross employment costs are ([gross employment](#)) costs for a **past reference period of one year** (12 consecutive months/calendar year/accounting year) **before the person started to work for the project**. The reference period must not be changed during one reporting period. However, it can be updated for a new reporting period. In such cases, the updated reference period must start before the relevant reporting period and a new hourly rate should be applied to the entire reporting period. **Where annual gross employment costs are not available, they may be derived from the available documented [gross employment costs](#) or from the contract for employment, duly adjusted for a 12-month period.**

- Was the person employed during the reference period by the project partner?

#### Bear in mind

**In case an employee is having a part-time employment contract of e.g. 20 working hours per week (50% of the usual full working load (40 hours per week)) an hourly rate can be calculated using corresponding pro rata of 1720 hours (Example 3).**

- Does the person have [time sheets/time registration system](#) to show the number of hours worked?
- Does the [time sheet/time registration system](#) meet the requirements of the Programme (see [above](#))?
- Are all eligible staff costs elements included into the [gross employment costs](#) for the reference period?

### Calculation of the staff costs

The calculation of the staff costs for the project should be made in three steps:

**Step 1 - The annual gross employment costs are identified/calculated: The partner should check first, whether the latest documented annual gross employment costs are available for a **past reference period of one year** (12 consecutive months/calendar year/accounting year) **before the person started to work for the project** (see Example 1). Where annual gross employment costs are not available, they may be derived from the available**

documented [gross employment costs](#) or from the contract for employment, duly adjusted for a 12-month period (see Example 2).

**Step 2** - The hourly rate is calculated as the in step 1 identified/calculated latest documented annual gross employment costs divided by 1720 h. In case an employee is having a part-time employment contract of e.g. 20 working hours per week (50% of the usual full working load (40 hours per week)), an hourly rate can be calculated using corresponding pro rata of 1720 hours (Example 3).

**Step 3** - The hourly rate calculated in step 2 is multiplied by the hours worked in the relevant month for the project as recorded in the [time sheet/time registration system](#).

### Example 1:

The person reports staff costs for the period 01.06.2016 – 30.11.2016. The working time for the project during this period is 43 h according to the time registration system. The person worked for the partner organisation before; the latest documented annual gross employment costs e.g. for the period 01.06.2015-31.05.2016 amounts to €45,000. (Remark: any other 12-month period before the person started to work would be acceptable too, e.g. the previous calendar year 01.01.2015-31.12.2015).

Calculation:

- 1) hourly rate:  $\text{€}45,000 / 1720 \text{ h} = 26.16 \text{ €/h}$
- 2) eligible costs for the project :  $43 \text{ h} * 26.16 \text{ €/h} = \text{€}1,124.88$

### Example 2:

The person reports staff costs for the period 01.06.2016 – 30.11.2016. The working time for the project during this period is 43 h according to the time registration system. The person started the work for the partner organisation as of 01.01.2016 only; the latest documented gross employment costs for the period 01.01.2016-31.05.2016 amounts to €15,000.

Calculation:

- 1)  $\text{€}15,000 = \text{gross employment costs for 5 months}$   
 $\sim \text{corresponds to } 3,000 \text{ €/month} \times 12 \text{ months} = 36,000 \text{ €/year}$
- 2) hourly rate:  $\text{€}36,000 / 1720 \text{ h} = 20.93 \text{ €/h}$
- 3) eligible costs for the project :  $43 \text{ h} * 20.93 \text{ €/h} = \text{€}899.99$

### Example 3:

The person reports staff costs for the period 01.06.2016 – 30.11.2016. The working time for the project during this period is 43 h according to the time registration system. However, regular working time according to the [employment document](#) is half load (e.g. 20 h/week while full time is 40 h/week). The person started the work for the partner organisation as of 01.01.2016 only; the latest documented gross employment costs for the period 01.01.2016-31.05.2016 amounts to €10,000.

Calculation:

- 1)  $\text{€}10,000 = \text{gross employment costs for 5 months}$   
 $\sim \text{corresponds to } 2,000 \text{ €/month} \times 12 \text{ months} = 24,000 \text{ €/year}$
- 2) Workload = 50% of the regular working time  $\sim$  corresponding pro rata for calculation is  $1720\text{h} \times 50\% = 860\text{h}$
- 3) hourly rate:  $\text{€}24,000 / 860 \text{ h} = 27.91 \text{ €/h}$
- 4) eligible costs for the project :  $43 \text{ h} * 27.91 \text{ €/h} = \text{€}1,200.13$

#### Bear in mind

- [Time registration](#) for 100 % working time is required.
- Changes (e.g. of the reference period) are not allowed during a reporting period.
- This method is a simplified costs option, where the hourly rate is calculated on the annual working time of 1720 h/year defined by the EU regulations. When using simplified cost options the reported expenditure might be different from the real costs because the real annual working time is most likely different than 1720 h/year.

## 2.5. Contracted hourly rate basis

### Supporting questions

- Does the person have an [employment document](#) for working for the project?
- Does the person have a job description with tasks related to the project?
- Is the **hourly rate fixed in the [employment document](#)**?
- Does the person have [time sheets/time registration system](#) to show the number of hours worked?
- Does the [time sheet/time registration system](#) meet the requirements of the Programme (see [above](#))?
- If further costs not stated in the contract but deriving from legal obligations (e.g. corresponding social security costs, paid by the employer) were added to the hourly rate fixed in the [employment document](#): Were these amounts properly calculated and documented?

### Calculation of the staff costs

The hourly rate (if relevant, including further costs not stated in the contract but deriving from legal obligations e.g. corresponding social security costs, paid by the employer) is multiplied with the hours worked for the project.

#### Example:

- hourly rate fixed in the employment document: €12.00
- obligatory social tax set by the national law (not included in the hourly rate above): 25%
- 100 h of project work to be reported

#### Calculation:

- 1) hourly rate: hourly rate €12.00 + social tax (25%) €3.00 = €15.00
- 2) eligible costs for the project : €15.00 x 100h = €1,500.00

#### Bear in mind

- [Time sheet/time registration system](#) providing information on the number of hours worked per month for the project is required.
- **The method can only be used by persons that are paid based on an hourly rate that is fixed in an [employment document](#). It cannot be used by persons that have other employment contracts/documents.**

### 3. Can the calculation method be changed?

Under normal circumstances the partner selects one method for each employee and this method is kept for the whole project duration.

In well justified cases (e.g. as a result of adjustments in the employment agreement of the project staff), some changes are possible between the reporting periods or even during a reporting period. For example a person started to work with a fixed percentage and at some point the workload increased and the person was appointed (by an official document) to work full-time for the project.

Adjustment of the fixed percentage of time is possible only in case of a significant change of the workload which was not predictable and before it is applied.

When using the method “part-time with flexible hours, based on standard number of 1720 as annual working time”, changes are not allowed during a reporting period. For details please check the text regarding this method above.

Frequent changes of the calculation methods (e.g. every 1-2 months) are an indication that either an inappropriate method has been selected or the calculation method has not been applied properly. These should be avoided by careful planning and familiarisation with the available calculation methods.

### 4. Are costs related to paid leave (holidays, sick leave etc.) eligible?

As defined above the [gross employment costs](#) can include payments fixed in the [employment document](#) as well as any other costs directly linked to salary payments incurred and paid by the employer. This includes obligatory payments for holidays or sick leave, etc. **Still, whether these costs will be covered by the Programme or not mainly depends on the selected calculation method:**

- **Full time:** in this method the whole amount of eligible [gross employment costs](#) can be reported, which in a normal case means that costs for paid leave should be fully covered.  
*Example:*  
€1,000 was paid as annual holiday payment to an employee during the relevant reporting period. The obligation to pay this is fixed by the [employment document](#). Therefore, these €1,000 could be included into the gross employment costs reported to the Programme.
- **Part-time based on a fixed percentage of time:** in this method the costs related to paid leave can also be included in the [gross employment costs](#), which means that costs for paid leave should be covered proportionally.  
*Example:*  
€1,000 was paid as annual holiday payment to an employee during the relevant reporting period. The obligation to pay this is fixed by the [employment document](#). In addition, the employment defines that the person shall use 40% of her working time for project-related work. In this case the staff costs tool would automatically include €400 (40% of €1,000) into the eligible staff costs amount.
- **Part-time with flexible hours, based on the monthly working time:** In this case it depends on the national rules and provisions regarding the monthly working time. In every case, the calculated hourly rate must be multiplied by the actual hours worked (productive hours). Depending on the concrete contractual and legal provisions, paid holidays may be

proportionally reflected in the hourly rate in cases where the monthly working time excludes vacation (for more details please see above, point 2.3).

- Part-time with flexible hours, based on standard number of 1720 h as annual working time: The latest annual gross employment costs may include all obligatory employer payments for holidays, sick leave, etc. In this sense, they are proportionally included in the calculated hourly rate. However, as this is a simplified cost option, the calculated eligible expenditure might differ from the actual costs (see above, point 2.4.).
- Part-time with flexible hours, based on the contracted hourly rate: The (contracted) hourly rate is multiplied by the actual hours worked (productive hours) only. Therefore, this method does not compensate fully for paid leave.