

## Fact Sheet 2: Staff costs

Version	Valid from	Valid to	Main changes
Version 1	16.11.2021	-	
Version 2	28.06.2022	-	Hourly rate for Denmark has been updated.
Version 3	01.11.2022	15.05.2024	Updated hourly rate for the Netherlands has been updated.
Version 4	15.05.2024	-	Section on the written agreement (assignment letters) is now included.

### CORE MESSAGE

There are detailed rules about who can claim staff costs, how to claim staff costs and the documentation required for this. This fact sheet lays out the requirements for staff working full time and part time on the project.

### Background

Staff costs represent a major part of the costs claimed by most projects; therefore, it is very important that these costs are reported correctly. This fact sheet explains which staff costs are eligible and how to calculate costs for the hours used on the project. Only staff costs calculated according to the rules set out here are eligible. It is also important to remember that:

- Staff costs must result from approved project activities
- Only staff employed by a partner can report staff costs.

### Gross employer costs

Gross employer costs are defined as the direct costs an employer pays to employ an individual. In the context of Interreg projects, however, the gross employer costs shall, in accordance with Article 39 of the Interreg Regulation, be limited to the following:

- *"Salary payments related to the activities which the entity would not carry out if the operation concerned was not undertaken, fixed in an employment or work contract, an appointment decision (both hereinafter referred to as 'employment document') or by law, relating to responsibilities specified in the job description of the staff member concerned;*

- *any other costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security including pensions as covered by Regulation (EC) No 883/2004 of the European Parliament and of the Council<sup>27</sup>, provided that they are:*
  - *fixed in an employment document or by law;*
  - *in accordance with the legislation referred to in the employment document and with standard practices in the country or the organisation where the individual staff member is actually working or both; and*
  - *not recoverable by the employer<sup>1</sup>."*

## Written agreement on working time

A written agreement (also called a mission letter, assignment letter, etc.) between the employer and employee working full time or with a fixed percentage on a project must be drafted and signed.

The written agreement should include the following elements.

- Name of the project
- Name of the Employee
- A start and an end-date working on the project
- Main tasks of the employee on the project
- The amount of time allocated as a percentage (fixed percentage or full time)
- When the document is subject for revision (if relevant)

The document should be signed by both the employee and the employer before any costs of this nature are submitted to the programme for reimbursement.

## Full time project staff and part-time project staff

Staff members can be divided into three categories:

1. Staff members working full time on the project
2. Staff members working part time on the project with a fixed percentage of time allocated to the project
3. Staff paid by the hour

There are different documentation requirements for each of the categories.

### 1. Eligible costs and documentation for full time staff

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<sup>1</sup> For example, if the partner can get an employee's short term sick leave reimbursed from another source (national agreement).

Staff costs = Gross employer costs

The employer must issue for each employee a document that sets out the full time being used on the project, e.g. as part of their contract<sup>2</sup>. Gross employer costs are calculated as above. No registration of working time (time sheets) is required because the amount of time worked on the project is fixed in the written agreement with the employer.

## **2. Eligible costs and documentation for staff working part time on the project with a fixed percentage of hours**

Staff costs = Gross employer costs x fixed percentage

The employer must issue for each employee a document that sets out the percentage of time to be used on the project, e.g. as part of their contract<sup>3</sup>. Gross employer costs are calculated as above. No registration of working time (time sheets) is required because the amount of time worked on the project is fixed in the written agreement with the employer.

## **3. Eligible costs and documentation for staff paid by the hour**

Staff costs = Hours worked x Hourly rate set in employment document

The hours worked must be documented in a time registration system (timesheets or equivalent). The timesheet is normally signed by the employee and his/her immediate superior. For one-person companies or in cases where there is not superior to refer to, it is sufficient that the timesheet is signed by the employee.

### **Additional points and clarifications**

- Staff costs must be calculated individually for each staff member.
- Any bonuses or salary increases resulting from involvement in an EU co-financed project must be evaluated against the principle of sound financial management.<sup>4</sup> Any such payments should not be excessive, must be linked to new responsibilities and/or targets, and must reflect norms in the country and organisation involved.
- No overhead costs can be reported under this budget line.
- Daily allowances and any other travel and accommodation costs cannot be included under this budget line and must be reported under travel and accommodation instead (see Fact Sheet 4).
- The staff costs reported can never exceed the documented gross employer costs.
- In the event of sickness, holiday, maternity leave, etc. these hours can sometimes be charged to the project proportionally if they are non-recoverable by the employer:
  - For a full-time employee 100% of these hours can be charged to the project.

<sup>2</sup> Common Provisional Regulation No. 2021/1060 Article 55(5)

<sup>3</sup> Common Provisional Regulation No. 2021/1060 Article 55(5)

<sup>4</sup> Part of this must include an assessment of whether special qualifications, new tasks, etc. are required,

- For staff working part-time on the project with a fixed percentage of time, the same percentage can be charged to the project.
- In all such cases it must be documented that the employee has been absent due to illness. There are no formal requirements for this documentation, but at a minimum the employee must have reported ill and registered this in the organisation's time registration system.
- Overtime payments are eligible provided they are paid out to the employee and are in conformity with national legislation and the employment policy of the beneficiary. Overtime must also be charged proportionally to the project.

### Cases where there is no employment contract

This option creates a provision for cases where there is no employment contract and therefore also no compensation according to a contract, while work is being performed. This fixed hourly rate is primarily intended for the self-employed, entrepreneurs, working cooperatives, etc. but **not** for volunteers or interns.

If the other options for handling staff costs described above cannot be used or do not apply, the costs for a partner's own labour for the project can be based on the number of hours that the person concerned has worked for the project multiplied by a fixed hourly rate (see the table below for specification per country).

This option for handling staff costs is limited to a maximum number of eligible hours per month, depending on the country in which the partner is located (see the limitations in the table below.)

The hours must be documented in the time registration system (using timesheets or the equivalent). This time registration must be verifiable and must specify for the individual staff member the actual number of hours spent on the project.

Country	Hourly rate	Maximum working hours (if any)
Belgium*	*	*
Denmark	49 EUR	160 hours per month
France	N/A	N/A
Germany	33 EUR	100 hours per month
Norway	N/A	N/A
Sweden	N/A	N/A
The Netherlands	47,83 EUR	1720 hours per year



\* Please see Fact Sheet 2a for the hourly rate and maximum number of hours in Flanders-Belgium



### Minimum requirements for timesheets

Each partner, except the ones using a fixed percentage of the time (category 1 and 2) should use a time registration system that fits its internal rules and procedures. The sample below is intended to show the minimum information that needs to be recorded. Electronic time registration systems must comply with the requirements set out in the Interreg Regulation Article 39(5).

*Project Title:*

*Partner organisation:*

*Timesheet for: (Name of person)*

Date	Project	Hours worked

*Signatures:*

Date \_\_\_\_\_ Name of worker \_\_\_\_\_

Date \_\_\_\_\_ Responsible manager \_\_\_\_\_

## Seconded staff

The salary cost of staff seconded by a third party to a partner organization in order to execute project activities is eligible provided that the partner pays a non-profit rate to the third party. The staff cost methodology mentioned previously in this paper has to be applied when establishing the cost of the seconded staff.

The secondment has to be substantiated by means of a secondment contract (including salary slips of the third party) and if applicable timesheets. The contract must describe the tasks for the specific employee (including start and end date) that can reasonably include the INTERREG project activities.

This is also applicable in situations where a cooperation of public organisations seconds staff to these public organisations, or vice versa: where public organisations second staff to a joint cooperation.

**A word of caution:** secondment can by no means be used by procuring authorities to circumvent public procurement provisions.

## References

- Interreg Regulation No. 2021/1059 Article 39 (Staff costs), however limited within the scope of Article 38 of the same regulation.
- Common Provision Regulation No. 2021/1060 Article 55(5)