



*Fact sheet no. 01/2011*

**Calculation of “Staff costs”**

**0. Foreword**

Within CENTRAL EUROPE, the costs definitively paid by partner institutions for the personnel involved in project activities are eligible with regard either to already existing staff or staff contracted ad-hoc for the project<sup>1</sup>. In case of staff which is not working full time in the project, a calculation of the share of cost to be reimbursed within the project has necessarily to be carried out by applying an equitable and fair method.

The experience of the previous programming period showed that one of the main reasons for irregularities and financial corrections was the miscalculation of staff costs which led to over-reimbursements of such category of expenditure. In order to mitigate this risk to the possible extent, the CENTRAL EUROPE Programme gave guidance to the beneficiaries and their controllers by providing a formula for the calculation of staff costs<sup>2</sup>.

This factsheet is intended to provide additional guidance on the application of such formula, with the purpose to avoid mistakes in the allocation of costs related to personnel working part of their workable time in a project.

**1. The calculation method**

The method proposed in the CENTRAL EUROPE Control & Audit Guidelines (C&AG) for the calculation of the share of costs related to employees working part of their workable time in a project is based on the application of the following formula (unless differently disposed at national level):

$$\frac{\text{Gross salary + social charges}}{\text{Total real working days/hours}} \times \text{project worked days/hours}$$

Where:

*Gross salary + Social charges* = costs definitively paid by the beneficiary **in the timeframe of a year<sup>3</sup>**, including: salary, costs of sickness absence and holidays, taxes, employer’s contribution for national social security schemes, etc.

*Total real working days/hours* = total time in days/hours worked **in the timeframe of a year<sup>3</sup>**, **excluding** sickness, absence and holidays.

*Project worked days/hours* = worked time in days/hours for project purposes.

<sup>1</sup> Safekeeping what disposed in art. 50 of the Regulation (EC) No. 1828/2006 and unless differently ruled at national level.

<sup>2</sup> Please refer to Chapter 3.2.1 of the CENTRAL EUROPE Control & Audit Guidelines, available for download in the “Implementing a project” section of the programme website ([www.central2013.eu](http://www.central2013.eu)).

<sup>3</sup> This refers to a 12-month period and does not have to necessarily be a calendar year.

In order to ensure a correct calculation, the formula must be applied on a yearly basis (which does not necessarily have to be based on a calendar year). Accordingly, the “Total real working days/hours” term of the formula shall consist in the total amount of hours (project + other activities excluding sickness, absence and holidays) worked during the year. Due to the fact that the timing of reporting of CENTRAL EUROPE projects is organized in semesters, the application of the formula to a single reporting period (shorter than a year) must necessarily be based on the planned workable time of the employee (according to her/his contract) applicable to the period of reporting. The total amount referring to the year shall then be recalculated on the basis of the yearly total cost of the employee and the yearly real worked hours. The difference from the amount included in the previous progress reports which arises from the recalculation, shall then be corrected in the next possible progress report.

The application of a recalculation (at the end of a 12-month period) to the already accounted staff costs allows have a rigorous calculation of such costs, thus reducing to the possible extent the risk of irregularities in case of further controls.

The recording of the total worked time and of the time worked in the project is a necessary prerequisite in order to attribute correctly the share of staff costs to the project. A non binding template of timesheet is provided as Annex 1.

In order to better understand the rule, examples of calculation and recalculation are provided in the next chapters. However, the reader must be aware that the proposed examples refer only to some of the possible methods which can be applied for a proper allocation of the costs of staff partly working in a project. **Remember that whatever method is chosen, it has to ensure a transparent and fair allocation of staff costs to the project avoiding their overestimation.**

## 2. Example of calculation and yearly recalculation during project implementation

Calculation of staff costs of one employee working approximately 50 % of her/his workable time in a CENTRAL EUROPE project. The project has reporting periods from 1<sup>st</sup> January to 30<sup>th</sup> June and from 1<sup>st</sup> July to 31<sup>st</sup> December. The project starts on 1<sup>st</sup> January 2008 and ends on 30<sup>th</sup> April 2010.

The conditions foreseen in the employee’s contract are as follow:

- Workable time: 1.710 hours per year, equal to 142,5 hours per month;
- Holidays: 25 days per year;
- Gross salary per year: € 36.400;
- Overtime work is paid in addition to the regular working time.

The data to be used for the calculation of the share of costs to be attributed to the project from January to June 2008, and to be included in the relevant progress report, is:

Month	Project real worked hours <sup>4</sup>	Total real worked hours <sup>4</sup>	Gross salary	Notes
January	70	139	€ 2.727,74	6 hours overtime
February	85	166	€ 2.855,48	12 hours overtime
March	80	149	€ 2.600,00	3 days sickness
April	60	117,5	€ 2.600,00	5 days Eastern holidays
May	68	163	€ 2.727,74	6 hours overtime
June	75	157	€ 5.200,00	Payment of the 13 <sup>th</sup> month <sup>5</sup>
<b>Total</b>	<b>438</b>	<b>891,5</b>	<b>€ 18.710,96</b>	

The application on an annual basis of the formula has to take into account the total planned salary of the year (€ 36.400), the real worked hours in the period (891,5 hours) and the planned worked hours up to the end of the year (142,5 hours x 6 months = 855 hours). Accordingly, the amount to be included in the report from 1<sup>st</sup> January to 30<sup>th</sup> June is:

$$\frac{\text{€ 36.400}}{891,5 + 855 \text{ Hours}} = 20,84 \text{ €/hour} \times 438 \text{ hours} = \text{€ 9.127,92}$$

The data to be used for the calculation of the share of costs to be attributed to the project from July to December 2008 is:

Month	Project real worked hours <sup>4</sup>	Total real worked hours <sup>4</sup>	Gross salary	Notes
July	76	171	€ 2.727,74	6 hours overtime
August	20	48	€ 2.600,00	15 days summer holidays
September	70	170	€ 2.600,00	
October	72	169	€ 2.855,48	12 hours overtime
November	66	148	€ 5.200,00	2 days sickness; Payment of the 14 <sup>th</sup> month <sup>5</sup>
December	58	117	€ 2.600,00	5 days Christmas holidays
<b>Total</b>	<b>362</b>	<b>823</b>	<b>€ 18.583,22</b>	
<b>Yearly total</b>	<b>800</b>	<b>1.714,5</b>	<b>37.294,18</b>	

<sup>4</sup> As from timesheets.

<sup>5</sup> Please note that the 13<sup>th</sup> 14<sup>th</sup> months mentioned in this example refer to the additional monthly salaries that might be paid to the employee according to the labour law applicable in some CENTRAL EUROPE Countries. However, this might vary from country to country as well as in different institutions.

The recalculation of the share of costs to be allocated to the project, to be done at the end of the year in application of Chapter 3.2.1 of the Control & Audit Guidelines, is as follow:

$$\frac{\text{€ 37.294,18}}{1.714,5 \text{ Hours}} = 21,75 \text{ €/hour} \times 800 \text{ hours} = \text{€ 17.400,00}$$

On the basis of the yearly recalculation, the amount claimed in the report from January to June is underestimated. The eligible amount referring to that period is:

$$21,75 \text{ €/hour} \times 438 \text{ hours} = \text{€ 9.526,50}$$

The difference of **€ 398,58** shall be added in the next available progress report. Accordingly, the amount to be included in the progress report from July to December is:

$$\text{€ 17.400,00} - \text{€ 9.127,92} = \text{€ 8.272,08}$$

### 3. Examples of recalculation for project closure

When a project is at its closure, it may happen that the period comprised between the beginning of the project's last year and the day of the project closure is shorter than one year (e.g. a project with a duration of 32 months). In these cases, the application on a yearly basis of the formula provided in chapter 1 can occur by following different approaches. In this chapter two among the most commonly used methods are presented.

#### 3.1 Recalculation on a yearly basis as from the project's last day

This method consists in performing a recalculation on a yearly basis, counting the year backward as from the last day of project duration.

The method is applied to the example provided in chapter 2 and therefore the project end is on 30<sup>th</sup> April 2010. The calculation according to this method has to be based on a yearly basis counted as from 1<sup>st</sup> May 2009 to 30<sup>th</sup> April 2010. The following tables contain the data on which to base the calculation:

a. Data for the period 1<sup>st</sup> January - 30<sup>th</sup> April 2010

Month	Project real worked hours	Total real worked hours	Gross salary	Notes
January	60	125	€ 2.600,00	1 day sickness
February	90	166	€ 3.110,96	24 hours overtime
March	85	189	€ 2.940,64	16 hours overtime
April	58	115	€ 2.600,00	5 days Eastern holidays
<b>Total</b>	<b>293</b>	<b>595</b>	<b>€ 11.251,60</b>	

**b. Historical data from 1<sup>st</sup> May to 31<sup>st</sup> December 2009**

Month	Project real worked hours	Total real worked hours	Gross salary	Notes
May	68	157	€ 2.600,00	
June	71	164	€ 5.200,00	Payment of the 14 <sup>th</sup> month <sup>6</sup>
July	68	141	€ 2.600,00	3 days sickness
August	24	40	€ 2.600,00	15 days summer holidays
September	75	186	€ 2.940,64	16 hours overtime
October	68	161	€ 2.855,48	12 hours overtime
November	66	176	€ 5.370,32	8 hours overtime; Payment of the 13 <sup>th</sup> month <sup>6</sup>
December	60	117	€ 2.600,00	5 days Christmas holidays
<b>Total</b>	<b>500</b>	<b>1.142</b>	<b>€ 26.766,44</b>	

The amount to be included in the last report (January - April 2010) is calculated by applying the formula on an annual basis as following:

$$\frac{\text{€ 11.251,60} + \text{€ 26.766,44}}{\text{595 Hours} + \text{1.142 Hours}} = \text{21,89 €/hour} \times \text{293 hours} = \text{€ 6.413,77}$$

**3.2 Recalculation for the residual portion of year**

This method consists in performing a recalculation on the basis of:

- The total real worked hours and the paid gross salary from the 1<sup>st</sup> January of the last year of project implementation until the day of project closure.
- the planned worked hours and salary for the remaining part of the year

In order to allow a comparison with the previous closing method, the same data are used:

Month	Project real worked hours	Total real worked hours	Gross salary	Notes
January	60	125	€ 2.600,00	1 day sickness
February	90	166	€ 3.110,96	24 hours overtime
March	85	189	€ 2.940,64	16 hours overtime
April	58	115	€ 2.600,00	5 days Eastern holidays
<b>Total</b>	<b>293</b>	<b>595</b>	<b>€ 11.251,60</b>	

<sup>6</sup> Please note that the 13<sup>th</sup> 14<sup>th</sup> months mentioned in this example refer to the additional monthly salaries that might be paid to the employee according to the labour law applicable in some CENTRAL EUROPE Countries. However, this might vary from country to country as well as in different institutions.

The amount to be included in the last report (January - April 2010) is calculated by applying the formula on an annual basis considering also the following:

Planned workable hours from May to December:	1.140 hours
Contractual gross salary from May to December:	€ 26.000,00

The calculation for the last four months of project implementation is as follow:

$$\frac{\mathbf{€ 11.251,60 + € 26.000,00}}{\mathbf{595 Hours + 1.140 Hours}} = \mathbf{21,47 \text{ €/hour} \times 293 \text{ hours} = € 6.290,71}$$

## Glossary

Hourly rate:	The hourly rate is the total cost of one working hour definitively paid by the partner institution. The theoretic hourly rate, calculated in the basis of the planned worked hours has to be distinguished from the actual hourly rate, which is calculated on the basis of the real worked hours.
Project worked time:	Actual time, expressed in hours, worked by the employee in a specific project as documented via monthly timesheets.
Total worked time:	Actual total time, expressed in hours, worked by the employee for the partner institution, as documented via monthly timesheets.
Timesheet:	Any means which allows to record the duration of employees' tasks. It shall contain a detailed breakdown of tasks accomplished throughout each project work package and it has to be signed by the employee and its supervisor.
Workable time	Planned time to be worked by an employee according to the provisions of its work contract and/or according to the national applicable labor legislation. It refers only to the effective workable time, i.e. it does not include the time related to holidays. It is usually indicated as hours/days per year.