



Methodological material

# **Personnel Costs in H2020 Projects and Financial Reporting to the EC**

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## 1. Planning personnel costs in the project proposal budget H2020

On planning personnel costs, it is important to determine an indicative staff capacity needed necessary to implement project activities as the basis of the amount of personnel costs of the project.

The staff capacity is expressed in terms of personal months. To estimate the number of personal months, all project activities in the work pages in which the ČZU [Czech University of Life Sciences] is involved must be taken into account.

Calculation of workload to personal months

Employee X is employed part-time by the institution and will work exclusively on a H2020 project for 6 months. Employee Y is employed full-time by the institution and will spend 20% of the workload on a H2020 project for 18 months.

Use of employee X in a H2020 project = 6 (months) \* 0.5 (the project workload) = 3 personal months

Use of employee Y in a H2020 project = 18 (months) \* 0.2 (the project workload) = 3.6 personal months

**The ČZU staff capacity needed for the implementation of a H2020 project is 6.6 personal months**

To determine the amount of personnel costs, it is necessary to establish the rate per personal month or the average amount of eligible personnel costs per one month of work of a full-time employee time. The estimate usually relies on historical data (e.g. for the last closed accounting period) but should also reflect the expected development of eligible personnel costs in the upcoming years (taking into consideration, for instance, growth in salaries, exchange rate fluctuations, etc.).

### **Recommended procedure at the ČZU:**

The rate for personnel costs converted to FTE for key staff for a H2020 project is recommended to be between EUR 3,500 to EUR 5,500. On determining the rate of personnel costs, individualisation should be made according to particular persons foreseen on the project.

## 2. Embedding parts of project workloads and salary in H2020 projects

Simply speaking, remuneration is, as a rule, eligible at the rate that is customary at the given time and place (based on the aggregate remuneration for preceding year related to the relevant workload).

A systemic solution should be based on embedding parts of project workloads into regular or existing workloads as per the Methodological Guidelines of the Human Resources Management Department [OŘLZ] of 14 January 2019 and the transfer of the “saved” portion of salary funds to personal bonuses for the reduced part of the “basic” workload 1. Consequently, the total salary (tariff plus the personal bonus) related to the given workload will increase and the aliquot part will be (in the next year) eligible in H2020.

Eligibility, or the amount customary at the given time and place, is based on the prior accounting period. If the amount of remuneration is linked to a system change in the approach of OŘLZ, a step increase in remuneration could be justified with a certain level of risk. However, the H2020 rules require that the procedure followed across the whole ČZU must be uniform.

**Recommended procedure at the ČZU:**

The employee joins a H2020 project at the workload 0.2.

**Prior to joining the project:** Workload = 1.0; Salary = ČZU tariff (100) + ČZU personal bonus (0) = 100

**After joining the project:** Workload = 1.0; Salary = ČZU tariff (80) + H2020 tariff (20) + ČZU personal bonus (20) = 120

### 3. Reporting of personnel costs in H2020 projects

At the onset, it should be determined whether, for an employee involved in a H2020 project, the remuneration in question is project or non-project-based remuneration. This may be different for various employees and may vary over the years.

#### PROJECT-BASED REMUNERATION

- The amount of remuneration varies subject to the involvement in specific projects (different levels of remuneration depending on whether employees work on a specific project or not)
- **Unequal distribution between resources**
  - The employee’s salary will be increased by the full amount of the salary from the project concerned
  - The employee’s salary will be increased by the amount of the salary from the project and, at the same time, the portion of salary paid from operating funds will be partially reduced

#### NON-PROJECT-BASED REMUNERATION

- the amount of remuneration does not change in relation to the involvement in specific projects
- **Equal distribution between resources**

- The current level of the employee's salary will not change, and only the source of its financing will be distributed between operating and project funds.

*Examples:*

1. Payment of the bonus for participation in international collaborative projects paid only from a H2020 project (objective criteria for payment are set out in the Directive)
  - PROJECT-BASED REMUNERATION
2. Increase in the personal bonus paid on a pro-rata basis from all resources according to the period of work (documented in the salary assessment/on the basis of the internal payroll regulation/another objective manner).
  - NON-PROJECT-BASED REMUNERATION
3. Increase in the personal bonus paid from a H2020 project (documented in the salary assessment or on the basis of an internal payroll regulation or another objective manner)
  - PROJECT-BASED REMUNERATION
4. The researcher has both a contract of employment and an agreement to perform work, works on a H2020 project based on the contract of employment (a different hourly rate is expected).
  - PROJECT-BASED REMUNERATION
5. Semi-annual remuneration paid on a pro-rata basis from all resources according to the period of work completed (documented in the salary assessment or on the basis of an internal payroll regulation or another objective manner)
  - NON-PROJECT-BASED REMUNERATION

#### NON-PROJECT-BASED REMUNERATION

- The amount of the employee's remuneration, or as appropriate, the hourly rate, remains the same, i.e. it will not change in connection with the employee's involvement in various projects.

#### ***Calculation of the hourly rate for beneficiaries with non-project-based remuneration***

**Eligible personnel costs of the employee** = (average annual) **hourly rate** (from the prior period) \* hours worked on the project (according to timesheets of the period currently under review)

$$\text{(average annual) hourly rate} = \frac{\text{employee's actual personnel costs (w/o extra bonus)}}{\text{annual productive hours}}$$

**Annual productive hours** must be set alternatively as:

**1. The fixed number of 1,720 hours – recommended procedure at the ČZU**

*The above number represents the equivalent of a full-time workload. For part-time employees who have not worked the whole year for the beneficiary, the number must be reduced on a pro-rata basis.*

**2. Individual annual productive hours**

*Calculated as the total working hours based on the contract of employment less absences (e.g. sickness) plus overtime work (if paid by the beneficiary) on the basis of timesheets.*

### **Double ceiling rule**

Beneficiaries must ensure that:

1. The total number of hours worked and reported in EU/Euratom grants per employee per year does not exceed the total annual productive hours used to calculate the employee's hourly rates.
2. The employee's total annual personnel costs (reported as actual costs) in EU/Euratom grants do not exceed the total personnel costs of the given employee reported in the beneficiary's accounting records.

### **PROJECT-BASED REMUNERATION**

- The amount of the employee's remuneration, or the hourly rate, varies depending on his/her involvement in various projects.

### **Calculation of the hourly rate in the case of beneficiaries with project-based remuneration**

Beneficiaries who use **project-based remuneration** must verify the nature of remuneration for every employee - i.e. which part of the remuneration may be classified as the basic remuneration and, on the contrary, which part the remuneration falls under the definition of additional remuneration. The beneficiary performs the verification by calculating 2 reference hourly rates:

- a) Rate for a H2020 project (called the "**project reference rate**") on an annual or monthly basis
- b) Rate used in national projects (called the "**national reference rate**")

If the project reference rate is equal to or lower than the national reference rate, the whole remuneration paid for work on a H2020 project can be qualified as the basic remuneration. If the former is higher than the latter, the positive difference is understood as additional remuneration. If both the basic and additional remuneration meet the relevant eligibility criteria, the beneficiary subsequently reports in the financial statement the aggregate amount, i.e. the sum of the basic and additional remuneration.

#### ***NATIONAL REFERENCE RATE***

Total annual personnel costs\* per person per year n-1 (w/o remuneration for work on a H2020 project)

1,720\*\* minus hours worked on a H2020 project in the year n-1

\* Total annual personnel costs include all salary components paid to the employee by the beneficiary for the employee's work regardless of what activities and projects he/she was involved in. In the case the employee's remuneration included ineligible elements (e.g. dividends and ineligible bonuses), these elements must be deducted.

\*\*1,720 is a number that represents fixed annual productive hours. Beneficiaries must deduct from this number the hours worked on a H2020 project. If, in the year n-1, the employee worked exclusively on a H2020 project, the beneficiary must use the average salary of the last year in which the employee did not work exclusively on a H2020 project (e.g. the year n-2 or n-3).

## PROJECT REFERENCE RATE

Employee's annual personnel costs of work on a H2020 project  
Hours worked on a H2020 project in the given accounting year

***If the reporting period ends before the end of the accounting year, the beneficiary must use personnel costs and hours from the beginning of the year until the end of the reporting period (PLEASE NOTE: This is different from the calculation of an hourly rate based on the closed fiscal year to be used by beneficiaries with non-project remuneration).***

***national reference rate  $\geq$  project reference rate***

Amount reported (eligible part) = basic remuneration + ~~additional remuneration~~ =  
project reference rate \* timesheets (hours worked)

***project reference rate > national reference rate***

Reported amount = basic remuneration + additional remuneration = (national reference rate \*  
timesheets) + ((project reference rate - national reference rate)\* timesheets)

***ADDITIONAL REMUNERATION – limit EUR 8,000 per year - it is questionable whether a Directive might be needed***

- full-time workload spent exclusively on a H2020 project for the whole year - EUR 8,000
- part-time workload spent exclusively on the project - aliquot part
  - example: The researcher is employed part-time (e.g. 80%) to work on the project from January to March (3 months) - max. limit: EUR 8,000\*0.80 \*(3/12) = EUR 1,600
- employees not working exclusively on the project - max. additional remuneration = EUR 8,000/annual productive hours (1,720) \* timesheets

*EUR/CZK: According to the average exchange rate in the reporting period*

[https://www.ecb.europa.eu/stats/policy\\_and\\_exchange\\_rates/euro\\_reference\\_exchange\\_rates/html/eurofxref-graph-czk.en.html](https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-czk.en.html)

## 4. Calculation of personal months used in H2020 projects

In addition to the calculation of eligible personnel costs, every beneficiary must inform the Commission in the financial statement of the number of personal months used in the reporting period under review. Even though the rules prescribe no specific calculation method, the beneficiary should still approach the calculation in a consistent manner. For instance, it is possible to use the Commission's estimate that establishes approximately 1,720 productive hours in a year, **i.e. 143 productive hours per month**

**(in the case of full-time workload)**, or the employee's monthly number of productive hours may be determined by the beneficiary according to the real situation.

Calculation of personal months used on a H2020 project

Mr Novák's timesheet shows that he worked the total of 520 hours on a H2020 project during the reporting period.

**Conversion to personal months:  $520 / 143 = 3.6$  personal months**

The details related to the number of used personal months used is informative only and does not affect any payment amounts.