

NCP Academy meeting October 19th 2015 Brussels

Poul Petersen
Legal & Finance NCP Norway
Senior Executive Officer
Research & Innovation, EU Office
Universitetsparken 1
2100 Copenhagen Ø
+45 28 75 28 10
pope@adm.ku.dk
www.eu.ku.dk



9. Actual personnel costs: calculation - I

$$\text{Actual Personnel Cost} = \text{Hours worked for the project} \times \text{Hourly rate}$$

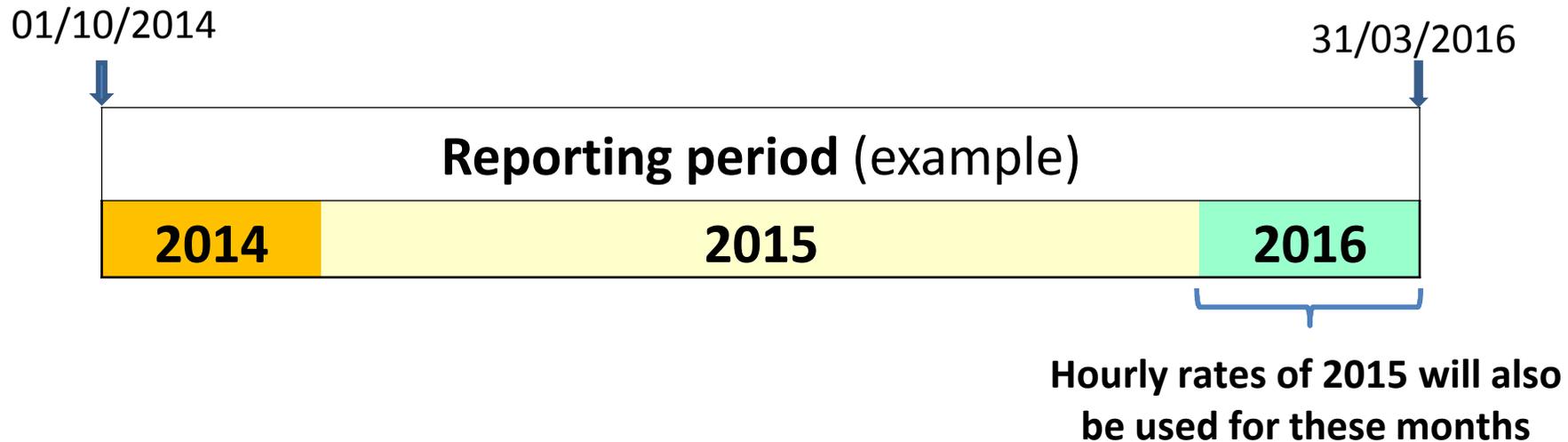
where

$$\text{Hourly rate} = \frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

- The hourly rate is to be calculated per financial year
- If the financial year is not closed at the time of reporting, the beneficiary must use the last closed financial year available.

9. Actual personnel costs: calculation - II

Use of the last closed financial year



ADVANTAGES FOR THE BENEFICIARIES

- ➔ NO ADJUSTMENTS TO BE DECLARED IN THE NEXT PERIOD
- ➔ LEGAL CERTAINTY: NO DOUBTS ABOUT WHAT PERIOD AND WHAT DATA MUST BE USED FOR THE CALCULATION
- ➔ REMOVES ERRORS DUE TO INCORRECT CALCULATIONS FOR FRACTIONS OF A YEAR

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
		recorded in the accounts of the third party and were supported with documentation.	
A.2	<p>PRODUCTIVE HOURS</p> <p>To confirm standard factual findings 23-28 listed in the next column, the Auditor reviewed relevant documents, especially national legislation, labour agreements and contracts and time records of the persons included in the sample, to verify that:</p> <ul style="list-style-type: none"> ○ the annual productive hours applied were calculated in accordance with one of the methods described below, ○ the full-time equivalent (FTEs) ratios for employees not working full-time were correctly calculated. <p>If the Beneficiary applied method B, the auditor verified that the correctness in which the total number of hours worked was calculated and that the contracts specified the annual workable hours.</p> <p>If the Beneficiary applied method C, the auditor verified that the 'annual productive hours' applied when calculating the hourly rate were equivalent to at least 90 % of the 'standard annual workable hours'. The Auditor can only do this if the calculation of the standard annual workable hours can be supported by records, such as national legislation, labour agreements, and contracts.</p> <p><i>BENEFICIARY'S PRODUCTIVE HOURS' FOR PERSONS WORKING FULL TIME SHALL BE ONE OF THE FOLLOWING METHODS:</i></p> <p><i>A. 1720 ANNUAL PRODUCTIVE HOURS (PRO-RATA FOR PERSONS NOT WORKING FULL-TIME)</i></p> <p><i>B. THE TOTAL NUMBER OF HOURS WORKED BY THE PERSON FOR THE BENEFICIARY IN THE YEAR (THIS METHOD IS ALSO REFERRED TO AS 'TOTAL NUMBER OF HOURS WORKED' IN THE NEXT COLUMN). THE CALCULATION OF THE TOTAL NUMBER OF HOURS WORKED WAS DONE AS</i></p>	<p>23) The Beneficiary applied method [choose one option and delete the others]</p> <p>[A: 1720 hours]</p> <p>[B: the 'total number of hours worked']</p> <p>[C: 'annual productive hours' used correspond to usual accounting practices]</p> <p>24) Productive hours were calculated annually.</p> <p>25) For employees not working full-time the full-time equivalent (FTE) ratio was correctly applied.</p> <p><i>If the Beneficiary applied method B.</i></p> <p>26) The calculation of the number of 'annual workable hours', overtime and absences was verifiable based on the documents provided by the Beneficiary.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><i>FOLLOWS: ANNUAL WORKABLE HOURS OF THE PERSON ACCORDING TO THE EMPLOYMENT CONTRACT, APPLICABLE LABOUR AGREEMENT OR NATIONAL LAW PLUS OVERTIME WORKED MINUS ABSENCES (SUCH AS SICK LEAVE OR SPECIAL LEAVE).</i></p> <p><i>C. THE STANDARD NUMBER OF ANNUAL HOURS GENERALLY APPLIED BY THE BENEFICIARY FOR ITS PERSONNEL IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICES (THIS METHOD IS ALSO REFERRED TO AS 'TOTAL ANNUAL PRODUCTIVE HOURS' IN THE NEXT COLUMN). THIS NUMBER MUST BE AT LEAST 90% OF THE STANDARD ANNUAL WORKABLE HOURS.</i></p> <p><i>'ANNUAL WORKABLE HOURS' MEANS THE PERIOD DURING WHICH THE PERSONNEL 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.</i></p>	<p><i>If the Beneficiary applied method C.</i></p> <p>27) The calculation of the number of 'standard annual workable hours' was verifiable based on the documents provided by the Beneficiary.</p> <p>28) The 'annual productive hours' used for calculating the hourly rate were consistent with the usual cost accounting practices of the Beneficiary and were equivalent to at least 90 % of the 'annual workable hours'.</p>	

An example

- **Total working hours per year** = **1924 hours**
- **Paid holiday (6 X 37,5)** = **-225 hours**
- **Average national holiday, Eastern etc. (8 x 7,5)** = **- 60 hours**
- **Total annual productive hours** = **1639 hours**
- **Ac. to SFF 28, min. annual workable hours (1639 x 0,9)** = **1475 hours**
-
- **At the University of Copenhagen, we have calculated "Annual productive hours" to be 1548 hours per year.**

- *Method 3 to calculate the annual productive hours fully relies on the usual costs accounting practice of the beneficiary, conditioned to the fact that the resulting number of hours must be at least 90 % of the standard annual workable hours.*
- *If the usual practice of the beneficiary is to review the standard annual productive hours, for instance, once every four years this would not be contrary to the H2020 provisions. However, the beneficiary must check annually that those standard annual productive hours are indeed at least 90 % of the standard annual workable hours of the year. Thus, in your example, what you qualify as "minimum annual productive hours" would fluctuate each year depending on (for instance) the public holidays of the specific year. Each year the beneficiary has to determine the standard annual workable hours and compare it with the annual productive hours resulting from its usual practice. If the latter are indeed at least 90 % of the former, the beneficiary may apply the number of hours it generally applies (regardless of the periodicity of its updates). We will clarify also the SFF 24 in the guidelines in this regard.*

To summarise

- ***Avoid micro management***
- ***Time is money – also for beneficiaries***
- ***Therefore, the use of “Last closed financial year” should be optional – not mandatory***

Thank you for your attention