



**Delivery mechanisms for the AKIS strategies**

## AKIS-in-practice! 2.10

### Application of standard scale of unit cost: hourly staff rate for EIP and demonstration projects in Flanders



#### Keywords/Tags



Simplification



Standard unit costs



Hourly staff rate



EIP



Farm demonstration



#### Potential users



EIP operational groups



Demonstration farms



Managing authorities of the CAP Strategic Plan



Paying agencies, auditors, and certifying bodies



## RATIONALE



At the root of the efforts to simplify the accounting of personnel costs is the complexity of the legal framework for this type of cost and the variety of calculation methods. This has raised several questions and, in many cases led to disputes with beneficiaries and a high error rate concerning the verification process.

The main objective behind introducing this method is the simplification of calculation of staff costs and reduction of the administrative burden for beneficiaries as well as for Managing Authorities. The goal was to improve the effectiveness of the management and control systems by allowing verifications to focus on areas with a higher risk (other than staff costs). This simplification method is used by several other aid instruments such as ERDF programs, Interreg, regional aid, etc. By introducing it into the rural development program, the aim was to harmonize conditions and opportunities for beneficiaries implementing projects financed by different funding instruments. The adoption of this tool is a good example of where top-down initiatives meet bottom-up needs. The Commission has put in place the legal framework and encouraged the transfer to the CAP of methods successfully used in other programs. It met the needs of the beneficiaries asking if they could use the same method as they use for ERFD.

## SOLUTION



Hourly staff rate, as a form of unit cost was applied by the Rural Development Program 2014-2022 for EIP Operational Groups and farm demonstrations. This practice continued in the current period (2021-2027) under the CAP Strategic Plan. The method is based on a similar type of operation applied in another funding measure as it is allowed by the CAP Regulation Art 83(2)(c). The hourly staff rate methodology ("Standard Hourly Rate") is developed for Flemish beneficiaries of the funding instruments of the European Regional Development Fund (ERDF) and European Territorial Co-operation (ETC) (Interreg). The methodology is based on an external study and approved by the European Commission. The study was financed by the contact point for ERDF in Flanders. The result was taken over by the CAP implementation.

The application is mandatory for each beneficiary, including the employees of the project promoter and the partner organisations who are directly working on the project implementation. It is not used in case of self-employment, such as farmers.

In the budget plan for the application, it is needed to estimate the hourly rate of staff cost. While in the payment claim, the beneficiary calculates the personnel costs for each employee working on the project, based on the hours worked. Support is paid based on the hours spent on the project, which is recorded in the timesheets. Timesheets are part of the payment claims.

The model takes into account staff costs in a fair and reasonable way.

## IN PRACTICE



The hourly staff rate covers all salary payments related to the project activities and any other costs directly linked to salary payments, such as employment taxes and social security. Overheads and any other office and administrative costs, travel and accommodation costs are not included in the hourly staff rate.

**The formula to calculate the hourly staff rate is:**

$$\text{Hourly staff rate} = \text{gross monthly salary} \times 1.2\%$$

Factor of 1.2 is designed to automatically take into account:

- A fair and reasonable share of salary costs on top of the gross salary.
- Salary cost reductions for the employer/employee.
- All non-project hours such as holidays and sick leave.

For example:

- € 3,000 gross monthly salary =  $3,000 \times 1.2\% = € 36/\text{hour}$ .
- € 4,000 gross monthly salary =  $4,000 \times 1.2\% = € 48/\text{hour}$ .

For staff with a monthly salary based on an hourly wage (e.g. workers) a slightly modified formula is used:

$$\text{Hourly staff rate} = \text{gross hourly wage} \times 7.6 \text{ (hours per day)} \times 21.5 \text{ (days per months)} \times 1.2\%$$

The pay slip of January of the year in which the project activities are executed is used for gross monthly salary. If the employee is new, alternatively the pay slip of the first full month after the employee started to work in the organization can be used.

Only the amount on the pay slip under the header “Gross salary” to be included and no other salary costs. For part-time employment contracts the full-time equivalent gross monthly salary is the basis of the calculation.

The maximum eligible hourly rate is € 100/hour.

**The formula to calculate eligible staff cost:**

$$\text{Staff cost} = \text{hours worked on the project} \times \text{hourly staff rate}$$

The number of hours worked is based on time registration. Only hours worked on the project need to be recorded. Template for time registration is the same as for ERDF/ETC projects. The working hours in the time sheet cannot exceed the number of contractual working hours per month. Overtime is only eligible if only eligible if compensated by extra leave or if paid by the employer.

**Administrative control:**

Documents to be provided in the payment claim:

- January pay slip for each calendar year the employee works for the project. Or for staff not employed in January, the pay slip of the first full working month.
- Time registration signed by employee and employer, with a clear and sound description of the project activities performed.
- If the number of contractual working hours per month is not indicated on the pay slip, the employment contract should be provided.
- If applicable, the proof of payment or compensation of overtime to be provided.

What to verify?:

- Correct application of the calculation method.
- Time registration: eligibility of project activities in line with the project proposal.

**External study for the calculation of the factor**

For the study, expertise from a social-accounting secretariat was purchased. This because of the mass of up-to-date salary cost data that such a secretariat has available, their capacity to carry out quick and accurate simulations on this mass of data as well as their legal know-how related to salary policy and taxation.

The following things were first identified:

- The most likely and common type of staff for ERDF programs, i.e. employees on white-collar contracts.
- The existing gross salaries for this category of workers ranked and grouped from low to high including indication of their frequency.
- The different salary costs on top of and according to gross salaries for this category of employees including magnitude and frequency.
- Possible reductions on labour costs including magnitude and frequency.

This provided a clear picture of the composition and weight of a salary cost in Belgium/Flanders.

Next a formula was worked out to capture the fair and reasonable share of the salary cost to be funded. This share is expressed by a factor. This formula was then simulated using two standards regarding productive hours/year:

- A standard used within the Flemish government (1,520 hours/year).
- The EC standard from article 68(2) CPR no. 1303/2013 (1,720 hours ).

The factor calculated on the basis of the ‘less favourable’ EC standard was finally selected.

## PRACTICAL IMPLICATIONS FOR REPLICABILITY



The factor (for Flanders 1.2) differs from one region/member state to another since it depends on the salary structure of a certain region/member state. Thus it is important to calculate a specific factor according to the country data. See 'Catalogue of eligible costs Interreg' under 'Further sources of information.'

## BENEFITS



- One of the main benefits is that financial control only addresses correct application of the methodology, which leads to major simplification and reduction of error rate.
- Beneficiaries can apply one method for several types of projects. The method is also used for Leader-projects.

## FURTHER SOURCES OF INFORMATION



- CATALOGUE OF ELIGIBLE COSTS - Interreg V-A Euregio Meuse-Rhine - Version 5 - July 2023: <https://www.interregemr.eu/downloads-en> (go to 'Cost catalogue (July 2023)' - See '1.1 Calculation of a standard hourly rate', factors for other regions (Germany, the Netherlands) are mentioned).



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