

Case study: Staff costs¹

The public authority “City of Reisel” employs 120 people in total.

City of Reisel is partner in an INTERREG IVC project “INTEGRISSIMA”, which aims to improve regional policies in the field of promotion of SMEs and entrepreneurship, by exchanging experiences on innovative financing methods.

Two employees of City of Reisel are involved in the activities of “INTEGRISSIMA”.

1. Ms. Marta Bela – full time staff; project management activities of “INTEGRISSIMA” are part of her daily duties.
2. Mr. Richard Cosy – part time staff (50%); has been hired to carry out the tasks of an assistant to the project manager of “INTEGRISSIMA”. He dedicates his entire working time to these tasks.

Reisel City calculated the staff costs for its employees for **November and December 2008** as follows:

1) Marta Bela:

| | |
|---|---------------|
| Hours spent on project activities (Nov. + Dec. 2008): | 73 h |
| Gross salary/ year: | EUR 50,000.00 |
| Employer’s contribution/ year: | EUR 18,000.00 |
| Gross salary incl. employer’s contr./ year: | EUR 68,000.00 |
| Actual days worked/ year | |
| e.g. (days per year – weekends/public holidays – vacation): | 226 days |
| Actual hours worked/ day: | 7.5 h |
| Total hours/ year: | 1,695 h |
| Hourly rate: total costs/hours worked per year EUR | EUR 40.12 |

Staff costs to be reported in November + December 2008:
hourly rate*hours spent on project **EUR 2,928.76**

2) Richard Cosy:

Gross average monthly salary for part-time employees in similar position (including employer’s contributions): EUR 2,000.00

Staff costs to be reported in November + December 2008: **EUR 4,000.00**

¹ The information provided here gives some practical advice on recurring issues in the financial management of projects. It does not of course substitute the INTERREG IVC Programme Manual or any EC or national regulation or the advice of the first level controller.

Question 1:

Have a look at the presented calculation methods for both employees. Could they be accepted? If not, why?

Solution:

The calculation method for M. Bela could be accepted.

NB.: According to some country specific rules, the calculation might have to be done on a monthly basis. But usually an annual calculation is accepted.

In case of R. Cosy, the calculation method is not acceptable, as it is not based on real costs of the individual employee. However, the principle of charging his entire monthly gross salary (incl. employer's contributions) to the project could be applied, as he is working 100% of his time on the project.

Points of attention:

- *Sick leave could also be deducted from actual days worked.*
- *“Unproductive hours” for activities such as training, writing of proposals cannot be deducted from the actual days worked. This would increase the hourly rate and indirectly (through the higher hourly rate) activities not directly related to the project would be charged. If there is a direct link to the project, then the activities would be considered as productive project hours and could appear in the timesheets and this way be directly reported.*

Question 2:

Check the supporting documents for Marta Bela provided in annex 1 and examine them on the following points:

- a) Do the supporting documents confirm the presented calculation for Marta Bela?

Solution:

Yes. The figures provided in the supporting documents are reflected in the calculation of staff costs expenditure for the project.

- b) On the basis of the presented payslips for the year 2008, is there any expenditure that should be regarded as ineligible?

Solution:

According to the provided payslips M. Bela received a salary bonus in April 2008.

A first level controller might consider a performance-related bonus eligible if it meets certain conditions:

- *if the bonus is fixed in the employment contract, the trade union agreement or in other official documents of the organisation
and*

- *if the partner can supply a yearly work plan and the assessment sheet, which proves that the bonus is related to project relevant activities.*

In general the eligibility of salary boni should be checked with the first level controller.

- c) Are the presented time-sheets correct? Do they contain all necessary information and do they comply with formal requirements and programme requirements?

Solution:

The time-sheets do not comply with all requirements:

- *They should be signed by the employer and the supervisor.*
- *The employer and supervisor should pay attention not to insert working time on public holidays or weekends. (In case the person worked on these days, this should be clearly mentioned in the time-sheet.)*
- *The description of activities performed is not clear and does not provide sufficient detail.*
- *The activities might not be assigned to the correct component.*
- *Some of the reported activities, namely: "attendance of conference ICT solutions of tomorrow", clearly do not belong to the project, which deals with SME financing and therefore should be deleted in the time-sheets.*

Example of a timesheet template can be found on www.interreg4c.eu.

- d) Are the supporting documents sufficient in order to confirm the staff costs for M. Bela? Are any other documents needed?

Solution:

No, other supporting documents are needed to certify staff costs:

- *Work contract*
- *Job description/ Mission letter*
- *Proof of salary payment to employee*
- *Payment proof of social charges (if justified and method documented, check may be on sample basis)*
- *Time records documenting the totality of working time of the employee, showing also all other tasks performed, which are not related to the project.*
- *...*

Please note that this list is not exhaustive. Other supporting documents might be requested by the first level controller.