

EARTO input towards Horizon Europe's MGA: Ensure continuity with H2020 personnel costs' options

2 December 2019

EARTO members very much appreciate the efforts of the EU institutions to preserve continuity in the Framework Programme's (FPs) rules for participation, while further improving simplification and efficiency. Following the EC proposal to move from hourly rates to daily rates for the calculation of personnel costs in Horizon Europe (incl. day equivalent option), EARTO experts hereby present their input and views.

The calculation of personnel costs based on daily rates instead of hourly rates would be a major change that would not reflect the reality of many FP beneficiaries and is not in line with their Usual Cost Accounting Practices.

- **Time recording is an integral part of the management control of RTOs and many other FP beneficiaries: they will continue to use timesheets.**
- **The daily rate approach would increase the administrative burden for both beneficiaries and auditors (e.g. crosschecking calendar years and reporting periods, establishing the personnel costs for day-equivalents).**
- **The unit cost option to calculate average personnel costs based on hourly rates needs to be maintained.**

Ensuring continuity with the H2020 approach of calculating personnel costs based on hourly rates would be the best form of simplification. Organising trainings for beneficiaries on the EU FPs eligibility rules would be the best way to lower the error rate.

Removing the obligation to keep timesheets would not be a simplification for many beneficiaries

RTOs, like many other FP beneficiaries, will continue to use timesheets. RTOs have sophisticated project accounting and time recording systems in place, which are an integral part of their management control and their official accounts (revenue recognition). These systems go beyond the EU FPs and are essential for beneficiaries to fulfil other national and EU requirements (e.g. separate their economic and non-economic activities in accordance with the EU State Aid rules). Therefore, removing the obligation of a time recording methodology by moving to a system of daily rates and declarations would not be a simplification for many beneficiaries.

The two proposed options to convert the number of hours to days are not aligned with beneficiaries' usual cost accounting practices

The personnel costs' methodology of Horizon Europe needs to take into account the different conditions in the different member states (e.g. workable hours) and should not have a downward effect on the funding rate compared to H2020. Using a "day equivalent" option as conversion rule should offer a systemic approach and interpretation for annual standard productive hours. This would partially solve the issue regarding the number of working hours to be counted in a day, taking into account that such number differs in different countries depending on the employment contracts and the general collective agreements. However, this would not be in line with many beneficiaries' Usual Cost Accounting Practices and would in any case require the manual conversion of hours into days, adding a new source of errors.

The option to calculate "unit costs determined according to usual cost accounting practices" (average personnel costs) needs to be maintained in Horizon Europe

The H2020 unit cost option to calculate average personnel costs based on hourly rates, which is in accordance with the usual cost accounting practices of beneficiaries, includes the assurance of the employment contracts or equivalent appointing act. This means that personnel costs are limited to salaries, social security contributions, taxes and other costs included in the remuneration arising from the national law or employments contract, collective labour agreements or equivalent appointing act. This also offers required proof of evidence of compensation rates and paid salaries in audits. Therefore, this option needs to be maintained in Horizon Europe.

The daily rate approach could have an important impact on Internal Invoicing, as working hours is the main cost driver in FP beneficiaries' accounting systems

"Daily rates" are not available in beneficiaries' accounting systems (i.e. not a cost driver), whereas "working hours" is the main cost driver. The daily rate approach may therefore have unexpected impacts to internally invoiced goods and services, such as technology infrastructures costs calculated as unit cost by using working hours as allocation key (and not days).

The daily rate approach would increase the administrative burden for both beneficiaries and auditors

With the conversion from hours into day, the daily rate approach would not only require one calculation at the end of the reporting period, but it would also, and most importantly, require extra steps and crosschecks (e.g. manual calculations, matching with calendar years, consistency, crosschecks with monthly declarations and HR records, etc.). This would considerably increase the administrative burden for beneficiaries, but also for auditors. In addition, FP beneficiaries would also need to learn to budget personnel costs according to daily rates to ensure that they will be of the same level as in H2020. The progress of the work will anyhow be reported in person months based on hours per work package (not in days).

The daily rate approach would not lead to a reduction of the error rate

In H2020, only a limited percentage of the error rate in the personnel costs' category is due to the calculation of productive hours (10.6%). Besides, the error rate known so far only covers the first projects of H2020, after which adjustments were made in the personnel costs' rules (e.g. accepting monthly salaries). In addition, as detailed above, the daily rate approach would create other sources of errors. More detailed information on the errors identified in ex-post audits (e.g. cost categories, project types, countries) would support NCPs and local authorities to adapt the trainings they provide, enabling beneficiaries to better fulfil the FPs eligibility rules' requirements and international accounting standards.

The harmonisation of personnel costs rules for RD&I activities at EU, national and regional levels should be based on hourly rates

The EU objective to streamline the rules of all EU-funded programmes is acknowledged. However, for RD&I activities, most national and regional funded programmes are based on hourly rates for the calculation of personnel costs. Continuity with H2020 rules based on hourly rates would therefore guarantee the equal treatment of beneficiaries in different countries, allowing crosschecks of the personnel costs claimed in both national and EU funded activities, including for co-funded actions.

EARTO and its experts remain of course ready to further discuss this input with the European institutions' and Member States' representatives.

For more information on EARTO's position towards Horizon Europe's Model Grant Agreement:

- See [EARTO Answer](#) to EC Consultation on Horizon Europe Implementation - 23 September 2019
- See [EARTO Analysis](#) of EC first partial draft Horizon Europe Model Grant Agreement - 10 July 2019
- See [EARTO Recommendations](#) on Horizon Europe's Implementation: Financial Aspects - 30 April 2019

RTOS - Research and Technology Organisations

From the lab to your everyday life. RTOs innovate to improve your health and well-being, your safety and security, your mobility and connectivity. RTOs' technologies cover all scientific fields. Their work ranges from basic research to new products and services' development. RTOs are non-profit organisations with public missions to support society. To do so, they closely cooperate with industries, large and small, as well as a wide array of public actors.

EARTO - European Association of Research and Technology Organisations

Founded in 1999, EARTO promotes RTOs and represents their interest in Europe. EARTO network counts over 350 RTOs in more than 20 countries. EARTO members represent 150.000 highly-skilled researchers and engineers managing a wide range of innovation infrastructures.

EARTO Contact: Sophie Viscido, viscido@earto.eu, Tel: +32 2 502 86 98