



EUROPEAN  
COMMISSION

Community Research



## FP7 Average Personnel Costs

### Acceptability Criteria for Average Personnel Cost Methodologies

Commission Decision adopted on 23 June 2009

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# 1. Acceptability criteria for average personnel cost methodologies

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Article II.14.1 of the FP7 model Grant Agreement allows beneficiaries to declare average personnel costs in the frame of FP7 grants provided that the costs declared are based on a certified methodology approved by the Commission. Beneficiaries intending to declare average personnel costs should, therefore, apply for the prior approval of their calculation method by means of the submission of a Certificate on the Methodology for personnel and indirect costs (when applicable<sup>1</sup>) or a Certificate on the Methodology for Average Personnel Costs.

The Commission has adopted on 23 June 2009 the acceptability criteria for average personnel cost methodologies which are applicable for the assessment of the methodologies submitted by the beneficiaries for approval (as per Form E of Annex VII of FP7 model grant agreement).

## Acceptability criteria

The criteria adopted are the following:

- Methodologies in which, for each personnel category, the difference between the average rate and the extreme values (upper and lower rates) is equal to or below 5%: the methodology is acceptable.
- Methodologies in which, for any personnel category, the difference between the average rate and the extreme values (upper and lower rates) is above 25%: the methodology is not acceptable.
- Methodologies not fulfilling the first criterion and in which, for each personnel category, the difference between the average rate and the extreme values (upper and lower rates) is equal to or below 25%: only methodologies applied by beneficiaries having participated in at least 4 FP6 projects with an EC contribution<sup>2</sup> in each of them equal to or above 375.000 € or at least 4 FP7 projects with an EC contribution<sup>3</sup> in each of them equal to or above 375.000 € are acceptable.

These criteria are applicable provided that all other aspects of the methodology are compliant with the provisions of the Grant Agreements, the Financial Regulation and its Implementing Rules.

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<sup>1</sup> For further information please refer to the FP7 Guidance Notes on Audit Certification [ftp://ftp.cordis.europa.eu/pub/fp7/docs/guidelines-audit-certification\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/fp7/docs/guidelines-audit-certification_en.pdf)

<sup>2</sup> In this context, EC contribution is defined as the Community financial contribution allocated to the beneficiary in the estimated breakdown of the budget and Community financial contribution as approved by the Commission in Annex I of each individual FP6 research contract.

<sup>3</sup> In this context, EC contribution is defined as the Community financial contribution allocated to the beneficiary in the table of the estimated breakdown of the budget and Community financial contribution as approved by the Commission in Annex I of each individual FP7 research grant agreement.

## Validity of the approval

As a general rule, beneficiaries are authorised to declare average personnel costs for all reporting periods ongoing and subsequent to the date of the approval of their methodology by the Commission.

This approval will remain valid for the entire duration of FP7 unless the methodology is altered by the beneficiary or the Commission services notice during audits on cost declarations weaknesses in the methodology either as a result of inaccuracy, improper use or any other eventuality which can invalidate the basis on which such approval was granted. Beneficiaries are reminded that any modification of the methodology approved should be reported to the Commission.

The Commission has the right to recover funds unduly paid, as well as to apply liquidated damages, when an inappropriate use of the approved methodology is identified, for example during an on-the-spot audit.

**NOTICE: beneficiaries whose average personnel cost methodology is not approved by the Commission must declare actual personnel costs**

## 2. Practical example

Beneficiaries intending to declare average personnel costs can check their methodologies against the acceptability criteria abovementioned before establishing their certificate.

As an example, the following table presents the categories, costs per category, average, etc, as well as the lower and upper variation per category, of a hypothetical methodology (this information is requested in the certificate on the methodology as per Form E of Annex VII of FP7 model grant agreement, procedure 3):

	Category	Number of employees	Lowest pay	Highest pay	Average	Median	Lower % variation with the average	Upper % variation with the average	Annual Prod. hours
Heads of department	1	6	163.317,24	187.623,18	176.231,46	177.331,19	-7,33%	6,46%	1600
	2	12	96.230,09	108.878,16	103.452,78	104.487,42	-6,98%	5,24%	1600
Senior Researchers	3	27	85.051,33	108.878,16	96.351,79	95.574,42	-11,73%	13,00%	1650
	4	45	75.171,21	85.051,33	80.813,27	81.621,49	-6,98%	5,24%	1650
Junior Researchers	5	3	66.438,77	85.051,33	75.266,26	74.659,01	-11,73%	13,00%	1680
	6	30	58.720,81	75.171,21	66.522,82	65.986,08	-11,73%	13,00%	1680
	7	75	51.899,37	66.438,77	58.795,06	58.320,70	-11,73%	13,00%	1680
Technicians	8	30	45.870,42	51.899,37	49.313,26	49.806,42	-6,98%	5,24%	1680
	9	18	40.541,79	51.899,37	45.928,40	45.557,86	-11,73%	13,00%	1680
	10	66	35.832,14	45.870,42	40.593,04	40.265,55	-11,73%	13,00%	1680
	11	12	31.669,67	40.541,79	35.877,47	35.587,99	-11,73%	13,00%	1680
Assistants	12	7	27.990,70	35.832,14	31.709,70	31.453,88	-11,73%	13,00%	1680
	13	30	24.739,12	31.669,67	28.026,10	27.799,99	-11,73%	13,00%	1680
	14	3	21.865,26	27.990,70	24.770,38	24.570,52	-11,73%	13,00%	1680
Trainees	15	15	19.325,23	24.739,12	21.892,88	21.716,27	-11,73%	13,00%	1680
	16	6	17.080,26	19.325,23	18.362,25	18.545,86	-6,98%	5,24%	1680

In the given example, the deviations from the average of each category and the extreme values are greater than 5 % and so, **as a general rule the methodology would not be acceptable.**

However, those beneficiaries participating or having participated in at least 4 FP6 projects with an EC contribution equal to or above 375.000 € in each or 4 FP7 projects with an EC contribution equal to or above 375.000 € in each can benefit from the third criteria conditions. For those recurrent beneficiaries this methodology would be acceptable as the deviations in all categories remain below 25 %.

The number of categories is in itself not the only indicator of the acceptability of the methodology. Methodologies with few categories (for instance because only engineers are

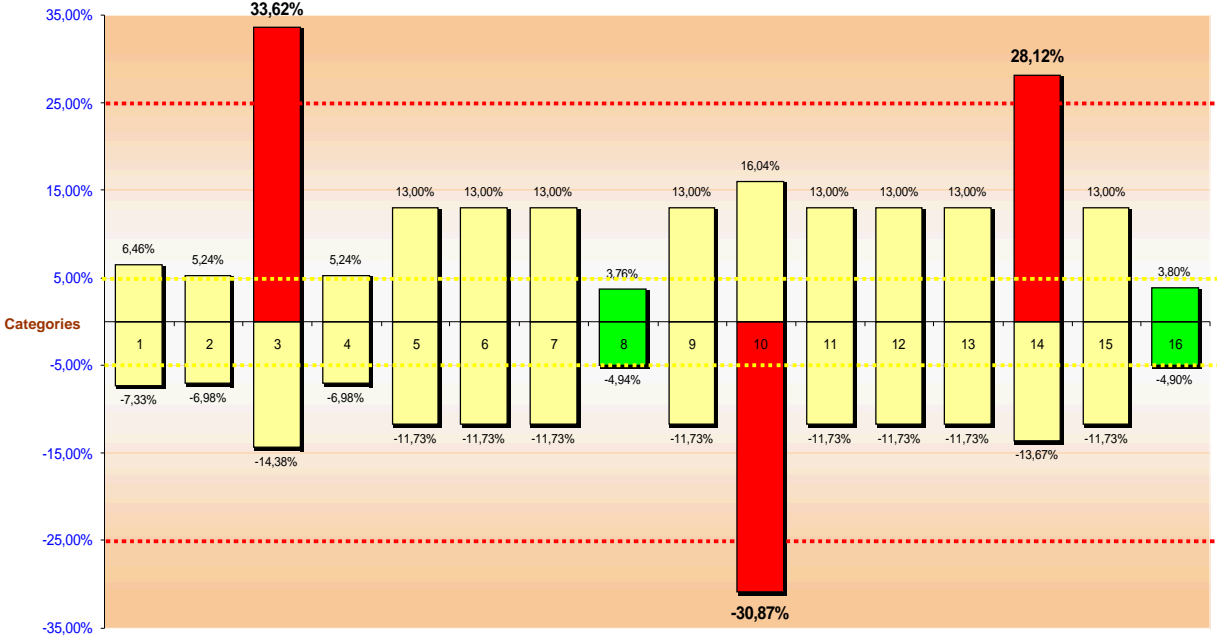
charged using averages) could be eligible if the pay-bands of each category remain within the fixed boundaries. On the contrary, methodologies with a large number of categories but for which variations between averages and extreme values are still significant would not be eligible.

In summary, the range of the pay-bands for each personnel category defines the acceptability of the methodology when compared with the approved thresholds (+/- 5 % as a general rule, +/- 25 % for beneficiaries under the third criterion).

### What if only a few categories diverge more than the approved thresholds?

To be acceptable, all personnel categories charged using average costs must fulfil the criteria.

The following example represents graphically the variations of a given methodology similar to the previous example:



In this case, only three categories out of sixteen have variations beyond 25 % (acceptability threshold for beneficiaries under the third criterion). These three categories would, nevertheless, render the methodology not acceptable. In this situation, the beneficiary could:

1. Opt to calculate actual personnel costs in FP7 cost declarations
2. Implement adjustments in the methodology in order to fulfil the acceptability criteria. Possible adjustments could be (among others):
  - o Create subcategories for those categories where the deviation is excessive. For instance personnel in category 3 could be divided into subcategory 3 and subcategory 3bis in order to contain the maximum deviations below the approved threshold.

- Apply average personnel costs for those personnel categories fulfilling the criteria and actual personnel costs for those with an excessive deviation.
- For those categories with an excessive deviation, withdraw from the category the employee(s) with the extreme values and re-calculate the category (new average and new upper and lower deviation). In case those individuals withdrawn from the category work under an FP7 project, the related personnel cost would have to be charged using actual personnel costs.