

DECISION authorising the use of unit costs for staff and field office costs using usual cost accounting practices under the Humanitarian Aid Programme

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EC) No 1257/96 of 20 June 1996 concerning humanitarian aid¹, and in particular Article 3 thereof,

Having regard to Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union², and in particular Articles 125 and 181 thereof,

Whereas:

- (1) Unit costs considerably simplify the administrative procedures and reduce the risk of errors, consequently leading to a decrease of the workload for the European Commission services and for the beneficiaries,
- (2) Staff costs and field office costs represent a significant proportion of eligible costs of the majority of actions and simplifying the manner in which they are reimbursed can help achieve the overall simplification aim,
- (3) Certain beneficiaries may have in place existing unit costs which are calculated on the basis of their usual cost accounting practices,
- (4) In order to maximise simplification and the potential to reduce errors, it is important to set a beneficiary-by-beneficiary approach whereby staff costs and field office costs can be declared on the basis of usual cost accounting practices,

THE FOLLOWING HAS BEEN DECIDED:

Sole Article

The use of eligible costs declared by recipients of Union funds on the basis of unit costs is authorised under the Humanitarian Aid Programme, for the reasons and under the conditions set out in the Annex.

Done at Brussels,

(e-signed)

Paraskevi MICHOU

Authorising Officer by Delegation

¹ OJ L 163, 2.7.1996, p. 1.

² Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p.1).

Annex

1. Form of Union contribution and categories of costs covered

Recipients of Union funds shall declare the following eligible costs on the basis of either of the following:

(a) staff (so-called ‘average personnel costs’) and field office costs based on unit costs calculated in accordance with their usual cost accounting practices.

(b) staff (so-called ‘average personnel costs’) and field office costs based on eligible costs actually incurred.

Other categories of eligible costs shall be reimbursed on the basis of eligible costs actually incurred.

The amounts of the unit costs to be declared by the beneficiaries shall be calculated in accordance with point 3.

2. Justification

Staff costs are an essential element of the costs of almost all actions. Where possible, the declaration of staff costs should be simplified to the greatest extent possible. For some beneficiaries, staff costs can be more easily declared on the basis of their own usual cost accounting practices (so-called ‘average personnel costs’) because they have already developed unit costs which they use in other situations when declaring costs.

The costs incurred in running offices cover a wide range of items, such as staff (assigned to many different tasks), buildings, equipment, security fees, etc., which may be difficult to track individually or to assign to a specific project. As a result, the calculation of office costs is prone to errors.

The reimbursement of office costs determined on the basis of cost accounting data contributes to the simplification of financing arrangements and to reducing administrative errors linked to the reporting of actual field office costs.

2.1. Nature of the supported actions

The declaration of staff and field office costs on the basis of unit costs may be used in all actions under the Humanitarian Aid Programme as the way of declaring these costs is not related to the nature of the supported actions, but to the beneficiary and its usual account practices.

2.2. Risks of irregularities and fraud and costs of control

The declaration of staff costs and costs of field offices on the basis of unit costs does not present any additional risk of fraud or error. The Commission can check *ex post* that the practices of the beneficiary comply with the requirements of usual cost accounting practices (see point 3 below).

The triggering event for the payment of the unit costs will usually be:

- for staff costs: the amount of time worked on the action, proof of which must be maintained by the beneficiary and which can be verified *ex post* by the Commission during checks and audits.
- for field office costs: the number of units used, provided or produced for the action, proof of which must be maintained by the beneficiary and which can be verified *ex post* by the Commission during checks and audits.

2.3. Justification on why an output or result-based approach is not possible or appropriate

This Decision authorises the declaration of staff costs and field office costs on the basis of unit costs. These respective unit costs will usually be input-based (for example hourly or daily rates for staff costs; part of the rental or electricity costs for the field office costs) and will constitute one input to the overall action. It is not possible to define in advance an output or result for every action for which these unit costs could be declared. Therefore it is neither appropriate nor justified to use an output based unit costs in these cases.

3. Method to determine the amount of the unit costs

The method to determine the amount of the unit costs is the usual cost accounting practices of the beneficiary, in accordance with Article 181(4)(c)(ii) of the Financial Regulation.

In order to be considered as usual cost accounting practices, the method for calculating the unit costs should comply with the following:

- (1) The method is based on the usual cost accounting practices of the beneficiary, which are based on objective criteria and applied consistently across the entity irrespective of the source of funding;
- (2) The method ensures that the costs declared are a reliable proxy of the actual costs as follows:
 - For staff costs ('average personnel costs'), the beneficiary must use the actual personnel costs recorded in its accounts
 - For field office costs the beneficiary must use the actual costs recorded in its accounts:
 - a) falling within one of the following categories:
 - i) costs of staff, including administration and management staff, directly assigned to the operations of the project office. The tasks listed in the Description of the Action, undertaken by staff assigned to the project office will be directly attributable to the implementation of the Action.
 - ii) travel and subsistence costs for staff and other persons directly assigned to the operations of the project office;
 - iii) depreciation costs, rental costs or lease of equipment and assets composing the project office.
 - iv) costs of maintenance and repair contracts specifically awarded for the operations of the project office;
 - v) costs of consumables and supplies specifically purchased for the operations of the project office;
 - vi) costs of IT and telecommunication services specifically purchased for the operations of the project office;
 - vii) costs of energy and water specifically supplied for the operations of the project office;

- viii) costs of facility management contracts including security fees and insurance costs specifically awarded for the operations of the project office;
 - b) allocated to action based on an objective, fair and reliable allocation key, for example:
 - i) pro rata the number of staff assigned to the action (as compared with the total number of staff in the office or the entire infrastructure where the office is located, e.g. the beneficiary's headquarters);
 - ii) pro rata the time spent on the action (as compared with the total availability time of the office);
 - ii) pro rata the weight of the EU contribution to the action (as compared with the total funding of the projects implemented through the office); and
 - iv) pro rata the space occupied for the purpose of the action (as compared with the total space available in the office or the entire infrastructure where the office is located, e.g. the beneficiary's headquarters).
 - c) limited to the portion of the capitalised and operating costs of project office which corresponds to the duration of the Action;
- (3) The method allows for the identification of all elements included in amounts declared on the basis of the usual cost accounting practices of the beneficiary;
 - (4) The method may foresee a regular update of the unit costs. For that purpose, the unit costs may be adjusted on the basis of budgeted or estimated elements, if they are relevant for calculating the personnel or field office costs, reasonable and correspond to objective and verifiable information;
 - (5) The method ensures that costs covered by the unit costs do not include ineligible costs;
 - (6) The method ensures reasonable compliance with the principle of no double funding, e.g. all costs are included in only one category of costs, and are only taken into account for one lump sum/unit cost/flat rate;
 - (7) The method is clearly described, and answers at least the following questions:
 - (a) How is unit cost calculated and which costs or categories of costs are covered?
 - (b) Where applicable, how often is the unit cost reviewed and updated (e.g. annually)?
 - (c) Where applicable, when are the calculations updated (e.g. every year at the end of February)?
 - (d) What is the reference period for the actual data used (e.g. the calendar year preceding the date of finalisation of the calculations)?
 - (e) Which most recently calculated unit cost is intended to be used for reports?

4. Sound financial management, co-financing principles and absence of double financing

Sound financial management will be ensured because the amount to be declared as eligible costs will be an approximation of the actual costs involved. The amounts will be declared in the form of unit costs which comply with the usual cost accounting practices of the beneficiary, meaning that they are based on the most recent data from the beneficiary's accounting system, which ensures that only eligible costs can be taken into account. The compliance of these unit costs with such usual cost accounting practices can be verified *ex post* by the Commission.

This Decision is without prejudice to the co-financing principle, meaning that the eligible costs declared using this Decision will be reimbursed taking into account the relevant funding rate of the programme concerned at payment stage.

Lastly, absence of double funding will be ensured in the first case because the usual cost accounting practices of the beneficiary must comply with the requirement that eligible costs are counted only once in the calculation of the unit costs. This requirement can be checked *ex post* by the Commission during checks or audits. Moreover, absence of double funding will be verified in the normal manner for grants by checking that the beneficiary concerned has not received another EU grant for the same action.