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DECISION authorising the use of unit costs based on usual cost accounting practices for actions under the Digital Europe Programme

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

Having regard to Regulation (EU) 2021/694 of the European Parliament and of the Council of 29 April 2021 establishing the Digital Europe programme and repealing Decision (EU 2015/2240[1], and in particular article 19 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 Union[2], 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 represent a significant proportion of eligible costs of the majority of actions and simplfying the manner in which they are reimbursed can help achieve the overall simplification aim,

(3) Costs for internally invoiced goods and services represent also an important cost category for certain beneficiaries,

(4) Certain beneficiaries may have in place existing unit costs which are calculated on the basis of their usual cost accounting pratices,

(5) A beneficiary-by beneficiary approach whereby staff costs and costs for internally invoiced goods and services can be declared on the basis of usual cost accounting practices should therefore be authorised.

THE FOLLOWING HAS BEEN DECIDED:

Sole Article

The use of eligible costs declared by recipients of Union funds on the basis of unit costs for staff costs and costs for internally invoiced goods and services is authorised for all actions under the Digital Europe programme, for the reasons and under the conditions set out in the Annex.

[1] OJ L 166, 11.5.2021, 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).

Done at Brussels,

Electronically signed

Roberto Viola

Annex

1. Form of Union contribution and categories of costs covered

Recipients of Union funds may declare:

1. Staff costs on the basis of unit costs (so-called ‘average personnel costs’) for all actions under the Digital Europe programme.
2. Costs for internally invoiced goods and services on the basis of unit costs for all actions under the Digital Europe programme.

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.

‘Internally invoiced goods and services’ means goods or services which are provided within the beneficiary’s organisation directly for the action and which a beneficiary values on the basis of its usual cost accounting practices. They may include (amongst others):

- self-produced consumables;
- use of specific devices or facilities;
- standardised testing.

Costs for internally invoiced goods and services are thus of important nature and scope for beneficiaries. Wider acceptance of the usual cost-accounting practices of the beneficiaries is essential on that matter.

2.1. Nature of the supported actions

The declaration of staff costs on the basis of unit costs may be used in all actions under the Digital Europe 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.

The declaration of costs for internally invoiced goods and services may be used in all actions under the Digital Europe programme.

2.2. Risks of irregularities and fraud and costs of control

The declaration of staff costs and costs for internally invoiced goods and services 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 costs for internally invoiced goods and services: 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 costs for internally invoiced goods and services on the basis of unit costs. These unit costs will usually be input-based (for example hourly or daily rates for staff costs; number of access or units provided or produced for internally invoiced goods and services) 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 Union contribution in the form of unit costs

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

In order to be considered as usual cost accounting pratices, 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 costs for internally invoiced goods and services, the beneficiary must use in principle the actual costs for the good or service recorded in its accounts, attributed either by direct measurement or on the basis of cost drivers, and excluding any cost which are ineligible or already included in other budget categories.

(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 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 pratices 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 checked in the normal manner for grants by checking that the beneficiary concerned has not received another EU grant for the same action.