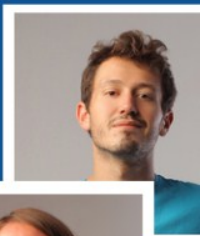
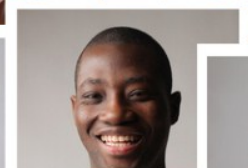
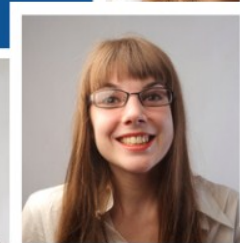
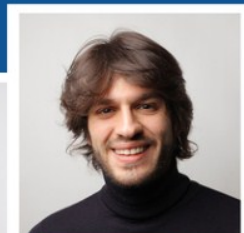
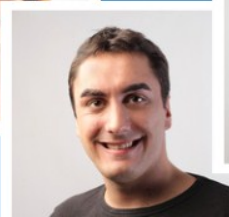
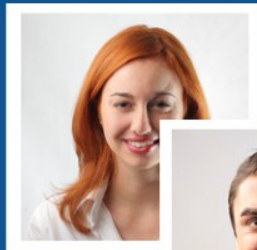
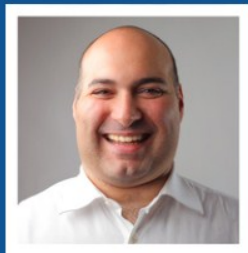


Simplification Cost Options & Joint Action Plans

Current use
and perspectives 2014 2020

Update June 2013

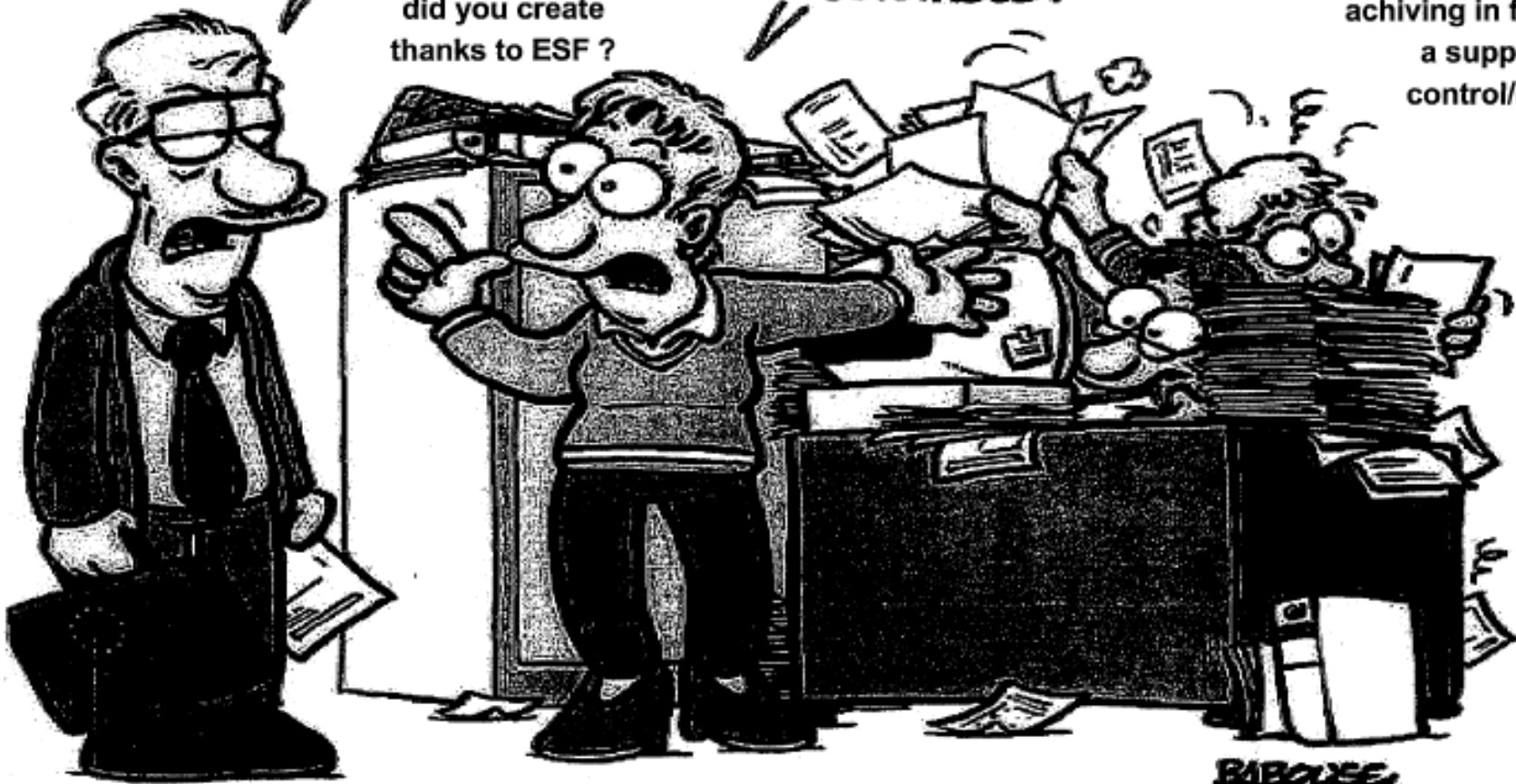


ET QUEL TYPE
D'EMPLOI AVEZ-VOUS
DÉVELOPPÉ GRÂCE
AU F.S.E ?

So what kind of job
did you create
thanks to ESF ?

GRÂCE AU F.S.E
NOUS AVONS EMPLOIÉ
À TEMPS PLEIN DEUX
COMPTABLES CHARGÉS DE
TOUT CLASSER ET ARCHIVER
EN PRÉVISION D'UN ÉVENTUEL
CONTRÔLE !

Thanks to ESF we
hired 2 full time
accountants in charge
of classing and
achiving in forecast of
a supposed
control/check



BABOUE,



Do you want to

- *reduce the risk of errors?*
- *focus on what really matters, on what you achieve?*
- *stop controlling every cent?*
- *simplify your work?*

... then use simplified costs options.



2007 2013: 3 simplified cost options

1. Flat rate for indirect costs: indirect costs calculated as a % of direct costs (maximum 20%)
eligible cost = direct costs + (% of direct costs)
2. Standard scales of unit costs: reimbursement calculated on the basis of delivered quantities multiplied by a unit cost
 - **Ex: eligible cost = nb of trainees x cost by trainee**
3. Lump sums (<50 kEUR): reimbursement when pre-defined terms of agreement on activities and/or outputs are completed
 - **Eligible cost = lump sum amount (if completed) or 0.**

Simplification! No audit of underlying financial documents



Origin of simplified cost options

- *Flat rate for indirect costs in the original ESF Regulation.*
- *Majority of errors found by ECA in structural actions expenditure due to the complexity of the rules*
- ⇒ *ECA 2007 annual report: making a greater use of 'lump sum' or 'flat rate' payments instead of 'real costs'*
- *Still a recommendation in ECA 2011 annual report*
- *Recovery plan November 2008: ESF amendment to allow unit costs and lump sums. Provisions extended to the ERDF: ERDF applies ESF rules. Amendments adopted in 2009.*
- *Options already exist in the Financial Regulation or some other policies*



Costs fully justified ('real costs')

Training, with a number of 21,400 hours x trainees realised
(sum of hours of training undergone by every trainee)

Direct costs = 113 772 €

1. Personnel cost	100 763
1.1 Internal personnel – remuneration	60 895
1.2 Int. pers. - transport home/work	622
1.3 Internal personnel – travel costs	104
1.4 External personnel – remuneration	39 143
1.5 External personnel - travel costs	0
 2. Product develop and consumption	 13 009
2.1 Non depreciable consumption goods	9 056
2.5 Publicity	3 096
2.6 Organisation costs	857
2.7 Other costs	0

Total costs : 128 963 €

Indirect costs = 15 191 €

3.1 Personnel costs (management)	12 000
3.4 Equipment and immovable goods (depreciation)	54
5.1 Internal administration, accountancy, management	563
5.4 General doc. and publicity for courses & structure	906
5.5 Office supplies	856
 5.8 Telephone, post, fax	 20
5.9 Taxes and insurance	201
5.12 Movable material (depreciation)	109
5.13 Immovable goods	0
5.17 External accountancy costs	536
5.18 Other costs	0

Justification: Each Euro & number of hours x trainees.



Flat rate for indirect costs

Training, with a number of 21,400 hours x trainees realised
(sum of hours of training undergone by every trainee)

Direct costs = 113 772 €

Indirect costs = flat rate rule

1. Personnel cost	100 763
1.1 Internal personnel – remuneration	60 895
1.2 Int. pers. - transport home/work	622
1.3 Internal personnel – travel costs	104
1.4 External personnel – remuneration	39 143
1.5 External personnel - travel costs	0

Indirect costs = 13 % of direct costs
= 113 772 x 13% = 14 790 €

⇒ Indirect costs (€) = 14 790

2. Product develop and consumption	13 009
2.1 Non depreciable consumption goods	9 056
2.5 Publicity	3 096
2.6 Organisation costs	857
2.7 Other costs	0

TOTAL CERTIFIED: 128,562 €

**Justification: Each Euro of direct costs & number of hours
x trainees & rate**



Standard scale of unit costs

**Training, with a number of 21,400 hours x trainees realised
(sum of hours of training undergone by every trainee)**

- **For this type of training, the standard scale of unit defined by the national authorities is: €6 / hour x trainee**
- ⇒ **The eligible costs will be: €6 x 21,400 = € 128,400**
- **Justification: Number of hours x trainees & standard scale of unit cost.**



An example of lump sum: new activity for a NGO managing a 'crèche' (childcare)

1. *Draft detailed budget to calculate ex ante the amount of the lump sum*

1.1 Internal personnel – remuneration	32 000
1.2 Int. pers. - transport home/work	600
3.1 Non depreciable consumption goods	500
3.4 Equipment and immovable goods (depreciation)	347
5.1 Administration, accountancy, management	4 520
5.8 Telephone, post, fax	207
5.9 Taxes and insurance	43
5.17 External accountancy costs	536

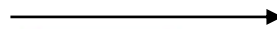
2. *Eligible costs amounting to 38,753 EUR to look after 10 additional children during one year.*

3. *End of implementation: 11 additional children looked after during one year*

⇒ *Condition fulfilled*

⇒ *Eligible costs certified = 38,753 EUR.*

Before implementation



Closure of operation



2007 2013: key points of SCOs

- *Optional*
- *Only for grants (no operations or projects subject to public procurement contracts)*
- *SCOs shall be calculated ex ante on a fair, equitable and verifiable basis.*
- ***Simplification!*** *No audit of underlying financial documents. Amounts paid considered as paid expenditure if justified by "quantities" / direct costs (flat rate).*

=> a first step to focus more on outputs and results than inputs



State of play of the use of SCOs (ESF)

New system with a new culture ...

=> Create shared expertise and mutual trust

Guidance (ESF note on flat rate, COCOF note)

Assessment of flat rate systems by DGs

Seminars and trainings, exchange of experience



Feedback on the use of the options (ESF)

- *Still an on going process*
- *116 ESF OPs (+ 1 contingency reserve OP)*
- *45 OPs covered by an approved flat rate scheme (+6 in 2012)*
- *Survey in 2012 to get information on other options: 61 questionnaires received*



First results of the survey (61 answers)

69% OPs use at least 1 SCO (flat rate or unit costs), 39% use 2 SCOs, 10% use 3 SCOs.

Simplified cost options			
Not at all	Flat rates	Unit costs	Lump sums
19	9	9	0
	18		
	6		



Flat rates on indirect costs: Examples

- *Different percentages based on the kind of projects (e.g. higher percentages for innovative projects, lower percentages for projects in the field of education)*
- *Different percentages based on the budget size of a project (e.g. higher percentages for projects with a lower budget and lower percentages for projects with a higher budget)*
- *Based on the type of organisation (e.g. lower percentages for governmental / educational organisations, higher percentages for non-governmental organisations)*
- *One percentage on all types of measures in one OP*
 - *for all eligible direct costs (minimum % is 7%)*
 - *for all direct staff costs (minimum % is 12%)*
- *Different percentages beneficiary by beneficiary*



Standard scales of unit costs: examples

- *Specific amount for each participant participating in a specific training measure (in some cases amount will be paid on a result basis (part. participated in the measures with success = result based))*
- *For counselling activities (specific amount for one counselling session)*
- *Specific amount for the mobility of participants (national / transnational)*
- *Specific amount for specific parts within an ESF funded measure*



Methodologies used to develop the options

- *Historical analysis based on ESF projects funded in 2000 – 2006 (=> availability of statistical data at the regional / national level)*

some included, in addition,

- *a representative analysis 2007 – 2013 or*
- *additional information on experiences from other national or EU-funded programs*
- *in addition, national / regional standards (e.g. standard scale of unit costs already applied for similar types of beneficiaries and operations in national/regions schemes)*



Simplification ... but

- *Initial workload: time & data required to calculate the simplified cost options*
- *Clarity of the definitions (direct or/and indirect costs for instance)*
- *Scope of the rule: not for operations / projects that are tendered*
- *Compatibility of National rules – matching Funds*
- *Legal certainty vs flexibility*
- *Speak together*

The European Social Fund



And for the future ?



SCOs 2014 – 2020: Guiding principles

📄 Simplified costs = keys in terms of simplification and in terms of better focus on results

- *Maintain the 'acquis'*
- *Extend the use*
- *Harmonise the options while taking account of specificities (and the acquis)*
- *Improve legal certainty*

The Regulations provide for a toolbox of different possibilities from which you can choose according to your needs.



COM proposal 2014 2020 : Simplified costs

*For all ESI Funds, **grants and repayable assistance** may take the following forms:*

- reimbursement of eligible costs actually incurred and paid, together with, where applicable, in-kind contributions and depreciation;
- standard scales of unit costs;
- lump sums not exceeding **EUR 100 000** of public contribution;
- **flat-rate financing**, determined by the application of a percentage to one or several defined categories of costs.

Simplified

costs

Simplified costs for grants only = no operations or projects subject to public procurement contracts

*Options: The MS may choose which forms to use, **except for ESF small projects (public support < EUR 50 000): compulsory use of simplified cost options.***



Calculation of simplified costs (1)

Objective: maintain the 'acquis' ...

fair, equitable and verifiable calculation is maintained and specified. Method based on:

- **statistical data or other objective information; or**
- **the verified historical data of individual beneficiaries or the application of their usual cost accounting practices;**

+ *Additional possibilities to improve legal certainty and harmonisation*



Calculation of simplified costs (2): additional possibilities

- *methods and corresponding scales of unit costs, lump sums and flat rates applicable in Union policies for a similar type of operation and beneficiary;*
- *methods and corresponding scales of unit costs, lump sums and flat rates applied under schemes for grants funded entirely by the Member State for a similar type of operation and beneficiary;*
- *Rates, methods established by the Common General Regulation or the Fund-specific rules (no justification required);*
- *for the ESF, unit costs, lump sums and flat rates calculated on the basis of a draft budget in the case of grants not exceeding 100.000 EUR;*



Flat-rate financing (1) General (Art 57 1 d): examples

	Category of costs to which the rate is applied	Rate	Rate used to calculate ...	Calculation method
ESF Reg	Eligible direct staff costs	Up to 40%	Remaining eligible costs of an operation	<u>No calculation</u>
ETC Reg	Direct costs other than staff costs	Up to 20%	Staff costs	<u>No calculation</u>
CPR Reg	Variable (see next slide)	Variable (see next slide)	Indirect costs	Variable (see next slide)
	Your own system of flat rate (except for indirect costs)			

• **Reminder: Never compare rates directly! Compare also the categories of costs calculated with the rate, and the categories of costs to which the rate is applied.**



Flat rate financing (2) to calculate indirect costs (Art 58 CPR)

Category of costs to which the rate is applied	Rate	Calculation method	Remark
Eligible direct costs	Up to 25%	- Fair, equitable, verifiable -MS schemes -Draft budget*	Current system with additional calculation methods
Eligible direct <u>staff</u> costs	Up to 15%	<u>No calculation</u>	Other eligible direct costs are declared in addition
Eligible direct costs	Rate applied in EU Policies	Delegated act will specify rate & method	

* ESF, for public support < EUR 100.000



Staff costs: annual working time

Proposal endorsed by the Council and the EP

*Method to calculate hourly staff costs: divide latest documented annual gross employment costs by **1720** hours.*

👉 Still to document time spent on operations!



Future simplified cost options

Indirect costs = 15% of direct staff costs

Direct costs = 113 772 €

1. Personnel cost

	100 763
1.1 Internal personnel – remuneration	60 895
1.2 Int. pers. - transport home/work	622
1.3 Internal personnel – travel costs	104
1.4 External personnel – remuneration	39 143
1.5 External personnel - travel costs	0

A. Direct staff costs =

$$60\,895 + 39\,143 = 100\,038 \text{ €}$$

B. Indirect costs = 15% of direct staff costs

$$= 100\,038 \times 15\% = 15\,006 \text{ €}$$

2. Product develop and consumption 13 009

2.1 Non depreciable consumption goods	9 056
2.5 Publicity	3 096
2.6 Organisation costs	857
2.7 Other costs	0

C. Other direct costs = 13 735 €

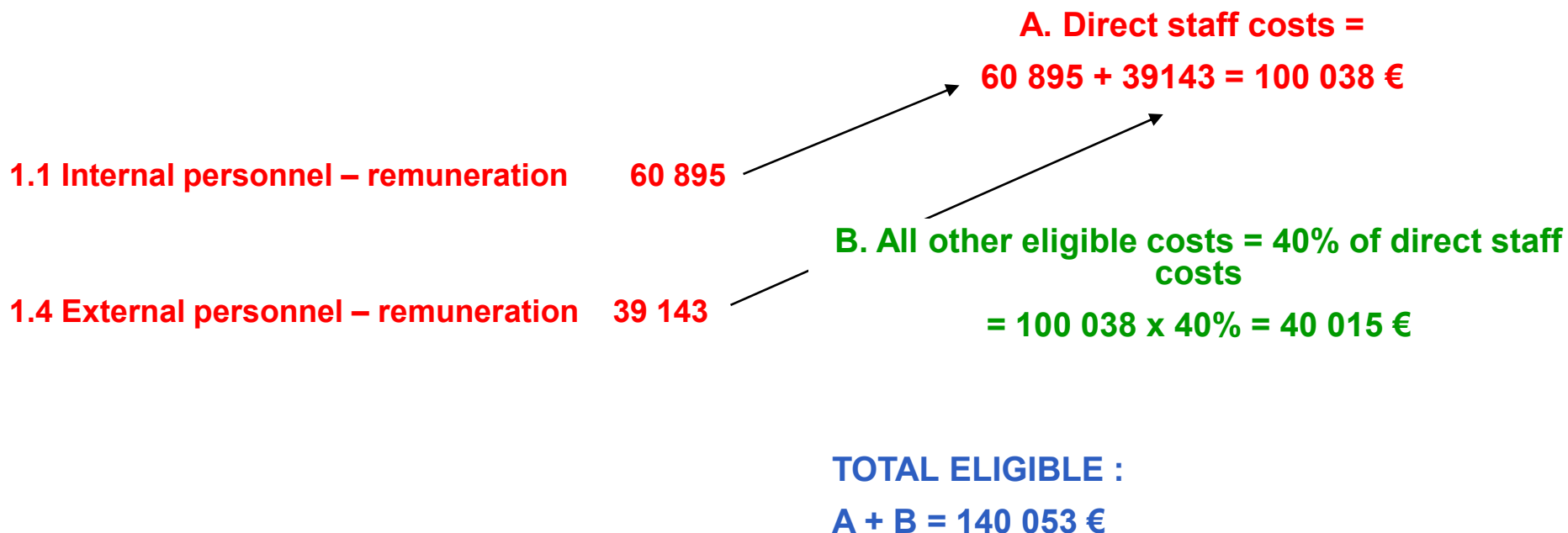
TOTAL ELIGIBLE :

$$A + B + C = 128\,779 \text{ €}$$



Future of the simplified cost options

all costs other than direct staff costs = 40% of direct staff costs





Comparison current / future

- *flat rate to calculate indirect costs -> flat rate to calculate any type of costs*
- *increase of lump sum threshold*
- *more calculation methods*
- *lump sums / unit costs compulsory for small ESF grants*

But everything that is used now is usable in the future!



Article 14.1 ESF DA: Standard scales and lump sums defined by the Commission

- *ESF only, optional, in addition to Art 57-58
Objective to re-use existing data where
appropriate (Eurostat, national statistics, data
from OPs...)*
- => *MS (or even OP) specific, depending on data.*
- *Reimbursement of expenditure by the
Commission on the basis of these standard scales
and lump sums.*
 - *Financial audit = exclusively to verify that
conditions for reimbursements by the
Commission on the basis of standard scales and
lump sums have been fulfilled.*



Joint Action Plan:

Towards a management more focused on results



Why?

...did we propose this new instrument?

To focus more on outputs and results

...do we believe it will work?

Because focus on outputs and results will **replace** focus on inputs

...did we create a new specific tool? Possible scales

- Operations via use of standard scales of unit costs or lump sums but political will to be more ambitious...
 - Programmes: too difficult ...

=> Intermediary scale: option to implement part of programme(s) using a result based approach = JAP

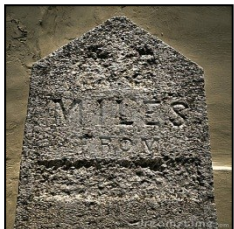
What do you need to build a JAP?



A smartly defined goal

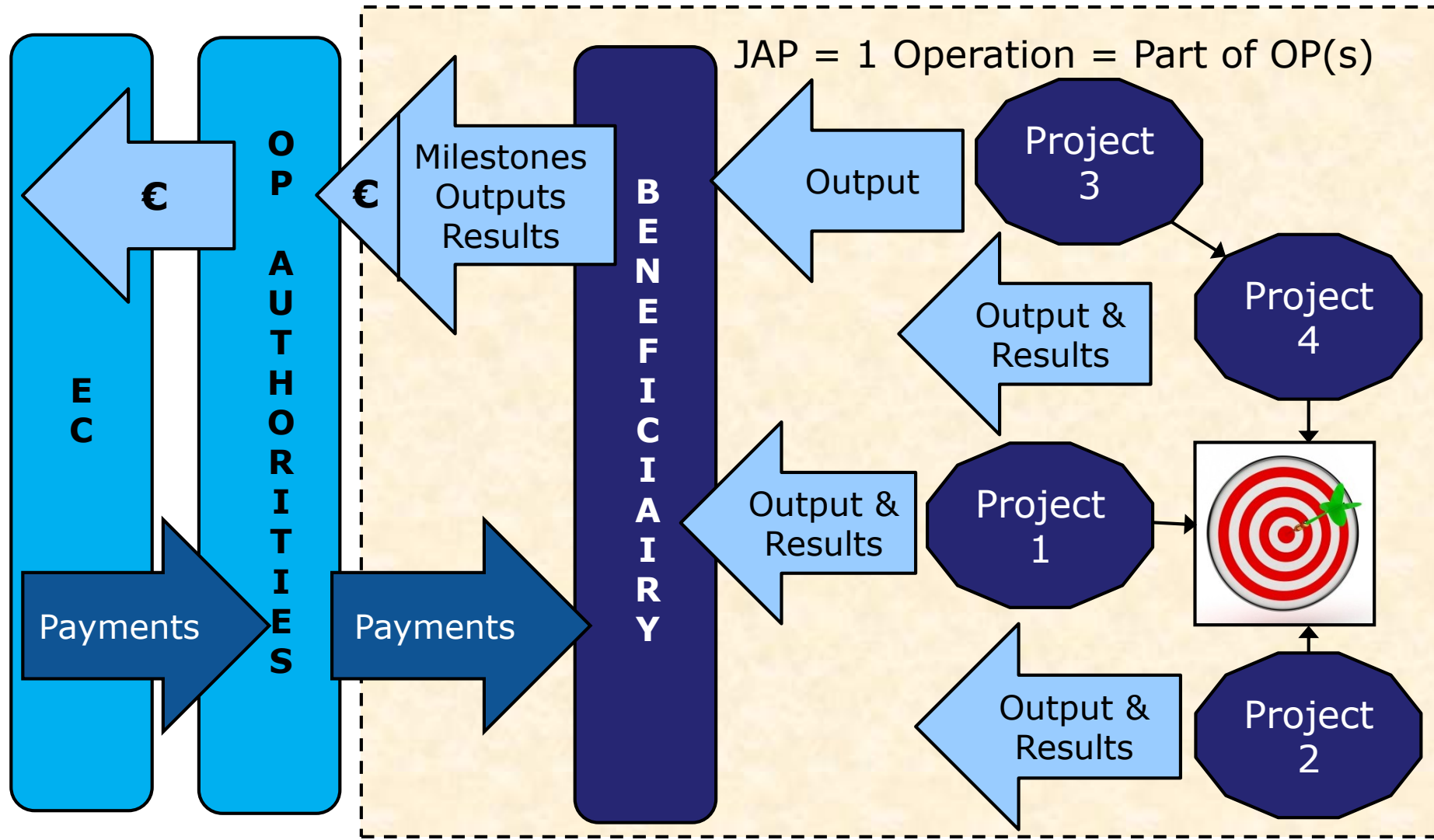


A well-thought through intervention logic



Agreed upon milestones, outputs and results

How does it all fit together?



JAP: Key points to remember (1/3)

1. The Intervention logic

- Which **(types) of projects** are required to reach the JAP's goal?
- What does the road to success look like? Which **milestones** should be reached along the way? Which **intermediary output and result** targets should be achieved to realise the goal?
- Which **indicators** are needed to adequately monitor progress towards milestones, outputs and results?

JAP: Key points to remember (2/3)

2. Financial Management

- **Payment will depend on level of achievement!**
- Costs to achieve milestones, outputs and results are calculated **similarly to simplified cost options** (also applicable to public contracts)
- **But Lump sums are not capped, also applicable to public contracts**
- Cost are included in payment applications **like any other operations** (no advances declared to the Commission)

JAP: Key points to remember (3/3)

3. Audit

- Financial audit pertains **only to the conditions of payment** defined in the **Commission Decision**: milestones, outputs & results
- This presupposes **reliable systems** to collect & store data + **common interpretation** of indicators
- For costs incurred by the beneficiary, national accounting practices apply. They are not subject to audit by the audit authority or the Commission



- **JAP is an option**
- **Beneficiary = public law body. One beneficiary.**
- **Supported by ESF, ERDF, CF but no infrastructures**
- **Minimum public support: EUR 10 million or 20% of the OP (lower figure), EUR 5 million for 1 pilot/OP, no threshold for YEI**
- **Covered by a Commission decision**
- **Could be submitted after the start of the OP**
- **No specific duration but expected to be shorter than the OP period.**



JAPs: Pros and Cons

- +: Result oriented, flexible (scope, time period, can be negotiated later), incentive to deliver on priorities, for all types of operations, legal certainty for MSs, less administrative burden in terms of audit to check the audit trail, possibility to use national rules, limit errors, group partners and Funds around common target*
- : Additional workload to negotiate and follow the JAP, need for a reliable reporting systems, new culture = new tools = new risks, lack of flexibility, different types of management in the same OP*



Conclusion: **Act now!**

- *Always keep in mind the simplification purpose. Other areas, also at national level*
- *Compare the options and decide before the start of the programme!*
 - **type of operations,**
 - **data availability,**
 - **legal certainty or flexibility,**
- *Speak together*
- *Adapt your rules*
- *A lot of experience (mainly ESF)*



Relevant legal references and documents

For the current period:

COCOF note on simplified cost options



Microsoft Word
Document

For the future:

Simplified cost options:

- **Art 57 & 58 Common Regulation (applicable to the 5 CSF Funds)**
- **Art 14.2-4 ESF Regulation (applicable to ESF)**
- **Art 18 ETC Regulation (applicable to ETC)**

Joint Action Plan:

- **Art 93 to 98 Common Regulation**



*Thank you for your attention.
Questions?*

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