

Simplified Cost Options

ESF

Belgium - Flanders

A managing authorities perspective and experience

Dublin

27/01/2014

Agenda

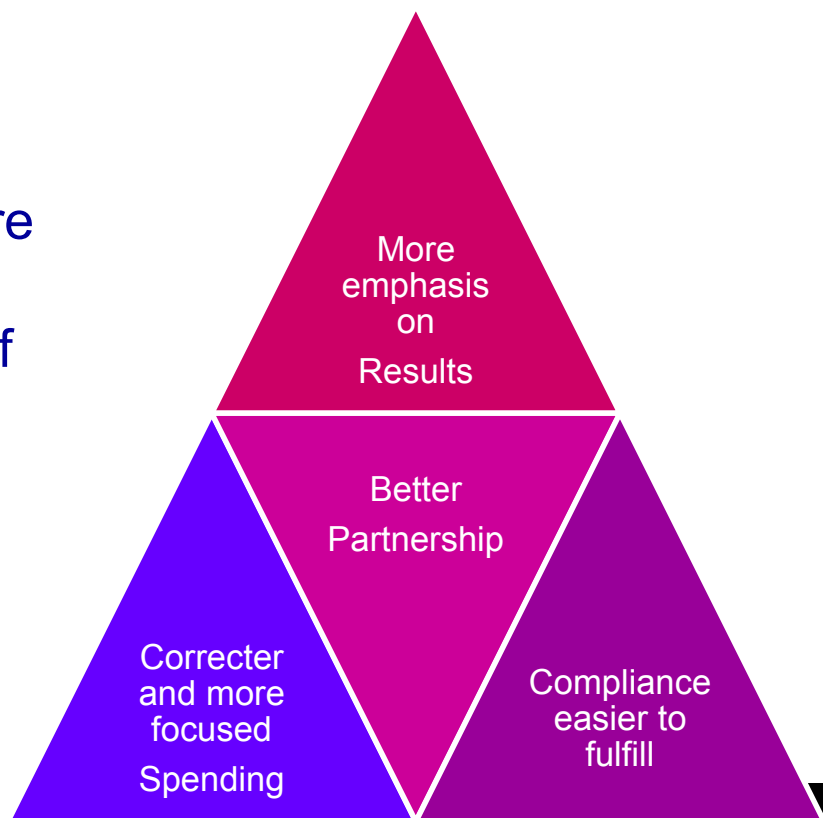
1. Why - Benefits
2. How - Flat rates & 3 P model
3. How - Standard scales & 4 examples
4. How - Lump sums
5. Risks
6. Experiences
7. Future use
8. Advice

Why

- **Final beneficiaries:** reduce administration
 - no more collection and archiving of every (small) cost
 - no more discussion whether or not costs are linked to the project
 - no more discussing about the allocation of a % to the project
 - no more trouble about the privacy of documents like salary sheets ...
 - legal certainty as a basis for a good partnership

Why

- ESF-Agency (MA-CA-AA)
 - Easy to communicate and to control
 - Less time consuming, so more time to develop - monitor – support content and results of projects and programmes
 - In general, the financial management and control becomes simple mathematic
 - Unit or result X agreed cost/unit
 - Contribute to a better partnership



Agenda

1. Why - Benefits
2. How - Flat rates & 3 P model
3. How - Standard scales & 4 examples
4. How - Lump sums
5. Risks
6. Experiences
7. Future use
8. Advice

How - flat rates

- STEP 1 - Checking 2000-2005 payments on % indirect costs
 - Variation between 12% - 23%, depending the nature of projects
- STEP 2 : Checking definition of (in)direct costs used in the past
 - Cleared definition of (in)direct costs using the 3 types of process model for the future

How - flat rates

- STEP 3 - comparing priorities OP 2000-2006 with priorities OP 2007-2013
 - Findings 2000-2006:
 - Projects on unemployment: 22% indirect costs
 - Adaptability of workers & enterprises: 12-17%
 - Innovation: 15-16%
 - Transnationality: 15-17%

How - flat rates

- STEP 4 - decision of Flemish Monitoring Committee
 - Clear definition of eligibility and nature of costs: every cost linked with the tertiary process is indirect
 - Defining two percentages in relation to Flemish OP
 - Unemployment 20%
 - Other priorities 15%
 - Applicable percentage to be included in every call for proposals
 - Possibility to vary per call for proposals on a motivated basis

How – flat rates

- STEP 5 - Letter explaining system to the EC, DG Employment, approval received
- STEP 6 - Immediate application of percentages in all calls for proposals of the OP 2007-2013
- STEP 7 - System in evaluation by external evaluator

STEP 2 – 3 P(rocesses) Model

- *Dynamic approach of structuring organisations*
- *3 main processes*
- *Client perspective*

3 *P-model*

– *Primary processes*

- *The hart of the matter, core business*
- *They show the transformation of input in output*
- *The process that delivers the contract f.i. evaluation*
- *What a client sees directly and pays for*
- *Is related to the mission of an organisation*

3 P-model

– Secondary processes

- *Direct support for the core*
- *Specialised processes that are to be considered as subprocesses of the primary processes*
- *Clients can judge the quality and accepts paying for them*
- *supportive actions to enable contractor to deliver the result and the qualitative content requested (survey)*

3 P-model

– Tertiary processes

- *Necessary to support, facilitate the other two processes*
- *What has to be included in the price, but of no interest to client*
- *accompanying actions/measures/conditions to be able to deliver (management, administration, utilities, ...)*

3 *P-model*

- *Check 3P against objective(s) of every call for projects*
 - *Determines the primary process of the projects*
 - *F.i. communication*

Agenda

1. Why - Benefits
2. How - Flat rates & 3 P model
3. How - Standard scales & 4 examples
4. How - Lump sums
5. Risks
6. Experiences
7. Future use
8. Advice

How - standard scales of unit costs

- STEP 1 - define the nature of the requested projects/operations in the call
 - STEP 2
 - Check the historical data (real costs) on similar projects/operations
- OR
- Look for possible benchmarks
 - PES, education system, other experiences
- IMPORTANT : be your own “devils advocate”

How – standard scales

- STEP 3 - decision of Flemish Monitoring Committee
 - In principle we work with standard costs, preferably for the whole project except trainees salaries or activated social benefits
 - If needed the standard cost applies to some costs like for instance staff, others can be real costs, indirect costs always on flat rate
 - Only if there are NO data (historical or benchmarks) to justify a standard cost we use the real cost for direct costs

Examples Standard scales

A. Training of workers

B. Career guidance

C. Innovation

D. Transnationality

Standard scales - Training of workers

- *STEP 1a - We checked recent available data of similar finalised projects including intermediary reports and calculated a cost per trainee/hour (without trainees salaries)*
- *STEP 1b -We checked recent approvals of similar projects*
- *STEP 1c - We checked evolutions in costs per trainee/hour from original applications to final payment claims*

Cost driver

Standard scales - Training of workers

- *Decision:*
 - *Checking data from 2005 till 2010 resulted in an evolution of staff costs and direct cost from 11,47€ in 2005 to 18,38€ in latest approvals*
 - *Taken into account the average and the evolution of the index we decided to go for 15€ for staff and direct costs*
 - *We added the percentage for indirect costs (15%)*
 - *Final result : $15 + 2,25 = 17,25€$ per trainee/hour*
 - *This was included in the call and project contracts*

Standard scales – Career guidance

- *STEP 1 - We calculated price per person of the final payment claims of the available data (2005-2009) from similar calls/projects*
- *STEP 2 - We checked Flemish legislation on accepted maximum costs*
- *RESULT - We compared the data and decided on the costs for the first 500 persons in a project and a lower price on the surplus*

Cost driver

Standard scales – Innovation

- *STEP 1 - cost driver = staff cost*
- *STEP 2 - Because every project has a different nature and needs other competences*
 - *We defined different competence levels that have been used in former projects*
 - *junior and senior staff and project leaders*
 - *Supporting junior and senior staff*
 - *We checked the average salary (as) in the public service for such competences (0-5y, 6-10y, +)*

Standard scales – Innovation

- *STEP 3 - we checked the average staff costs and the average direct costs (dc) paid for in past years to similar projects*
- *STEP 4 - we calculated the level of direct costs as a percentage of the staff costs*
 - *If staff=100 and direct cost=11 then dc=11%*
- *STEP 5 - we applied this percentage on every level of competence and added the two up*
- *STEP 6 - this sum was multiplied by 15% for indirect costs*

Standard scales – Innovation

- *RESULT :*

Total standard cost to be used for every member of staff that is needed in the project according to the agreed project work plan =

$$- (AS + DC) + (AS+DC) \times 15\%$$

Standard scales – Transnationality

- *Because every project has a different nature and needs other competences, we took following steps*
 - *We defined different competence levels that have been used in former projects*
 - *junior and senior staff and project leaders*
 - *Supporting junior and senior staff*
 - *We checked the average salary (as) in the public service for such competences (0-5y, 6-10y, +)*

Standard scales – Transnationality

- *STEP 1 - cost driver = staff cost*
- *STEP 2 - Because every project has a different nature and needs other competences*
 - *We defined different competence levels that have been used in former projects*
 - *junior and senior staff and project leaders*
 - *Supporting junior and senior staff*
 - *We checked the average salary (as) in the public service for such competences (0-5y, 6-10y, +)*

Standard scales – Transnationality

- *STEP 3 - We foresee different types of projects (import/export), and we don't have enough relevant data (historic nor benchmark) => we apply the real costs for the direct cost as well as for the transnational costs*
- *STEP 4 -The indirect costs are a flat rate of 15% of the sum of staff costs, direct costs and transnational costs*

Agenda

1. Why - Benefits
2. How - Flat rates & 3 P model
3. How - Standard scales & 4 examples
4. How - Lump sums
5. Risks
6. Experiences
7. Future use
8. Advice

How - Lump sums

- STEP 1 - define the nature of the project/operation and the result wanted
- STEP 2 - define a detailed list of items/actions that appear in a reasonable budget
- STEP 3 - Check historical data or look for benchmarks in public and private sector for the whole and for each item if possible

Lump sum - Transnationality

- *STEP 1 - the preparatory phase is limited in time and has clearly defined actions, goals and results (i.e. 3 months, desk research, define scoop of project and baseline study)*
- *STEP 2 - through benchmarks we defined the needed staff as junior academic level and check this with the average salary in the public service*
- *STEP 3 - we added necessary working costs and indirect costs*
- *RESULT - lump sum of 11.000€*

Lump sum - transnationality

- *Where peer review is needed and accepted at the grant decision, we use the lump sum*
- *Again data check and benchmarks learned us that following elements are needed:*
 - *People presenting the product(s), seminar package, moderator and rapporteur*
 - *The price was set after a benchmark and our own experiences at 10.000 € and the report is needed*

Agenda

1. Why - Benefits
2. How - Flat rates & 3 P model
3. How - Standard scales & 4 examples
4. How - Lump sums
5. Risks
6. Experiences
7. Future use
8. Advice

Risks

- All risks are for the managing authority/intermediary body/executive promoter that defines the system in its calls for projects, no legal certainty until audit
- Difference standard costs – standard financing. The additionality principle stills stand in financing a project/operation.
 - So first deduct income and the national/regional/local/ ... co financing money and only the rest is ESF
- Increased importance of registration of activities
- Retention of documents at MA/IB and or project beneficiary

Agenda

1. Why - Benefits
2. How - Flat rates & 3 P model
3. How - Standard scales & 4 examples
4. How - Lump sums
5. Risks
6. Experiences
7. Future use
8. Advice

Experiences

- Flat rates:
 - Applied in ALL calls since 2007
 - Very much welcomed by beneficiaries although some loose money
- Standard scales:
 - Gradually applied since 2009
 - Welcomed by project promoters after a first hesitation due to references used (public service)

Experiences

- Lump sums:
 - Applied in all calls on Transnationality from 2010 on
 - Applauded by project promoters because of clear definition of result wanted, reasonable level and simple application of the system
- All:
 - Clear communication and training is needed, not only for project promoters, also auditors
 - Changing the mind-set around costs/subsidies/profit was the internal trick

Agenda

1. Why - Benefits
2. How - Flat rates & 3 P model
3. How - Standard scales & 4 examples
4. How - Lump sums
5. Risks
6. Experiences
7. Future use
8. Advice

Future use

- Evaluate current practice and where needed amend it
- Establish Flemish regulation with SCO where possible
- Public procurement where possible
- Salary plus 40% when caseload can be defined, including simplifying definition of salary

Future use

- Lump sum for specific operations with clear targets and clearly definable and realistic results
- Simplifying administration through clear instructions on registration and documentation
- On going information and training of staff, AA and final beneficiaries

Agenda

1. Why - Benefits
2. How - Flat rates & 3 P model
3. How - Standard scales & 4 examples
4. How - Lump sums
5. Risks
6. Experiences
7. Future use
8. Advice

Advice

- Change the mind-set around costs/profits/subsidies into subsidies/results at a fair price
- Involve all partners in developing and implementing SCO's
- Be transparent in your communication on why – what – how
- Provide training for all stakeholders

Advice

- Stress the audit advantages for all involved partners
 - Final beneficiary:
 - only registration of units and results
 - these can be digitalised what makes document retention a lot easier and cheaper
 - MA:
 - easier to communicate – monitor and control
 - Value for money where we want an need i

Advice

- Think twice,
- BUT have the guts and act
- The future of successful use of Cohesion policy interventions through simplification has to start today

Thank you very much for your
attention

QUESTIONS?

References

- *Louis Vervloet*
- *General director*
- *ESF-Agency Flanders*
- *Gasthuisstraat 31 5th floor*
- *1000 Brussels*
- *Belgium*
- *Louis.vervloet@esf.vlaanderen.be*