



Seminario "Opciones de Costes Simplificados e Instrumentos Financieros"

Madrid, 7 November 2013

Métodos de costes simplificados y Planes de Acción conjunta en los Fondos Estructurales, periodo de programación 2014-2020. Nuevas oportunidades.





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 or Joint Action Plans.



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*



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		



ERDF state of play 2007- 2013

Almost exclusive use of flat rates for indirect costs;

19 proposals accepted concerning 45 OPs in mainstream, cross border, transnational, territorial cooperation programmes;

Uptake SCO options for ERDF from 2010 on, increased use over the years;



ERDF experiences

Variation of rates: roughly 5 - 20%. In ERDF 20% rate more usual (9 out of 19)

But rate depends on definition of costs: restriction of direct costs results in higher rates (i.e. personnel costs) Various approaches to define direct and indirect costs.

Different approaches to calculation:

- **Historical approach - old or new programming period**
- **Cost analysis at level of beneficiaries**

Approval of a general method - applicable on case by case approval by national authorities



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:

Simplified costs

- 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 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 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;*



ERDF: SCO in 2014-2020

SCO options benefit implementation ERDF

More use of SCO in MS expected, emphasis on flat rates:

- **Use of ready-made options in proposed CPR**
- **Continuation of schemes already in place**



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



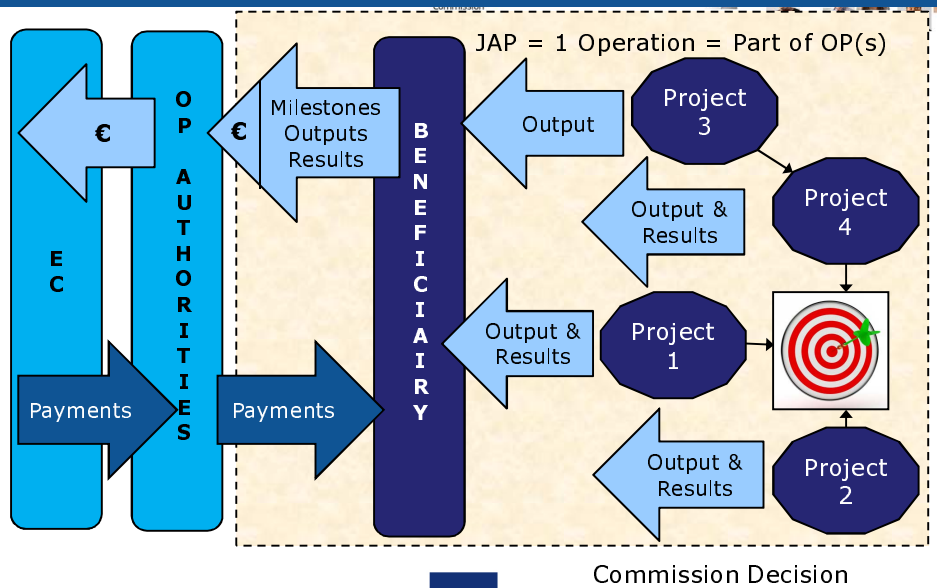
A well-thought through intervention logic



Agreed upon milestones, outputs and results

Credits: xedos4 - Danilo Rizzuti - digitalart - Stuart Miles/FreeDigitalPhotos.net

How does it all fit together?





- **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.**



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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Workshop



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



2007 2013 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*



Calculation of simplified costs (1)

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Calculation of simplified costs (2): additional possibilities

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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
2. Participants	0
3. Product develop and consumption	13 009
3.1 Non depreciable consumption goods	9 056
3.5 Publicity	3 096
3.6 Organisation costs	857
3.7 Other costs	0

A. Direct staff costs =
60 895 + 39 143 = 100 038 €

B. Indirect costs = 15% of direct staff costs
= 100 038 x 15% = 15 006 €

C. Other direct costs = 13 735 €

TOTAL ELIGIBLE :
A + B + C = 128 779 €



Future of the simplified cost options

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

1.1 Internal personnel – remuneration	60 895
1.4 External personnel – remuneration	39 143

A. Direct staff costs =
60 895 + 39 143 = 100 038 €

B. All other eligible costs = 40% of direct staff costs
= 100 038 x 40% = 40 015 €

TOTAL ELIGIBLE :
A + B = 140 053 €



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.*



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*



ERDF experiences

- Mitigation of outsourcing
- Exceptions to scheme
- Clarity of definition of direct or/and indirect costs, no overlaps
- Calculation of rate: lack of « historical » data, rate not corresponding to result of calculation, inconsistent method, representativeness sample
- Role of national Audit Authorities (ERDF)
- Scope of rule: not for operations / projects that are tendered
- National rules not compatible
- Retroactivity



ERDF good practices

- Flexibility of method (definition, rate)
- Mitigation of outsourcing by exclusion of these expenditures from calculation of rate
- Facilitated by historical data (even national ones)
- Data from final beneficiary accounts with link to relevant project
- Definition of direct or/and indirect costs: clarity, transparency, exemptions



ERDF example 1

- Flat rate of 20% on staff costs, optional for beneficiaries
- Applicable to all projects, except: TA, 100% outsourced projects, other specific defined projects
- Data:*
 - **no outsourced costs taken into account**
 - **Extreme rates excluded**
 - **Average of 24,36%**
 - **Deviation 0.03**



ERDF example 2

→ 'SSUCC+': *SSUC for wages + SSUC for material costs + flat rate for indirect cost*
Method applies to R&D-projects, network and cluster management projects, consulting (infra)structure projects

- 👉 **Only COM observations, national authority approves method SSUC (and lump sums)**
- 👉 **Risk double counting material cost/indirect costs**
- 👉 **no Commission approval of SSUC → audits of calculation method still possible**