



Guidance on

standard scales of unit costs and lump sums
adopted under Article 14(1) Reg. (EU) 1304/2013

European Social Fund

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adopted under Article 14(1) Reg. (EU) 1304/2013

European Social Fund

European Commission

Directorate-General for Employment, Social Affairs and Inclusion

Unit E1

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Please consult <http://ec.europa.eu/esf/sco> for possible updates.

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1. INTRODUCTION

1.1. Why use Article 14(1) of the ESF Regulation?

1.1.1. Background on simplified cost options

For 2014-20, the common provisions regulation ('CPR') includes several options for calculating eligible expenditure related to work financed by the European Structural and Investment ('ESI') Funds: eligible expenditure can be calculated in the form of grants and repayable assistance based on real costs, or based on flat rate financing, standard scales of unit costs and lump sums. The CPR builds on and extends the systems used for the ESF and the ERDF in the previous programming periods.

Given the importance of simplified cost options for the European Social Fund ('ESF')/the Youth Employment Initiative ('YEI')-funded operations, additional rules have been introduced in Article 14 of the ESF Regulation.

These relate to standard scales of unit costs and lump sums which have been set out in a delegated act according to Article 14(1) ESF but which are not 'classical' simplified costs as specified under Article 67 CPR. 'Classical' simplified costs are applied in the same way from the Commission to the Member State⁽¹⁾ to the beneficiary. Article 14(1) of the ESF Regulation allows standard scales of unit costs and lump sums to be used between the Commission and the Member State, which may not necessarily be used between the Member State and the beneficiary. The provisions of Article 14(1) of the ESF Regulation go beyond the usual system and simplify the management of ESF operations.

The standard scales of unit costs and lump sums that may be used by the Commission for reimbursement of expenditure to Member States are defined by the Commission by means of a delegated act (Article 14(1) ESF Regulation). The Commission will conduct any research, analysis and consultations deemed as necessary for the definition of standard scales of unit costs and lump sums and adoption or amendment of the delegated act. In this context, the Commission may decide to define standard scales of unit costs and lumps sums on the basis of data submitted by Member States. In particular, Member States who have a clear interest in being reimbursed on the basis of the option set out in Article 14(1) ESF Regulation, may submit data and suggestions for the consideration of the Commission to allow for the definition of standard scales of unit costs or/and lump sums that take into account their specific needs.

This guidance note specifically covers the situation where the Commission decides to exercise its prerogative to prepare a

⁽¹⁾ By Member State, this may refer to Managing Authority or the Certifying Authority, depending on the national arrangements of the Member State and the scope of the delegated act.

delegated act on the basis of data submitted for the consideration of the Commission by Member States.

1.1.2. Advantages of Article 14(1) of the ESF Regulation

In addition to all the advantages of simplified cost options (see the SCO guidance⁽²⁾, section 1.2.2.), Article 14(1) of the ESF Regulation:

- makes it possible to apply standard scales of unit costs and lump sums to more operations (even to those which have been 100% publicly procured or to projects which have been 100% publicly procured and form part of another operation);
- reduces the scope of control and audit, limiting it to the activity/output/result on the basis of which the standard scales of unit costs or lump sum was calculated;
- allows Member States to continue to apply their own accounting practices to support the operations on the ground (if the SCO covers all of the operation's expenditure);
- ensures that the services of the Commission will not challenge the methodology used by the Member State for reimbursement of beneficiaries in the case of (or parts of) operations covered by the reimbursement under Article 14(1) ESF.

1.2. When to use Article 14(1) of the ESF Regulation?

The Commission may consider reimbursing expenditure on the basis of Article 14 (1) of the ESF Regulation, in particular, when:

- operations are standardised;
- operations represent a significant amount of funding over the programming period (given the investment required to define standard scales of unit costs and lump sums, it is expected that the sum of all operations should reach EUR 1 million — this amount will however not be verified ex post);
- an indicator can easily be defined and justified;
- data are available to define the value of the indicator;
- a Member State wishes to use standard scales of unit costs and lump sums for publicly procured operations;
- Article 14(1) of the ESF Regulation can cover all of the operation's eligible costs (preferably).

It should be noted that Member States may benefit from Article 14(1) of the ESF Regulation even if their national/regional legislation does not provide for the use of simplified costs options in the relationship between the managing authority and beneficiaries.

⁽²⁾ To be found on <http://www.ec.europa.eu/esf/sco>

1.3. Key differences between Article 67 CPR and Article 14(1) of the ESF Regulation ⁽³⁾

	Simplified cost options used in the framework of Article 67 of the CPR Regulation	Article 14(1) of the ESF Regulation (if the simplified cost option covers all the costs of the operation and is a set value)
Type of simplified cost options	Flat rate financing, standard scales of unit costs and lump sums. Lump sums are limited to EUR 100000 of public contribution.	Standard scales of unit costs and lump sums. No threshold for lump sums.
Commission's role in the definition of SCO and methodology	The SCO and methodology are defined by Member States and the methodology is subject to audit by the Commission.	The SCOs are adopted by the Commission by means of a delegated act.
Allowed methodology	Calculation based on a fair, equitable and verifiable method. Use of existing EU or national schemes for similar types of operation and beneficiary. Use of rates and methodologies established in the regulations (Art 67(5) and Art. 68 CPR + Art 14(2), and (3) of the ESF Regulation).	The regulations do not set a specific methodology for the definition of SCO under Article 14(1) ESF. The Commission, however, intends to use the methodologies which are set out in Article 67 CPR.
Reimbursement: • from the Commission to the Member State • from the Member State to the beneficiary	Reimbursements between the Member State and the beneficiary and between the Commission and the Member State are based on the same Simplified Cost Option (Article 131(2) CPR).	Reimbursements between the Commission and the Member State and between the Member State and the beneficiary may have a different basis.
May cover operations / projects exclusively publicly procured	No	Yes
Control and audit do <u>not</u> cover ...	<ul style="list-style-type: none"> Underlying real costs (except for the real costs used as a basis for calculating flat rate financing). The methodology used⁽⁴⁾ to calculate the standard scales of unit costs and lump sums if it is as under Article 67(5) (b), (c), (d) and (e) CPR. 	<ul style="list-style-type: none"> The methodology used to set out the simplified cost option. The accounting practices of Member States and the financial flows below Member State level (except in the cases described in 5.6.2 page 16 and 2.2 page 7 of this guidance).

⁽³⁾ More information on the joint action plans can be found in the guidance note on joint action plans (see www.ec.europa.eu/esf/sco).

⁽⁴⁾ This means that the correct application of the methodology will be checked, but not the methodology itself.

1.4. Article 14(1) of the ESF Regulation is optional

Reimbursement on the basis of standard scales of unit costs and lump sums set out in a delegated act under Article 14(1) of the ESF Regulation is an option for Member States. The Commission may decide to adopt a delegated act under this provision as a follow-up to data submitted by a Member State or Managing Authority willing to be reimbursed on the basis of Article 14(1) ESF.

For a proper assessment by the Commission of the data submitted by Member States, Member States should also identify the way in which they would apply the SCOs on the basis of the data submitted.

If the Commission opts to adopt a delegated act on basis of the data submitted by the Member State, it is the Member State's responsibility to find the most appropriate means of applying the relevant standard scale of unit costs or lump sum.

If the standard scales of unit costs and lump sums set out in a delegated act adopted under Article 14(1) of the ESF Regulation are used as 'classical' SCOs in the sense of Article 67 CPR (i.e. if they are transposed to the relationship between the Member State and the

beneficiaries), it will be necessary for the Member State to set out in the national/regional rules on the eligibility of expenditure (see section 1.6.4. of the SCO guidance) how they will apply.

The delegated act will define the basis for reimbursing the costs that the Member State claims from the Commission under Article 14(1) of the ESF Regulation. As a result, the financial audit aims only to confirm whether the conditions for reimbursement by the Commission based on standard scales of unit costs and lump sums have been fulfilled. In addition, Article 14(1) of the ESF Regulation provides that Member States can apply their accounting practices to support operations and that these are not subject to audits.

In other words, Article 14(1) of the ESF Regulation allows for differences between the relationship between the Commission and the Member State and the relationship between the Member State and the beneficiary. As a result, Article 14(1) of the ESF Regulation can also cover expenditure incurred during operations implemented exclusively through public procurement, since it applies to the relationship between the Commission and the Member State irrespective of how costs are reimbursed further down the chain (between the Member State and the beneficiary). Therefore, the scope for using standard scales of unit costs and lump sums is wider under Article 14(1) of the ESF Regulation than under Article 67 CPR.

2. PROCEDURE

2.1. Assessment of data submitted by Member States for consideration by the Commission

With a view to a decision by the Commission as to whether to adopt or amend a delegated act under Article 14(1) of the ESF Regulation, Member States may submit for consideration by the Commission their data. To allow the Commission fully assess this data, it should preferably be accompanied by an assessment carried out by the audit authority.

As simplified cost options are an important part of securing the implementation of the ESF and focusing on results, Member States can submit data for consideration by the Commission at any point during the year. Member State(s) should provide detailed data using the template set out in Annex I (available in EN only).

Member States are encouraged to send their data to the Commission for consideration as soon as possible. They are also invited to engage in informal discussions with the services of the Commission as early as possible before submitting their data.

In addition, the following elements could facilitate the services of the Commission's analysis of the data:

- Translation into English or French: if a Member State submits its detailed data only in its national language, it will require translation by the services of the Commission, which can significantly delay the assessment process. Member States are therefore advised to submit their data together with a translation in English or French.

- Quality of the data and responsiveness of the Member State: after the services of the Commission carry out their analysis, they may revert to the Member State for further clarification or explanation of some elements of the data. Until the request is deemed acceptable, it cannot be processed. The quality of the initial data is crucial to a quick analysis.

2.2. If an SCO set out in the delegated act under Article 14(1) of the ESF Regulation is not a set value but a formula

Data submitted by Member States to the Commission for consideration as a delegated act under Article 14(1) of the ESF Regulation are expected to take the form of a set value. However, it is also possible to submit for consideration a formula for calculating a standard scale of unit costs or a lump sum to the Commission.

The services of the Commission may consider a formula to be an advantage when setting out an SCO for a varied group, as it will result in a value closer to the individual situation of each operation. However, the Commission will not follow-up on a suggested formula if it bears the disadvantage of strongly reducing the simplification that comes with using set values. Member States should therefore carefully consider when putting forward their suggestion whether standard scales of unit costs and lump sums designed in this way will in fact reduce the administrative burden and the risk of error.

Example 1 — operation using a formula within Article 14(1) of the ESF Regulation

$$\text{Hourly staff cost} = \frac{\text{gross annual salary} \times 1.2 \text{ (factor for eligible non wage labour costs)}}{1.643 \text{ hours} \times \text{factor for reduced working hours (if relevant)}}$$

This formula, if included in the delegated act, would have the advantage of securing the factor for non-wage labour costs (1.2 in this case) and the annual number of hours (1.643 hours). However, the gross annual salary would still need to be verified by the managing authority and the certifying authority and therefore could be audited. The auditors would also have to check if the employee was employed full-time or part-time, and in the latter case, if the number of hours was adjusted accordingly.

If the operation has expenditure other than staff costs, it will follow *Example 5 (section 5.6.2) - operation combining a standard scale of unit costs or lump sum agreed set out in the delegated act under Article 14(1) of the ESF Regulation with other SCOs and real costs to identify its eligible expenditure.*

If the gross annual salary is based on real costs, the simplification provided in this example would be small and the methodology should be reconsidered by the Member State when designing its simplified cost option system, because using real costs to calculate gross annual salaries increases the risk of clerical error for the Member State.

The Commission considers that such a formula would be improved by standardising the gross annual salary based on salary scales. This could lead to standardised hourly staff costs, depending on the level of staff responsibility.

2.3. Adoption of the delegated act

The services of the Commission may assess all data received from the Member States, including the proposed indicators and the methodology explaining the amounts of the standard scales of unit costs and lump sums and may consider whether or not to follow up on such data by adopting or amending a delegated act.

One important simplification measure for all standard scales of unit costs and lump sums set out in the delegated act under Article 14(1) of the ESF Regulation is that the method used to calculate each of the simplified costs will be analysed by the services of the Commission *ex ante* as part of its assessment of whether or not to adopt a delegated act, on the basis of the Member State's data. This is why, in accordance with Article 14(1) subparagraph 3 of the ESF Regulation, audit activity will focus on verifying that the conditions for payment defined in the delegated act have been met.

Should the Commission decide to proceed with a delegated act, it will first consult experts from Member States to prepare the act, which involves organising at least one expert group meeting during which the draft act can be discussed. Following this, the Commission will adopt the delegated act, which may take the form of a Regulation, and will send it to the Council and the European Parliament.

2.4. Entry into force

The delegated act, adopted by the Commission, enters into force if neither the Council nor the European Parliament object within two months of receiving the act or if they inform the Commission before the expiry of the two months that they will not object. The objection period can be extended by two months at the request of either the European Parliament or of the Council.

2.4.1. Claiming expenditure under Article 14(1) of the ESF Regulation

Member States will be able to submit payment applications based on the simplified cost options as of from the act's entry into force. Payment applications introduced in accordance with

Article 131(2) CPR and Article 14(1) of the ESF Regulation may include expenditure linked to operations carried out between 1 January 2014 and 31 December 2023 (1 January 2014 under Article 65(4) CPR or 1 September 2013 under Article 65(5) CPR for expenditure linked to YEI operations).

If they act under Article 14(1) of the ESF Regulation, Member States may include expenditure linked to actions implemented before the delegated act's entry into force in their payment applications, if these actions were implemented during the eligibility period set out in Article 65(4) or (5) CPR. Under certain conditions, it may be possible to include expenditure already submitted to the Commission for reimbursement that is based on costs actually incurred and paid and/or based on one of the SCO options provided for in Article 67(1)(b)(c) and (d) CPR. In this case, the previously claimed expenditure must be withdrawn and the revised expenditure submitted. This is only possible if:

- the expenditure falls under the scope of the delegated act in force;
- the expenditure is withdrawn and re-entered into the accounts of the Certifying Authority under the justification that there is a new legal basis for declaring it (the entry into force of the delegated act);
- the expenditure is corrected and submitted in a new payment application before or at the time of submission of the final application for an interim payment for the corresponding accounting year, in accordance with Article 135(2) CPR.

Due to the strict conditions under which expenditure already claimed to the Commission may be corrected, Member States may decide to wait for the delegated act to enter into force so they can be reimbursed based on the SCOs. As a general rule, payment applications submitted to the Commission must include all the amounts entered in the accounts of the Certifying Authority in the corresponding accounting year (Article 135(1) CPR). However, the Certifying Authority may include amounts entered in its accounting system in a payment application submitted in the subsequent accounting year if a delegated act covering that expenditure has recently entered into force (last sentence of Article 135(1) CPR). The Managing Authority should, however, be able to anticipate this situation, given that it requires appropriate justification from the beneficiary.

2.4.2. Application of SCOs set out in data which are still under consideration by the Commission as to their suitability to be covered by a delegated act under Article 14(1) of the ESF Regulation

Member States can only submit payment applications under Article 14(1) of the ESF Regulation once the delegated act enters into force. Until then, Member States who have submitted data for consideration by the Commission and who wish to be reimbursed based on the SCOs set out in their data must apply the same SCOs to beneficiaries under Article 67 CPR. This enables the Member State to submit reimbursement claims based on those SCOs to the Commission (Article 131(2) CPR). However, since the legal basis for including these amounts in the reimbursement request is different (Article 67(1) CPR instead of Article 14(1) of the ESF Regulation), the conditions to which it is subject are also different.

In particular, the following conditions should be considered:

- As Article 67 CPR is the legal basis, the exceptions (benefits) expected when standard scales of unit costs or lump

sums are used under Article 14(1) of the ESF Regulation will not apply (e.g. covering exclusively publicly procured operations, no limit to lump sums);

- The amounts declared by the beneficiary as standard scales of unit costs or lump sums should be the same as the amounts declared by the Certifying Authority to the Commission (Article 131(2) CPR).

This situation entails risks for Member States if the Commission decides not to fully take on board the data submitted for consideration by the Member State, or if the standard scales of unit costs or lump sums included in the delegated act that enters into force are different from the ones proposed by the Member State. This could happen, for example, if the Commission identifies a problem in the methodology proposed by the Member State, affecting the methodology used at beneficiary level. This would have two consequences:

- reimbursement requests already submitted based on the SCOs would need to be corrected and the Member State would then be able to include the expenditure in subsequent payment claims based on the SCO set out in the delegated act (Article 137(2) CPR);
- part of the expenditure reimbursed to beneficiaries may need to be recovered (Article 143(1) CPR).

3. STANDARD SCALES OF UNIT COSTS AND LUMP SUMS ADOPTED UNDER ARTICLE 14(1) OF THE ESF REGULATION

3.1. General provisions

The general provisions relating to standard scales of unit costs and lump sums apply to those SCOs adopted under Article 14(1) of the ESF Regulation. Please refer to the SCO guidance for more details.

3.2. Specificities for lump sums

Under Article 14(1) of the ESF Regulation, the maximum threshold of EUR 100000 of public contributions to lump sums is not applicable.

4. ESTABLISHING STANDARD SCALES OF UNIT COSTS AND LUMP SUMS UNDER ARTICLE 14(1) OF THE ESF REGULATION

4.1. Applicable methodologies

Article 14(1) of the ESF Regulation ESF is an additional option to the options set out in Article 67 CPR. However, the Commission may decide to use one of the methodologies set out in Article 67 CPR for defining the standard scales of unit costs and lump sums under Article 14(1) of the ESF Regulation.

These include:

- Article 67(5) (a) CPR – a fair, equitable and verifiable methodology;
- Article 67(5) (b) CPR – methodologies used in other Union policies for similar types of operation and beneficiary;
- Article 67(5) (c) CPR – methodologies funded exclusively by the Member State covering a similar type of operation and beneficiary;
- Article 67(5) (d) CPR – methodologies from the CPR and ESF regulations, i.e.:
 - ▶ Article 68(1)(b) CPR: a flat rate of up to 15% of eligible direct staff costs financing indirect costs;
 - ▶ Article 68(2) CPR: the possibility to divide the latest documented annual gross employment costs by 1 720 hours to calculate staff costs;

- ▶ Article 14(2) of the ESF Regulation: a flat rate of up to 40% of the eligible direct staff costs to cover the remaining costs of an operation;
- ▶ Article 14(3) of the ESF Regulation: the use of a draft budget.

For more information about these rates and methods, please see the SCO guidance.

4.2. Update of the standard scale of unit costs/lump sum

The Commission may decide to set out in the delegated act a methodology to automatically update the standard scale of unit costs /lump sum (for example, based on inflation or the index set out in Article 91(1) CPR). Then, the Member State is responsible for updating the standard scale of unit costs/lump sum in accordance with this methodology, without requiring any amendment to the delegated act.

If the standard scale of unit costs/lump sum needs to be updated but this is not provided for by the methodology set out in the delegated act, the Member State may also suggest to the Commission to consider an amendment to the delegated act.

5. CONSEQUENCES FOR THE MANAGEMENT AND CONTROL SYSTEM

5.1. Applicability of general principles

As with SCOs under Article 67 CPR, the use of simplified cost options set out in a delegated act under Article 14(1) of the ESF Regulation does not waive the obligation of a Member State to fully observe all applicable Union and national rules, such as those relating to publicity, public procurement, equal opportunities, state aid, etc. Please refer to the SCO guidance for more details.

There is one specific issue relating to public procurement procedures. As Article 14(1) of the ESF Regulation can be applied to operations that are 100% publicly procured, a breach in public procurement procedures could result in a financial correction being applied based on the value of the standard scale of unit costs or lump sum used as a basis for reimbursements made between the Commission and the Managing Authority.

5.2. Use of cross-financing and Article 14(1) of the ESF Regulation

The Commission will not allow the use of cross-financed expenditure under Article 14(1) of the ESF Regulation.

5.3. Relations between the Member State and the beneficiary

Member States have several options for deciding on their standard scales of unit costs and lump sums when submitting data for consideration by the Commission as to whether to adopt a delegated act under Article 14(1) of the ESF Regulation.

5.3.1. ...when the delegated act adopted under Article 14(1) of the ESF Regulation covers all the expenditure incurred under an operation

The first option for the Member State is to decide on a standard scale of unit costs or lump sum that covers all of an operation's eligible costs.

In this situation, the declaration from the Member State to the Commission will be based on an indicator set out in the delegated act.

The fourth paragraph of Article 14(1) of the ESF Regulation allows for an exception by stating that the 'Member State may apply its accounting practices to support operations'. This exception entitles Member States to certify expenditure regardless of the relationship with the beneficiaries.

Due to this exception, the Member State is free to choose between four options for reimbursing the beneficiary:

1. Using the same standard scale of unit costs /lump sum set out in the delegated act under Article 14(1) of the ESF Regulation;
2. Using another SCO;
3. Using real costs;
4. A combination of ii) and iii) if there is no double declaration.

The services of the Commission advise that the Member States use option i) as it:

- enables the beneficiary to also benefit from the simplification introduced by Article 14(1) of the ESF Regulation;
- ensures that the beneficiary will provide adequate justification for the payment of the agreed standard scale of unit costs/lump sum set out in the delegated act as its reimbursement will be based on the same criteria as the ones used between the Member State and the Commission;
- avoids the double monitoring of expenditure flows (expenditure declared to the Commission and expenditure considered to be for the payment to the beneficiary).

Example 2 — Basis for reimbursement linked to an operation whose eligible costs are covered by a standard scale of unit costs set out in a delegated act adopted under Article 14(1) of the ESF Regulation

Commission ↑ Member State	Delegated act: EUR 700 / student who completes a training The expenditure claimed back from the Commission will be based on indicator set out in the delegated act.
Member State ↓ Beneficiary	The Member State has four options for reimbursing the beneficiary: <ul style="list-style-type: none"> • Option 1: the standard scale of unit costs (Article 14(1) of the ESF Regulation) is applied to the beneficiary • Option 2: real costs are applied to the beneficiary • Option 3: another SCO system is applied to the beneficiary • Option 4: a combination of real costs and SCOs is applied to the beneficiary

5.3.2. ...when the delegated act adopted under Article 14(1) of the ESF Regulation covers only part of the expenditure incurred under an operation

The Member State could also combine the standard scale of unit costs/lump sum set out in the delegated act under Article 14(1) of the ESF Regulation with:

1. other costs declared based on real costs; and/or,
2. other costs declared based on 'classical' simplified cost options (Article 67 CPR).

In order to ensure an appropriate and coherent audit trail for the part of the operation that is not covered by the standard scale of unit cost/lump sum set out in the delegated act under 14(1)

of the ESF Regulation, the services of the Commission consider that, for this kind of combination, the application of the third and fourth paragraph of Article 14(1) of the ESF Regulation is not justified as it would go against the exceptional character of the benefits granted there. Hence, the services of the Commission will not allow disjointed financial practices to be applied between the Commission and the Member State and between the Member State and the beneficiary. It also means that in this situation, the financial audit will not stop at the level of the Member State but will go down to the level of the beneficiary.

Therefore, if a standard scale of unit costs/lump sum set out in a delegated act adopted under Article 14(1) of the ESF Regulation does not cover all of an operation's declared eligible costs, it should be used in the same way as a 'classical' standard scale of unit costs/lump sum is to be used under Article 67 CPR.

Example 3 — Basis for reimbursement linked to an operation whose eligible costs are partly covered by a standard scale of unit costs set out in the delegated act under Article 14(1) of the ESF Regulation

Commission ↑ Member State	The reimbursement request made to the Commission includes: <ul style="list-style-type: none"> • the operation's direct staff costs, based on the indicator set out in the delegated act e.g. EUR 20/hour; • the operation's other direct costs, declared based on real costs; • the indirect costs, declared based on a flat rate.
Member State ↓ Beneficiary	The Member State should <u>apply the same methodology</u> : <ul style="list-style-type: none"> • the operation's direct staff costs should be based on the indicator set out in the delegated act e.g. EUR 20 / hour; • the operation's other direct costs should be declared based on real costs; • the indirect costs should be declared based on a flat rate.

5.4. Resources for operations using the simplified cost option set out in a delegated act adopted under Article 14(1) of the ESF Regulation

5.4.1. If the agreed standard scale of unit costs/lump sum set out in the delegated act covers all of an operation's eligible expenditure

If the standard scale of unit costs/lump sum set out in the delegated act is to cover all of an operation's eligible expenditure, the following applies:

- the amount calculated based on the standard scale of unit costs or lump sum should be considered both as public support paid to beneficiaries and total expenditure declared to the Commission.

Therefore:

- potential revenue generated by a given type of operation should be taken into account when establishing the methodology to be used, but will not be verified at operational level;
- the public support paid to beneficiaries will not be subject to audit.

5.4.2. If the agreed standard scale of unit costs/lump sum set out in the delegated act covers only part of an operation's eligible expenditure

If the standard scale of unit costs/lump sum set out in the delegated act covers only part of an operation's eligible expenditure, the operation's remaining eligible costs are calculated in accordance with Article 67 CPR. As for this kind of combination, the application of the third and fourth subparagraphs of Article 14(1) of the ESF Regulation is not justified. It follows that, where the eligible expenditure is calculated based on one of the SCOs set out in Article 67 CPR, the general principles on resources for an operation using SCOs as described in the SCO guidance apply.

5.5. General approach to auditing SCOs set out in a delegated act under Article 14(1) of the ESF Regulation

Expenditure incurred under operations that make use of the standard scales of unit cost or lump sums set out in the delegated act adopted under Article 14(1) of the ESF Regulation will be reimbursed based on that standard scale of unit cost or lump sum. The standard scale of unit cost or lump sum will have to be justified using relevant data for reimbursement to be made. The systems that Member States put in place to collect and store the output and result data must therefore be robust and reliable⁽⁵⁾. The audit trail will be based on the data collected, so any weakness (e.g. missing data or divergent interpretations of an indicator) could lead to financial corrections. A reliable monitoring system is absolutely essential, since the focus of management and control moves away from what has been spent to what has been achieved.

To avoid potential misunderstandings leading to errors, all stakeholders should work closely together towards this quite radical shift in focus. For instance, stakeholders should come to a clear, unequivocal and indisputable shared understanding of all aspects of the standard scale of unit costs and lump sum indicators set out in the delegated act to reimburse expenditure incurred under the operation. Developing a common understanding for all actors of the definitions for each indicator as early as possible in the process of setting out these simplified cost options will help achieve this.

Detailed information on the audit and control approach to standard scales of unit costs and lump sums can be found in Chapter 6 of the SCO guidance.

5.6. Audit and control approach depending on the set-up of Article 14(1) of the ESF Regulation

5.6.1. If Article 14(1) of the ESF Regulation covers all expenditure incurred under an operation:

Data submitted to the Commission for consideration as to whether to adopt a delegated act under Article 14(1) of the ESF Regulation should cover all of an operation's eligible expenditure if the Member State wishes to make full use of the provisions of Article 14(1) of the ESF Regulation.

⁽⁵⁾ Article 14(1) ESF standard scales of unit costs and lump sums could also be based on process. This option is not the preferred one given its lack of orientation towards results. It also has the disadvantage of often depending on a more complex audit trail (e.g. timesheets).

Example 4 — an operation where all eligible costs are covered by Article 14(1) of the ESF Regulation

Total eligible expenditure = standard scale of unit costs set out in a delegated act adopted under Article 14(1) of the ESF Regulation			
Commission ↑ Member State	Delegated act: EUR 700 / student who completes the training		
	EUR 700 x 50 students who complete the training = EUR 35 000		
Member State ↓ Beneficiary	<i>Option 1: the same unit cost is applied to the beneficiary</i>	<i>Option 2: real costs are applied to the beneficiary</i>	<i>Option 3: another SCO system is applied</i>
	EUR 700 x 50 students who complete the training = EUR 35 000	Invoices/salary slips etc. = EUR 36 000	Lump sum of EUR 35 500 if at least 45 students complete the training = EUR 35 500

In example 4 above, if the Commission or the Audit Authority carries out an audit, the financial control will stop at the verification of the conditions for the reimbursement of the standard scale of unit cost (number of students who complete the training, eligibility of the student...). The controls will therefore focus on compliance with the terms set out in the delegated act.

It remains possible for the Commission and the Audit Authority to carry out checks at beneficiary level of aspects that are not linked to accounting practices (e.g. eligibility of participants, absence of double declaration, proof of completion of the

course by the participant, respect of Union Law and national law relating to its application, etc.).

An audit on the application of the general principles is also possible (please refer to the SCO guidance for more details).

In any case, the potential difference between the bases for reimbursement from the Commission to the Managing Authority and from the Managing Authority to the beneficiary (see option 2 and 3 of *Example 4 — an operation where all eligible costs are covered by Article 14(1) of the ESF Regulation*) will not be subject to audit.

5.6.2. If the delegated act adopted under Article 14(1) of the ESF Regulation covers only part of the operation's expenditure

A Member State may suggest to the Commission to set out in the delegated act that standard scales of unit costs or lump sums cover only part of an operation's total expenditure. Should the Commission follow this suggestion in the delegated act, and should the Member State then wish to combine the simplified cost option under the delegated act under Article 14(1) of the ESF Regulation with 'classical' SCOs and/or real costs, it will have to use the standard scale of unit costs or lump sum as a 'classical' SCO in the sense of Article 67 CPR.

In order to ensure an adequate audit trail, if these options are combined then the Member State will not be able to apply its accounting practices to support the operation (see the example below). This means that auditors will apply the same procedures as those described in the general SCO guidance when they audit the operation (see section 6.5 of the SCO guidance). Only the methodology used to calculate standard scales of unit costs and lump sums set out in the delegated regulation will not be subject to audit.

Managing Authorities should note that this combination reduces the simplification provided for in Article 14(1) of the ESF Regulation.

Example 5 — operation combining a standard scale of unit costs or lump sum set out in the delegated act under Article 14(1) of the ESF Regulation with other SCOs and real costs to identify its eligible expenditure

Methodology used to cover the different categories of costs in one operation	Standard scale of unit costs set out in the delegated act under Article 14(1) of the ESF Regulation	Real costs Article 67(1) (a) CPR	Flat rate financing Article 68(1) (b) CPR
Expenditure of one operation =	Delegated act: direct staff costs = EUR 10/hour	Direct costs other than staff costs	Indirect costs 15% x direct staff costs
Commission ↑ Member State	EUR 10 x 120 hours = EUR 1.200	EUR 800	15% x EUR 1.200 = EUR 180
Member State ↓ Beneficiary	EUR 10 x 120 hours = EUR 1.200	EUR 800	15% x EUR 1.200 = EUR 180

ANNEX 1: TEMPLATE FOR SUBMITTING DATA FOR THE CONSIDERATION OF THE COMMISSION⁽⁶⁾

A. Contact details: The Managing Authority (MA) responsible for submitting the data and for contacting the Commission (to be filled in by the MA)

A.1. Name	
A.2. Address	
A.3. Name of contact person	
A.4. Position of contact person	
A.5. Telephone	
A.6. Email	

The authority submitting the data for consideration of the Commission should be the one designated under Article 123(1) CPR. If the request covers several operational programmes, the authority should be entitled to act on behalf of all Managing Authorities involved.

B. Main elements to be included in the Commission's delegated act

B1. Member State	
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⁽⁶⁾ Available in electronic format: <http://ec.europa.eu/esf/sco>

B2. Summary of the main elements included in the delegated act

Operational programme	Priority axis	Fund	Category of region	Estimated proportion of the total EwSF financial allocation to which the SCO will be applied in % (estimate)	Types of operation		Corresponding indicator names	Unit of measurement for the indicator	Type (standard scale of unit costs or lump sum)	Free field (if applicable, description of the standard scale of unit costs or lump sum, and the formula for calculating it if it is not a set value)	Corresponding standard scales of unit costs or lump sums (in national currency)
					Code	Description					
CCI code	1	IEJ ESF	Less developed	20 %	1	IT training	Code 1.1 Description Number of participants who complete the IT training	Number of participants who received a training certification	standard scale of unit costs	Region 1	100
					1	IT training	Code 1.1 Description Number of participants who complete the IT training	Number of participants who received a training certification	standard scale of unit costs	Region 2	200
CCI code	2	ESF	More developed	15 %	1	IT training	Code 1.1 Description Number of participants who complete the IT training	Number of participants who received a training certification	standard scale of unit costs	Region 2	200

C. Details by type of operation (to be completed for every type of operation)

**Did the Managing Authority receive support from an external company to set out the simplified costs below?
(If so, please specify which external company.)**

Types of operation	
1.1. Description of the operation type	
1.2 OPs / priority axes concerned	
1.3 Indicator name ⁽⁶⁾	
1.4 Indicator definition	
1.5 Unit of measurement for indicator	
1.6 Standard scale of unit cost or lump sum	
1.7 Amount (in national currency)	
1.8 Adjustment(s) method	
1.9 Arrangements to ensure the quality, collection and storage of data on achievements. Please list the body(ies) responsible for these arrangements, and set out how they will ensure the quality of data collected (guidance, training, etc.), the frequency of data collection, and where the data will be stored	
1.10 Verification of data (who will verify the nature of the supporting documents, frequency of verification, method of verification): <ul style="list-style-type: none"> • verification of units attained • verification of the quality level attained 	
1.11 Possible perverse incentives or problems caused by this indicator, how they could be mitigated, and the estimated level of risk	
1.12 Amounts expected to be reimbursed for operations where the standard scale of unit costs or lump sum will be applied (in euros)	[> EUR 1 million]
1.13 Arrangement to ensure fair application	<i>Please explain how the system will be introduced and applied in order to ensure that it is applied transparently and fairly.</i>

⁽⁷⁾ Several complementary indicators (for instance one output indicator and one result indicator) are possible for one type of operation. In these cases, fields 1.3 to 1.11 should be filled in for each indicator.

Annex to the template: Calculation of the standard scale of unit costs and lump sums

Annex 1.

Source of data used to calculate the standard scale of unit costs and lump sum (who produced, collected and recorded the data; where the data are stored; cut-off dates; validation, etc.):

Annex 2.

Please specify why the proposed method and calculation is relevant to the type of operation:

Annex 3.

Please specify how the calculations were made, in particular including any assumptions made in terms of quality or quantities. Where relevant, statistical evidence and benchmarks should be used and attached to this annex in a format that is usable by the Commission (e.g. Excel and not PDF).

Annex 4.

Where relevant, please explain:

- how revenue has been / will be taken into account;

- how you have ensured that only eligible expenditure was included in the standard scale of unit cost or the lump sum;

- whether the support of an external contractor was used in filling in this template and its contents and, if so, which one.

Annex 5.

Optional assessment by the audit authority(ies) of the calculation method (fair, equitable and verifiable) and the arrangements to ensure the verification, quality, collection and storage of data:

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The Guidance on standard scales of unit costs and lump sums adopted under article 14(1) of the ESF regulation provides background information on this new type of simplified cost options and highlights the advantages of this article and when it can be used. It then examines the consequences for the management and control system in place, including the procedure for assessing data provided by Member States, auditing procedures and the relations between the beneficiary and Member States.

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