



EUROPEAN UNION
European Social Fund

ACTION NOTE

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NEW ARRANGEMENTS FOR COSTING ESF PROJECTS IN HIGHER EDUCATION

WHO

Government Office European Secretariats and FAM teams

WHAT

This note provides advice on new arrangements for the costing of ESF projects in the Higher Education sector approved to commence from 1 April 2004.

CLEARED

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BACKGROUND

1. The ESF costing methodology for Higher Education provision has been a matter of discussion with the European Commission over an extended period. The Commission wanted to see a more transparent costing methodology introduced for the current (2000-2006) ESF programmes.

2. Following extended negotiations with the Commission new arrangements have now been agreed and will apply to all projects approved with Higher Education Institutions (HEIs) which commence from 1 April 2003. The Commission agreed that HEIs could continue to use the previous costing methodology for projects approved for current programmes and starting before 1 April 2003.

3. The new costing arrangements are described in detail in the attached Annex. The key features of the new arrangements are:

- All academic staff costs are captured directly. Non-academic staff costs should be captured directly wherever possible;
- Most overhead costs should be captured through a straightforward calculation (eg price per square metre). Where overhead costs cannot be calculated directly, a formula based approach based on the TRAC (Transparent Approach to Costing) for determining them is acceptable. TRAC is a standard costing system used by the HE sector. When using TRAC, the methodology used should be explained in the cost declaration and should be based on staff hours rather than staff costs;
- Only overhead costs that relate directly to the implementation of a project can be included;
- Any overhead costs already covered through public or private funding of institutions should be excluded.

The guidance in the Annex provides worked examples of how projects may be costed under these arrangements.

ACTION

4. GO Secretariats should ensure that the new arrangements apply to ESF in England in Objective 1, 2 and 3 programmes for projects approved with HEIs that commence from 1 April 2003. Where HEI provision is selected for inspection activity under 5% checks FAM teams should audit HEI projects starting from 1 April 2003 under these new arrangements using the attached guidance for reference.

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