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Ministry of Welfare  
Of the Republic of Latvia  
Responsible Authority involved in European Union funds implementation

**Methodology for calculation and application of the standard rate of unit costs to implement the European Social Fund operational programme "Growth and Employment", 7.3.1. specific support objective "To improve labour safety, especially in enterprises of hazardous industries"**

**Riga, 2016**

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## 1. The Objective of Methodology

1.1. The objective of the methodology for calculation and application of the standard rate of unit cost to implement the European Social Fund operational programme "Growth and Employment", specific support objective 7.3.1. "To improve labour safety, especially in enterprises of hazardous industries" (hereinafter - methodology) is to determine the standard rate of unit costs, its calculation, conditions for its application, results to be reached, and its justification for implementation of the project of European Social Fund operational programme "Growth and Employment" specific support objective 7.3.1. (hereinafter - SO 7.3.1.) "To improve labour safety, especially in enterprises of hazardous industries" (hereinafter - SO 7.3.1. project).

## 2. General Issues

- 2.1. Standard rate of unit cost in SO 7.3.1. project determined by the methodology is applied by the State Labour Inspectorate (hereinafter - SLI), institution which in compliance with the State Labour Inspection Law provides state supervision and control in the fields of labour legal relations and labour protection, and which is as a beneficiary in SO 7.3.1. project.
- 2.2. Within the framework of SO 7.3.1. project, standard rate of unit cost is applied for assessment costs of SLI in order to provide assessment of enterprises of high risk industries (hereinafter – enterprises), which applied for consultative support:
- 2.2.1. pre-inspection and preparation of initial assessments (hereinafter – pre-inspection);
  - 2.2.2. post-inspection on introduction of recommendations proposed while receiving consultation support (hereinafter – post-inspection).
- 2.3. Pre-inspections and post-inspections are provided by the employees of SLI attending enterprises in compliance with the Labour Protection Law and regulative acts issued on its basis, which determine the way enterprises arrange work environment according to labour protection requirements.
- 2.4. Methodology determine the standard rate of unit cost applied to remuneration of SLI employee involved in action and overhead expenses of one pre-inspection or post-inspection in one enterprise which applied for consultative support within SO 7.3.1. project according to the Regulations of the Cabinet of Ministers No.127 of 1 March 2016 "Regulations for implementation of Operational programme "Growth and Employment" specific support objective

7.3.1. “To improve labour safety, especially in enterprises of hazardous industries””.

- 2.5. Pre-inspections are carried out in enterprises of high risk industries, which have not received free of charge assessment of work environment risks within EU funds before, and for which SLI adopts a decision for granting consultative support.
- 2.6. Post-inspections are carried out in enterprises of high risk industries, for which SLI adopted a decision for granting consultative support and which received consultative support determined by initial assessments made during pre-inspections, e.g. consultations for employers on assessment of work environment risks, laboratory measurements, training.
- 2.7. Consultative support defined in the initial assessment will be provided by service provider attracted by SLI, which after providing consultative support shall submit a report for work carried out.

### **3. Regulatory Framework and Supporting Sources of Information**

- 3.1. Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.
- 3.2. State Labour Inspection Law.
- 3.3. Labour Law.
- 3.4. Law on Remuneration of Officials and Employees of State and Local Government Authorities.
- 3.5. Law on Taxes and Fees.
- 3.6. Law on the Vehicle Operation Tax and Company Car Tax.
- 3.7. Regulations of the Cabinet of Ministers No.127 of 1 March 2016 “Regulations for Implementation of Operational programme "Growth and Employment" specific support objective 7.3.1. “To improve labour safety, especially in enterprises of hazardous industries””.
- 3.8. “Methodology for application of standard rates cost per unit for the programming period 2014 – 2020” elaborated by the Ministry of Finance.

- 3.9. „Methodology for the application of standard rates of indirect costs per unit for eligibility of project costs for the programming period 2014 – 2020” elaborated by the Ministry of Finance.
- 3.10. Regulations of the Cabinet of Ministers No.660 of 2 October 2007 „Procedures for Performance of Internal Supervision of Work Environment”.
- 3.11. Regulations of the Cabinet of Ministers No.1031 of 27 December 2005 „On Budget Cost Classification by Economic Category”.
- 3.12. Regulations of the Cabinet of Ministers No.1031 of 27 December 2005 „On Budget Cost Classification by Economic Category”.
- 3.13. Regulations of the Cabinet of Ministers No.969 of 12 October 2010 „Procedures for Reimbursement of Expenses Relating to Official Travels”.
- 3.14. SLI Procedure Nr. 68/NOR of 5 November 2010 „Procedure for Calculation and Reimbursement of Salary Expenses and Other Appropriate Expenses”.
- 3.15. SLI Procedure Nr. 62/NOR of 30 July 2010 „ On Use of Transport Vehicles by the State Labour Inspectorate for Official Duties.
- 3.16. SLI Procedure Nr. 57/NOR of 29 January 2010 “Procedure for Use of Mobile Phones and Stationary Phones by the State Labour Inspectorate”.
- 3.17. Register of SLI employees by the first date of the month of 2014 and 2015.
- 3.18. State Treasury basic budget account statements of SLI from 1 January 2013 to 31 December of 2015.
- 3.19. Instruction of the Cabinet of Ministers of 23 August 2011 No.8 „On State Budget Performance Analysis”, Annex 5 “Explanation of the State Labour Inspectorate on 3, 6, 9 and 12 months’ performance of state basic budget in 2015” and “Explanation of the State Labour Inspectorate on 3, 6, 9 and 12 months’ performance of state basic budget in 2014” (prepared by the leading financier, agreed with Head of SLI Finance and Administrative Unit, approved by SLI Director, submitted to Finance Management Department of the Ministry of Welfare, kept by SLI Accounting Department).

#### **4. General principles for calculating the standard rate of unit cost**

- 4.1. Calculation of the standard rate of unit cost is based on the following principles:

4.1.1. It is predefined - provisions of unit cost application are stipulated in the Regulations of the Cabinet of Ministers on SO 7.3.1.;

4.1.2. It is fair - unit cost is applied to all pre-inspections and post-inspections to be carried out by SLI employees in enterprises of high risk industries, which apply for consultative support and for which the decision is adopted within SO 7.3.1. project;

4.1.3. It is objective - calculation of unit cost is based on substantiated information and data and it is based on SLI data of 2013, 2014 and 2015 on human and time resources, and additional costs (overheads) necessary to provide one inspection carried out by SLI.

4.1.4. It can be proved - calculation of unit cost is based on the normative acts and informative sources indicated in Section 3 of the methodology.

## **5. Standard rate of unit cost**

5.1. Standard rate of unit cost is applied to SLI to provide pre-inspections and post-inspections, including:

5.1.1. Payment of remuneration to employees involved in pre-inspections and post-inspections: for one employee per 1 pre-inspection or post-inspection;

5.1.2. Overheads necessary for provision of pre-inspections and post-inspections carried out by SLI employees, e.g. transport costs, stationery, utilities, communication costs, rent and other appropriate expenses.

5.2. Standard rate of unit cost for one pre-inspection or post-inspection is 140.38 *euro*. It consists of average remuneration costs (122.07 *euro*) for one pre-inspection or post-inspection and overheads which are defined as 15% of average staff costs (122.07 *euro* \* 15% = 18.31 *euro*).

## **6. Substantiation of the standard rate of unit cost**

6.1. Average remuneration costs necessary for one inspection (see table No.1) and its calculated average amount (see table No. 2) are defined taking into account the number of SLI employees involved in inspections in compliance with Register of SLI employees and number of carried out inspections of enterprises in a 3- year period (2013, 2014 and 2015) aiming to promote labour legal relations and observation of labour protection normative acts, including decrease in undeclared employment, public education, prevention of violation of regulatory acts, defined in the Instruction of the Cabinet of Ministers of 23 August 2011 No.8 „On State Budget Performance Analysis”, Annex 5 “Explanation of the State Labour Inspectorate on performance of state basic budget”.

Table No 1 “SLI data analysis. Remuneration costs necessary for carrying out one inspection”

Payment period/Currency	2015 (euro)	2014 (euro)	2013 (euro)
Total remuneration of employees involved in carrying out inspections	1 316 216.20	1 303 252.74	1 276 285.22
Total number of inspections	10643	10465	10806
<b>Average remuneration per inspection</b>	<b>123.67</b>	<b>124.53</b>	<b>118.11</b>

- 6.2 Average remuneration costs per one inspection are affected by: total number of employees involved in pre-inspections and post-inspections, which carry out inspection during the reporting period, taking into account that one employee is determined to carry out one inspection and that monthly salary group and salary scales for each employee can change due to record of service or amendments in Law on State Budget, changes in tax policy and tax rates, as well as number of inspections.

Table No 2 „Calculation of average remuneration costs per inspection”

Annual remuneration for carrying out inspections, <i>euro</i> (in average for 2013, 2014, 2015)	Number of inspections (in average for 2013, 2014, 2015)	Average remuneration costs necessary for one inspection, <i>euro</i>
1 298 584.72	10638	Annual remuneration/ number of annual inspections = Average remuneration costs necessary for one inspection <b>122.07</b>

- 6.3. Taking into account that actual amount of remuneration costs can be affected by changes in the normative acts, e.g. Law on Remuneration of Officials and Employees of State and Local Government Authorities, Law on Taxes and Fees and others, the salary amount necessary for one inspection will be reviewed once a year, consequently calculating actual average remuneration costs for one inspection for each of the previous years and updating average salary costs for the last 3 year period. Remuneration amount included in standard rate of unit cost can be corrected in case average remuneration costs per one inspection in last 3 years exceed 5% of initially determined average remuneration costs per one inspection, 122.07 *euro*.
- 6.4. If pursuant to Article 6.3. of the methodology, standard rate of unit cost for amount of remuneration costs is corrected, updated rate of unit cost shall be applied after the appropriate methodology amendments are approved.

- 6.5. In compliance with SLI Register of employees and 3-year (2013, 2014, 2015) account statements of State Treasury additional necessary costs – overheads, which are necessary to provide pre-inspections and post-inspections, are determined. Taking into account that overheads necessary for inspections in 2013, 2014 and 2015 are not less than 15% of the remuneration costs calculated for the given years and they are in compliance with definition and content of indirect costs determined in „Methodology for the application of standard rates of indirect costs per unit for eligibility of project costs for the programming period 2014 – 2020” elaborated by the Ministry of Finance, in order to justify overheads for carried out pre-inspections and post-inspections one of the way how to calculate the standard rate of simplified costs offered by the European Commission was chosen, namely - indirect costs of 15% of the eligible direct staff costs. Therefore, the necessary amount of overheads needed for pre-inspections and post-inspections is determined as 15% of average remuneration costs for one inspection, which comply with funding amount necessary for covering overheads (see table No 4 of methodology).

Table No 4 “Calculation of overheads necessary for one inspection”

Average remuneration costs necessary for one inspection, euro	Standard rate of simplified costs	Formula for calculation of overheads	Overheads for one inspection, euro
122.07	15% of average remuneration costs for one inspection	122.07 euro* 15%	<b>18.31</b>

## 7. Application formula for calculating the unit cost

- 7.1. Calculation of unit cost for pre-inspection and post-inspection within the framework of SO 7.3.1. project.

$$\underline{\text{(number of carried out pre-inspections + number of carried out post-inspections)}} \times (\text{A} + \text{A} \times 15\%),^1$$

where

A – average remuneration costs for one inspection (122.07 euro)

*Example:*

$$(4700 \text{ pre-inspections}^2 + 4700 \text{ post-inspections}) \times (122.07 \times 15\%) = 9400 \text{ inspections} \times (122.07 \text{ euro} + 18.31 \text{ euro}) = 9400 \text{ inspections} \times 140.38 \text{ euro} = 1\,319\,572.00 \text{ euro}$$

<sup>1</sup> The methodology envisages procedures on revision and correction of rate per unit cost, therefore costs in formula are calculated from the time when average salary costs per one inspection are approved



## **8. Performance indicators of cost per unit, their eligibility and inclusion in payment requests**

- 8.1. Within the framework of SO 7.3.1.project, the rate of carried out inspections mentioned in Article 5.2 of the methodology is applied in accordance with achieved performance indicators, which is the number of provided pre-inspections and post-inspections.
- 8.2. To justify the eligibility of performance indicator and unit cost to carried out pre-inspections the following conditions are taken into account:
  - 8.2.1. Enterprise is applied for support;
  - 8.2.2. SLI has taken the decision on providing the support to enterprise in the framework of SO 7.3.1. project;
  - 8.2.3. The pre-inspection has been carried out in the enterprise and the initial assessment has been prepared.
- 8.3. To justify the eligibility of performance indicator and unit cost to carried out post-inspections the following conditions are taken into account:
  - 8.3.1. SLI has taken the decision on providing the support to enterprise in the framework of SO 7.3.1. project;
  - 8.3.2. The pre-inspection has been carried out in the enterprise and the initial assessment has been prepared;
  - 8.3.3. the post-inspection has been carried out in the enterprise;
  - 8.3.4. in the framework of 7.3.1. project assessment of the received consultative support has been carried out.
- 8.4. Unit cost for pre-inspections and post-inspections of SLI is included into the next payment request after the approval of the document justifying performance indicators' achievement in compliance with the calculation formula determined in Article 7.1. of the methodology. Copies of the justifying documents are enclosed to payment requests:
  - 8.4.1. For justification of carried out pre-inspections: application of enterprises for getting support, decision of SLI for granting support, initial assessment;
  - 8.4.2. For justification of carried out post-inspections: assessments of implementation of given recommendations made within given support.
- 8.5. Apart from documents mentioned in Article 8.4 of the methodology SLI keeps and provides availability of the documents elaborated by the SLI employees during carried out pre-inspections and post-inspections, e.g. survey documents, measurements, instructions, reports of the employees involved in the inspections, etc.
- 8.6. If the performance indicator is not achieved (pre-inspection or post-inspection has not been carried out and there is no justification determined in Article 8.4 of the methodology) unit cost for pre-inspections or post-inspections is not eligible and these costs are not included into the eligible costs.

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<sup>2</sup> Outcome indicator determined in the Regulations of Cabinet of Ministers on SO 7.3.1.