



Annex 5 Support for Social Services

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1 General provisions

(1) The social services set out in the call, which are provided pursuant to Act No 108/2006 on social services, as amended (the “Social Services Act”), are regarded as services of general economic interest (“SGEI”) within the meaning of European Union law.

(2) Under the call, financing is limited to social services, such being to the extent of the basic activities under Section 35 of the Social Services Act, which are **included in the regional network or in the national/supra-regional network of social services** and are consistent with the medium-term plan for the development of social services of the region, or with the national strategy for the development of social services (see paragraph 5 below).

(3) Social services within the scope of basic activities shall be financed by way of a **compensation payment, governed by Commission Decision 2012/21/EU** of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest (“Decision 2012/21/EU”).

(4) **A provider of a social service must be entrusted by the contracting authority with the provision of a service of general economic interest (social service) in accordance with Decision No 2012/21/EU.**

(5) For the purposes of this call, the contracting authority authorised to issue Entrustment shall mean:

(a) the **Region**, in the case of social services included in the regional network of social services within its territory, which the Region establishes pursuant to Section 95(h) of the Social Services Act in cooperation with municipalities;

(b) the **Ministry of Labour and Social Affairs (MoLSA)**,¹ in the case of those social services which have a supra-regional or nationwide scope and are at the same time provided in accordance with the National Strategy for the Development of Social Services,² which includes a network of social services with supra-regional or nationwide scope.

(6) A condition for the granting of support is the verifiable fact that, throughout the implementation of the project, i.e. throughout the involvement of the service in the project, the beneficiary will perform activities falling under the Entrustment.

(7) **A provider of a social service must, for the entire period of service provision within the project, be entrusted by the contracting authority with the provision of the relevant social service.** Where the project implementation period exceeds the validity of the Entrustment, the beneficiary shall inform the provider of support (the PI) of any amendments to the Entrustment and of any subsequent Entrustments.

(8) The Entrustment shall be in conformity with Decision 2012/21/EU if the following conditions are met:

¹ Within the MoLSA, Entrustment is issued by the substantively competent department, namely the Department of Social Services and Social Work.

² This refers to the National Strategy for the Development of Social Services for 2016–2025, adopted by Government Resolution No 245 of 21 March 2016, or its update, or a subsequent strategy covering a later period.



- (a) the compensation payment for the provision of services of general economic interest, in fields other than transport and transport infrastructure, does not exceed EUR 15 million per annum;
 - (b) the period for which an undertaking is entrusted with the provision of a service of general economic interest does not exceed ten years;³
 - (c) the content⁴ and duration of SGEI obligations are specified;⁵
 - (d) the undertaking entrusted with ensuring the SGEI is specified;
 - (e) the territory in which the SGEI is to be provided is clearly defined;
 - (f) the nature of any exclusive or special rights conferred on the undertaking by the contracting authority is set out;
 - (g) the compensation mechanism and the parameters for the calculation, monitoring, and review of the compensation payment are described;⁶
 - (h) measures or provisions to prevent and recover any overcompensation are in place;⁷
 - (i) a reference to Decision 2012/21/EU is included.
- (9) Support under the project may only be granted in conformity with a valid Entrustment to provide a social service.

2 Mandatory annexes in the context of SGEI

(1) Where the project focuses on the provision of a social service, **the applicant/beneficiary must submit the following annexes:**

- (a) Social Service Details – Plan (including the planned costs of the social service).
- (b) Entrustment to Provide SGEI (for the provision of the social service specified in the project).
- (c) Overview of the Use of a Compensation Payment for a Social Service – Actual.

A template for the annex under (a) forms part of the relevant call. The template under (c) is provided to the beneficiary prior to the issue of the Grant Award Decision, on the basis of the Notice of Recommendation of the Project for Support.

³ Entrustments may be issued for a shorter period than the duration of project implementation. In such cases, the beneficiary must hold a valid Entrustment throughout the implementation of the project, or that part thereof which constitutes a SGEI.

⁴ This includes the capacity of the social service, which must correspond to the information stated for the relevant social service in the grant application (note: the capacity of the social service stated in the Entrustment must not be lower than the capacity indicated in the grant application).

⁵ Entrustments may be issued for a shorter period than the duration of project implementation. In such cases, the beneficiary must hold a valid Entrustment throughout the implementation of the project, or that part thereof which constitutes a SGEI.

⁶ Where the provider of support (the PI) accepts an Entrustment in which the financial mechanism, monitoring, and review are not expressly defined, the issue of the Grant Award Decision by the provider of support shall be deemed confirmation that the process of defining the financial mechanism was set within the assessment and selection procedure, with the compensation payment determined as the difference between planned (actual) costs and planned (actual) revenues.

⁷ Where the provider of support accepts an Entrustment in which this requirement is not expressly defined, it is replaced by the Grant Award Decision, which provides for the obligation to take account of project revenues allocated to eligible expenditure.



(2) The applicant shall submit the annex “**Social Service Details – Plan**” together with the grant application.

If a partner providing financial participation is involved in the project, this annex shall also be prepared and submitted for any social services provided by that partner.

For partners not providing financial participation and other entities involved, the annex “Social Service Details – Plan” shall be submitted only during project implementation, as part of the “Application for the Grant of State Aid to Another Entity”.

This annex to the grant application shall always be prepared separately for each social service (service identifier) stated in the grant application and shall contain the following information:⁸

(d) basic identification details of the social service provider – name of organisation and registration number (IČ);

(e) basic identification details of the social service – numerical designation of the social service (identifier⁹), type and form of service;

(f) the target group of the social service (the group of persons to whom the service is provided);

(g) the place where the social service is provided and its territorial scope;

(h) the number of months of provision of the social service;

(i) the (anticipated) scope of the service expressed in units (residential services – in particular the number of beds, number of bed/days; non-residential and field services – the total number of full-time equivalents (FTEs) of service staff, broken down into FTEs in direct care and other staff, number of users, etc.). The unit used to express the capacity of the social service shall be stated in accordance with the unit used in the Entrustment (within the social services network);

(j) the staffing of the service;

(k) the planned costs of the social service (total costs over the duration of the project and of service provision within the project, broken down by cost items, including expenditure covered by the 40% flat rate – where activities funded under the SGEI regime are covered by the 40% flat rate, a calculation must be provided showing the specific flat-rate amount to be included in the compensation payment);¹⁰

(l) planned revenues of the social service (total revenues over the duration of the project, broken down by individual sources of revenue).

This information on the social service will serve as the basis for verifying the calculation of the compensation payment for the social service indicated in the grant application, and for verifying the need to determine the level of financial support for the service within the project.

⁸ Details are provided only in relation to the basic activities of the social service (optional activities are not included).

⁹ An applicant who, at the time the grant application is submitted, does not yet have the social service registered shall not state the numerical designation (identifier). The applicant shall indicate only the type and form of service.

¹⁰ Where activities funded under the SGEI regime are covered by the 40% flat rate, a calculation must be provided showing the specific flat-rate amount to be included in the compensation payment.



(3) The beneficiary shall submit the annex **Entrustment to provide SGEI**¹¹ (for the provision of the social service specified in the project) before the allocation of support under the SGEI regime, i.e. prior to the issue of the Grant Award Decision. The beneficiary submits a **copy of the Entrustment**. The beneficiary shall submit this annex on the basis of the Notice of Recommendation of the Project for Support, which sets out the documents to be submitted for the preparation of the legal act on the award of support (the Grant Award Decision) and the manner of their submission.

(4) The beneficiary shall submit the annex “Overview of the Use of a Compensation Payment for a Social Service – Actual” for the relevant calendar year in which the social service was supported within the project by way of a compensation payment, always by 31 March of the following calendar year.¹² This annex shall always be prepared separately for each social service (service identifier) supported within the project and shall contain the following information:¹³

(a) basic identification details of the social service provider – name of organisation and registration number (IČ);

(b) basic identification details of the social service – numerical designation of the social service (identifier), type and form of service;

(c) the target group of the social service (the group of persons to whom the service is provided);

(d) the place where the social service is provided and its territorial scope;

(e) the number of months of provision of the social service in the calendar year;

(f) the actual scope of the service expressed in units;

(g) staffing of the service (actual);

(h) planned and actual costs of the social service (**total costs over the duration of the project and costs for individual calendar years of provision of the social service within the project, broken down by cost items, including expenditure covered by the 40% flat rate**);¹⁴

(i) planned and actual revenues of the social service (total revenues over the duration of the project and for individual calendar years of service provision within the project, broken down by individual sources of revenue);

(j) a calculation of any overcompensation amount.

3 Determination of the amount of the compensation payment

(1) The amount of the compensation payment for the provision of a social service is determined in accordance with Article 5 of Decision 2012/21/EU. The compensation payment shall not exceed what is necessary to cover the net costs incurred in discharging public service obligations. Inclusion of a reasonable profit is not permitted under the call.

¹¹ It is recommended that the applicant (social service provider) submit this Entrustment already when filing the grant application (this is not, however, an obligation).

¹² Submitted separately or as part of the project implementation report.

¹³ Details are provided only in relation to the basic activities of the social service (optional activities are not included).

¹⁴ Where activities funded under the SGEI regime are covered by the 40% flat rate, a calculation must be provided showing the specific flat-rate amount to be included in the compensation payment.



The compensation payment is calculated according to the formula:

Compensation payment = costs of the social service minus revenues of the social service

(2) Costs taken into account include all costs incurred in providing the social service, provided that these costs relate to the provision of the social service within the scope of its basic activities as stated for the given type and form of social service in the Social Services Act. They are calculated on the basis of generally accepted principles of analytical accounting as follows:

- (a) if the provider of the social service performs only activities within the social service, all of its costs may be taken into account;
- (b) if the provider of the social service also performs activities outside the scope of the relevant social service, only costs relating to the provision of the social service may be taken into account;
- (c) costs attributed to the social service may include all direct costs incurred in providing the service and an appropriate share of costs common to the social service and other activities of the provider;
- (d) costs (depreciation) associated with investments may be taken into account, provided they are necessary for the provision of the social service. Within the call, however, the acquisition cost of investments (acquisition or technical improvement of tangible or intangible fixed assets¹⁵) may not be included in the compensation payment.

(3) **Revenues taken into account** include all revenues from the provision of the social service (user fees for social services; subsidies from the MoLSA, regions, municipalities, and other public sources; funding within E+ OP projects and other European funds; income from public contracts; and, where applicable, other income beyond usual revenues).

(4) In the Entrustment, the contracting authority for the social service shall determine in advance, transparently, and on a non-discriminatory basis, which costs it considers necessary for discharging the SGEI obligation (for providing the social service). These costs may include the costs of lifelong learning for the provider's staff.¹⁶

4 Conditions for granting the compensation payment

¹⁵ Capital expenditure means:

(1) for applicants and beneficiaries that are territorial self-governing units, voluntary associations of municipalities, organisations partly funded from the public purse, state funds, and organisational units of the State:

- expenditure on the acquisition of intangible fixed assets with a service life of more than one year, whose acquisition cost exceeds CZK 60,000;
- expenditure on the acquisition of tangible fixed assets with a service life of more than one year, whose acquisition cost exceeds CZK 40,000.

(2) for applicants and beneficiaries that do not fall within the entities defined in point (1):

- expenditure on the acquisition of intangible fixed assets with a service life of more than one year, from the valuation (acquisition cost) threshold determined by the applicant/beneficiary;
- expenditure on the acquisition of tangible fixed assets with a service life of more than one year, from the valuation (acquisition cost) threshold determined by the applicant/beneficiary.

¹⁶ Under the call, compensation payments may also cover the costs of lifelong learning for the provider's staff, on condition that the training is directly related to the provision of the basic activities of the social service and that staff training is addressed in the Entrustment in accordance with Decision 2012/21/EU. When supporting training within the project, the conditions set out in the call must also be observed.



(1) A beneficiary (provider of a social service) who receives a compensation payment for a social service within the project must comply with the following conditions:¹⁷

(a) Use the compensation payment in accordance with the principles of purposefulness, economy, and efficiency in the use of public funds, and for the specified purpose.

(b) Use the compensation payment only for costs connected with the provision of the basic activities of the social service pursuant to section 35 of the Social Services Act, in line with the project purpose set out in the Grant Award Decision.

(c) Ensure the scope (capacity) of the social service provided in accordance with the issued Entrustment and the Grant Award Decision.

(d) Where the grant is paid in the form of a compensation payment, the provider of the social service must be entrusted with providing the social service (SGEI) for the period during which the service is supported within the project, in accordance with Commission Decision 2012/21/EU. The beneficiary shall report any changes to the Entrustment and to subsequent Entrustments and their amendments together with the project implementation report for the monitoring period in which the change occurred (and submit copies of the amended Entrustments or subsequent Entrustments);

(e) Keep records of income and expenditure (revenues and costs) transparently, with a clear link to the specific social service in the project – the service identifier (in particular via accounting cost centres, contracts). The beneficiary of the compensation payment (i.e. the social service provider) must keep records of the income and expenditure (revenues and costs) associated with the provision of the relevant service in its accounts separately from the income and expenditure (revenues and costs) associated with other services or activities of the organisation. The obligation of separate accounting applies to all items related to the social service within the project, not only to the items related to the compensation payment granted for the relevant social service.

(f) The beneficiary shall indicate in the project implementation report all income received outside the original calculation of the compensation payment within the project, and any deviations from expected income/expenditure (revenues/costs), and shall indicate changes in the provision of the social service, in the social service budget, and in the drawing of the compensation payment.

(g) The beneficiary shall, for each calendar year, submit data relating to the drawing of the compensation payment provided under the project in the form of an “Overview of the Use of a Compensation Payment for a Social Service – Actual”. The beneficiary shall prepare and submit this statement separately for each social service supported under the project by 31 March of the following year, either separately or as part of the project implementation report.

(h) The beneficiary shall not exceed the amount of the compensation payment for the social service, as specified in Part III(3) of the Grant Award Decision. In the event of overcompensation (i.e. where the difference between actual revenues and costs for the duration of the project and the provision of the social service within the project is less than the amount of the compensation payment set), the beneficiary, in accordance with Article 6(2) of Commission Decision 2012/21/EU, shall return the excess amount (overpayment) as part of the final financial settlement of the project (as part of the administration of the final project implementation report and the request for payment).

¹⁷ These conditions are imposed on the beneficiary by the Grant Award Decision; they are set out here in summary for ease of reference.



- (i) Properly retain all documents related to the financing of the social service in the form of a compensation payment under Decision 2012/21/EU, and documenting the use of all funds for the provision of the social service, for the duration of the Entrustment and for at least 10 years from the end of the Entrustment period, in a manner compliant with the applicable laws of the Czech Republic.
- (j) Create conditions for inspection activities related to the compensation payment by entities authorised under the Grant Award Decision to carry out inspections within the project.
- (k) Upon request by the support provider, submit in writing any additional information related to the provision of SGEI and to the compensation payment, within the deadline set by the provider.

5 Annex

Annex 7 to the Grant Application – “Social Service Details – Plan”