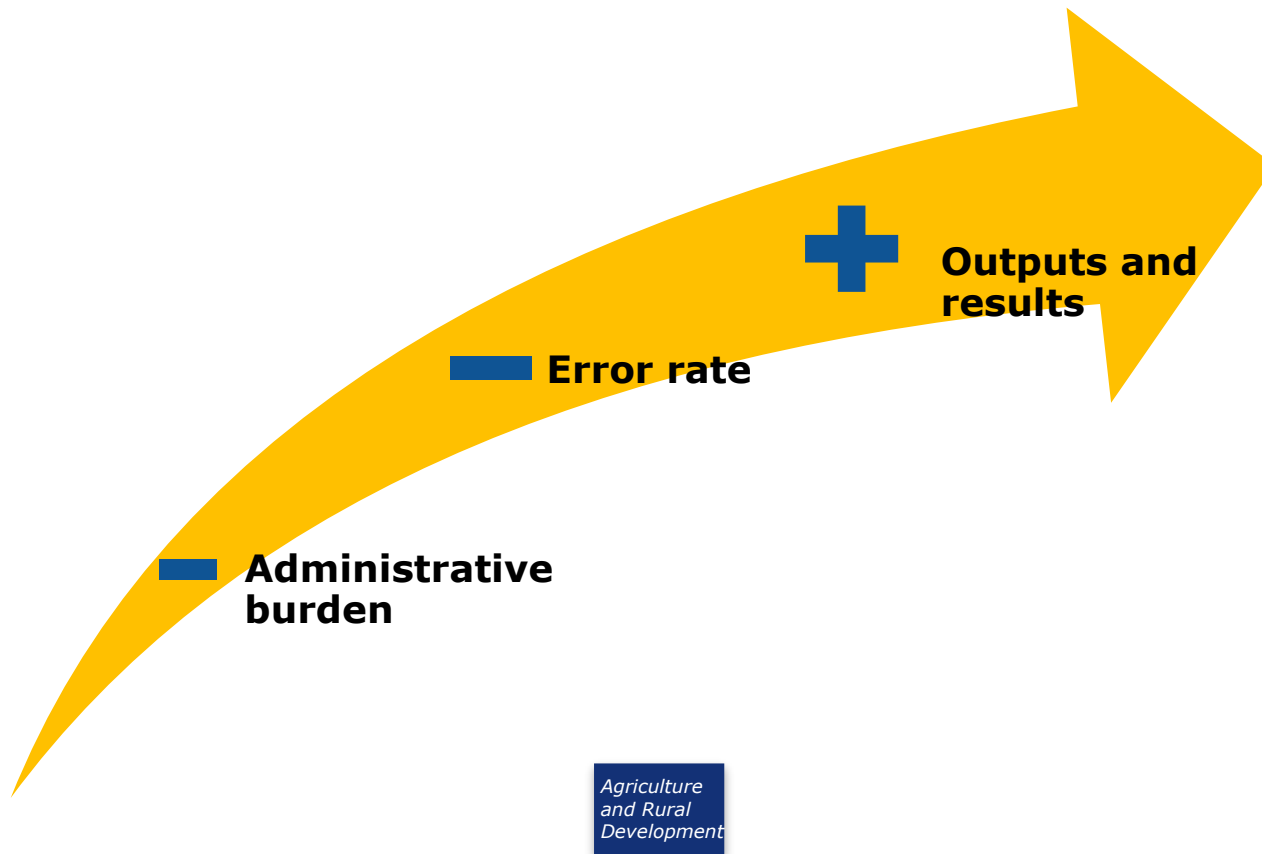




Simplified Cost Options in Leader

Brussels, 19th January 2016
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European Commission
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Why should you use SCOs?





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Simplified Cost Options

Flat rate financing

Art.67d) CPR

Standard scales of unit costs

Art.67b) CPR

Lump sums

Art.67c) CPR



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From a real cost system...

Costs fully justified on a real costs basis

Running costs of 1 LAG

Direct costs = 6.000 €

1. Personnel cost	5.000
Internal personnel – remuneration	3.500
Int. pers. - transport home/work	200
Internal personnel – travel costs	300
External personnel – remuneration	1.000
External personnel - travel costs	0
2. Product develop and consumption	1 000
Non depreciable consumption goods	200
Publicity	150
Organisation costs	650
Other costs	0

Indirect costs = 1 000 €

Personnel costs (management)	350
Equipment and immovable goods (depreciation)	25
Internal administration, accountancy, management	120
General doc. and publicity for courses & structure	65
Office supplies	110
Telephone, post, fax	20
Taxes and insurance	150
Movable material (depreciation)	85
Immovable goods	0
External accountancy costs	75
Other costs	0

Total costs : 6.000 + 1.000 = 7.000€

...to a calculated flat rate for indirect costs

Costs fully partly justified on a real costs basis

Running costs of 1 LAG

Direct costs = 6.000 €

1. Personnel cost	5.000
Internal personnel – remuneration	3.500
Int. pers. - transport home/work	200
Internal personnel – travel costs	300
External personnel – remuneration	1.000
External personnel - travel costs	0
2. Product develop and consumption	1 000
Non depreciable consumption goods	200
Publicity	150
Organisation costs	650
Other costs	0

Total costs : 6.000 + 1.020 = 7.020€

Indirect costs

**Analysis of historical data
(calculation method to be
justified):**

**indirect costs = 17% of direct
costs**

6.000 x 17% = 1.020€

...to a calculated flat rate for indirect costs

Costs fully partly justified on a real costs basis

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Int. pers. - transport home/work	200
Internal personnel – travel costs	300
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External personnel - travel costs	0
2. Product develop and consumption	1 000
Non depreciable consumption goods	200
Publicity	150
Organisation costs	650
Other costs	0

Total costs : 6.000 + 675 = 6.675€

Indirect costs

Use of article 68 (1) (b)

*indirect costs = 15% of **direct staff costs***

4.500 x 15% = 675€



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**Standard scales of
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From a real cost system...

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Immovable goods	0
External accountancy costs	75
Other costs	0

Total costs : 6.000 + 1.000 = 7.000€

... to standard scales of unit costs

Costs fully justified on a ~~real costs~~ calculated basis

Running costs per staff

Unit cost

Running costs of LAG: **1,000€** per person hired

Output foreseen

7 persons are hired by LAG

Maximum expenditure

7 persons x 1,000€ = **7,000€**

Output achieved

1 person was finally not hired = **6 persons hired**

Expenditure declared

6 persons hired x 1,000€ = **6,000€**



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Simplified Cost Options

Flat rate financing

Art.67d) CPR

**Standard scales of
unit costs**

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Lump sums

Art.67c) CPR

From a real cost system...

Costs fully justified on a real costs basis

Running costs of 1 LAG

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External accountancy costs	75
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Total costs : 6.000 + 1.000 = 7.000€

...to a lump sum

Costs fully justified on a ~~real costs~~-calculated basis

Running costs of 1 LAG

Output foreseen

The LAG fulfils the agreed strategy



Lump sum

Running costs are established in **7,000€**



Maximum expenditure

Running cost = **7,000€**



Output achieved

(1) The strategy is fulfilled

(2) Only a part of the strategy is fulfilled or not at all



Expenditure declared

(1) Running costs = **7,000€**

(2) A part of the strategy or no strategy = **0€**

**Max: 100,000 EUR
public contribution !**

What are the calculation methods ?



Ex ante evaluation

Fair, Equitable and Verifiable method

Use of existing EU schemes

(for similar type of operation and beneficiary)

Use of existing own national schemes

(for similar type of operation and beneficiary)

Use of specific rates and methods from the CPR and Fund specific regulations

What are the calculation methods ?



Ex ante evaluation

Fair, Equitable and Verifiable method

- **Statistical data or other objective information**
- **The verified historical data of individual beneficiaries**
- **The application of the usual cost accounting practices of individual beneficiaries**

Methodology: defined ex-ante

- **Fair**: Reasonable, based on reality, not excessive or extreme. Duly **justified** and explained
- **Equitable**: Not favouring some beneficiaries or types of operations over others
- **Verifiable**: Based on **documentary evidence** which can be verified (audit trail). *Ex nihilo* rates will not be accepted

Established in advance:

- defined ex ante;
- published in advance (included for example in the call for proposal or at latest in the grant decision);
- The relevant rules and conditions should be incorporated in the national eligibility rules applicable to the operational programme.

It must be fair:

- The calculation has to be reasonable, i.e. based on reality, not excessive or extreme
- Objective of the audit work: to examine the basis used for establishing the rates and whether the rates finally set are indeed in line with this basis.

It must be equitable

- Has to ensure an equal treatment of beneficiaries and/or operations

It must be verifiable

- Should be based on documentary evidence, which can be verified;
- The MA has to be able to demonstrate the basis on which it has been drawn up;
- Key issue: to ensure compliance with the principle of sound financial management



Use of specific rates and methods from the CPR and Fund specific regulations

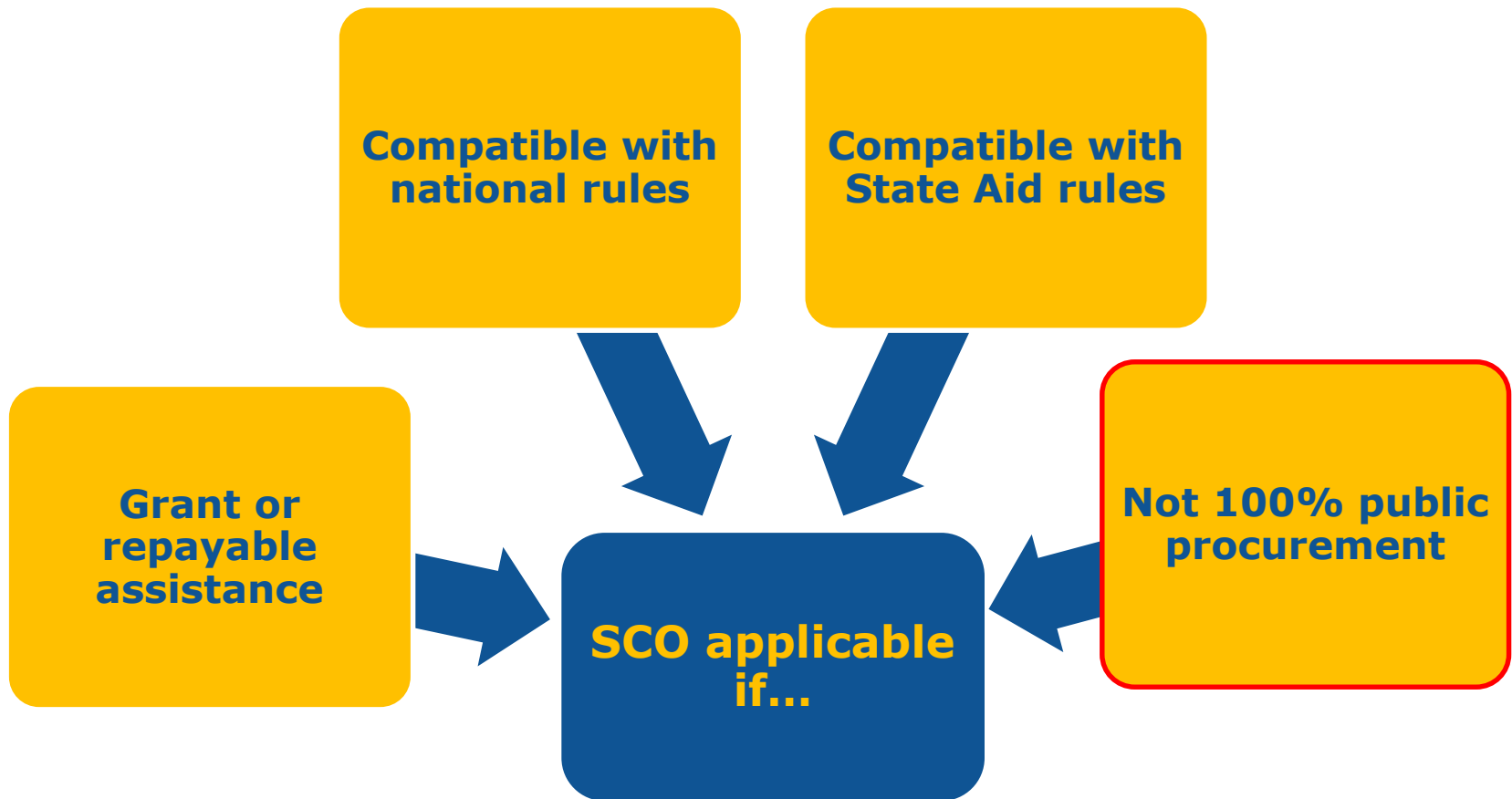
- **Article 68(1) (b) CPR:** flat rate of up to 15% of eligible direct staff costs for indirect costs
- **Article 68(2) CPR:** the hourly rate can be calculated by dividing the latest documented annual gross employment costs by 1 720 hours
- **Article 19 EAFRD:** lump sum up to 70.000€ for business start-up aid in rural areas
- **Article 27 EAFRD:** flat rate of up to 10% of the marketed production for setting up of producer groups.
- **Area and animal related payments:** standard scale of unit costs with ex-ante fair, equitable and verifiable calculation
- **Article 20 DA 480/2014:** flat rate of up to 25% of eligible direct costs for indirect costs under Articles 17, 26 y 35 of RD Regulation which contribute to Priority 1 and implemented by the Operational Groups

New practice = new risks: examples

Flat rate	<ul style="list-style-type: none">✓ Inclusion of costs not foreseen in the categories of costs✓ Costs included in direct costs although they are already covered by the flat rate for indirect costs✓ Non respect of set rate
Standard scales of unit costs	<ul style="list-style-type: none">✓ Non respect of set standard scale✓ Various interpretations of the definition of outputs✓ Declared amounts do not reflect the actual outputs
Lump sums	<ul style="list-style-type: none">✓ Non delivery of the product or service (100% correction)✓ Correction if intermediary payments are not justified by final delivery



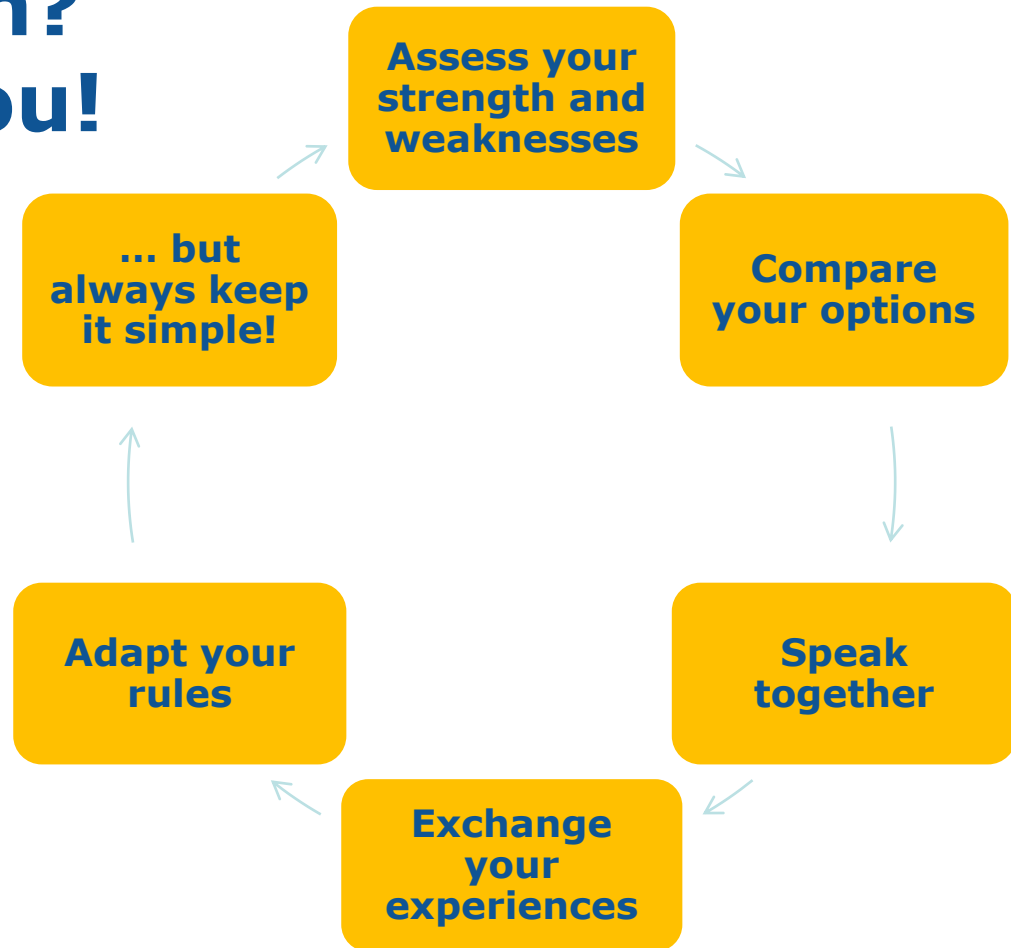
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Information in the RDP...

<p>Section 8 Description of the measures</p>	<p>Eligible costs</p> <p>Amounts and support rates</p> <p>Methodology for the calculation of amount or support rate</p>	<p>List of eligible costs, including explicitly those under the SCOs</p> <p>Final amounts resulting from the calculations for the establishment of SCO and/or aid intensities</p> <p>Legal provision under which the methodology is developed, i.e. Art 67(5)(a)-(e), Art 68(1)(a)-(c)</p>
<p>Section 15 Programme implementing arrangements</p>	<p>Description of actions to achieve a reduction of administrative burden for beneficiaries</p>	<p>Information of the type of SCOs and measures</p>
<p>Section 18 Ex ante assessment of verifiability, controllability and error risk</p>	<p>Statement confirming the adequacy and accuracy of calculation by an independent body</p>	<p>Only for SCO developed under Art 67(5)(a) 2-step approach: methodology (RDP) and amounts (call for proposals)</p>

Simplification? It's up to you!



For more information on SCOs

Please refer to:

- The Guidance on Simplified Cost Options – EGESIF_14-0017 (finalized in September 2014)

And a case study:

- The implementation of SCOs in Italy with ESF 2007-2013 (to be found on the EU Bookshop website)



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Thank you!