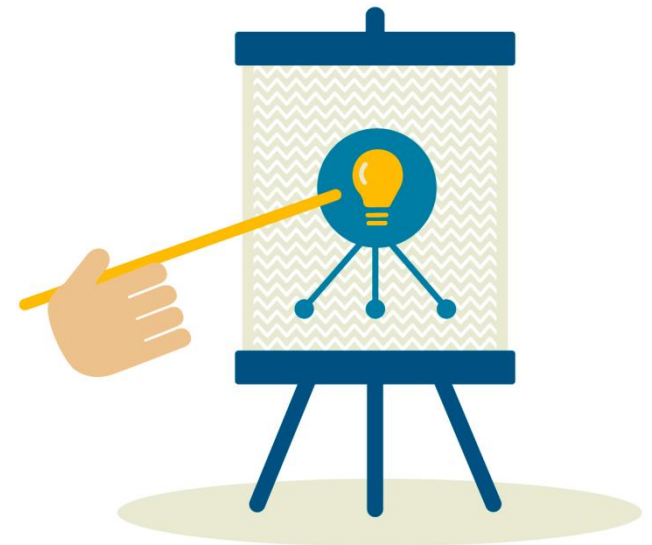


Simplified Cost Options

National Control (FLC) Workshop
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Dubrovnik, Croatia

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Simplified Cost Option (SCO)

- Eligible costs are calculated according to a predefined method based on outputs, results or other costs.
- The tracing of every euro of co-financed expenditure to individual supporting documents is no longer required.

Reimbursement: forms

Real costs

Simplified cost options

Flat rate

Standard scale of unit cost

Lump sum

Options

- Options applied in 2007-2013
- Options in CPR 1303/2013 and ETC Reg. 1299/2013
 - Ex-ante calculations
 - Novelties in Omnibus Regulation 2014-2020

CPR (1303/2014), Article 67

Forms of grants and repayable assistance

1. Grants and repayable assistance may take any of the following forms:

- (a) reimbursement of eligible costs actually incurred and paid, together with, where applicable, contributions in kind and depreciation;
- (b) **standard scales of unit costs**;
- (c) **lump sums** not exceeding EUR 100 000 of public contribution;
- (d) **flat-rate** financing, determined by the application of a percentage to one or more defined categories of costs.

Fund-specific rules may limit the forms of grants or repayable assistance applicable to certain operations.

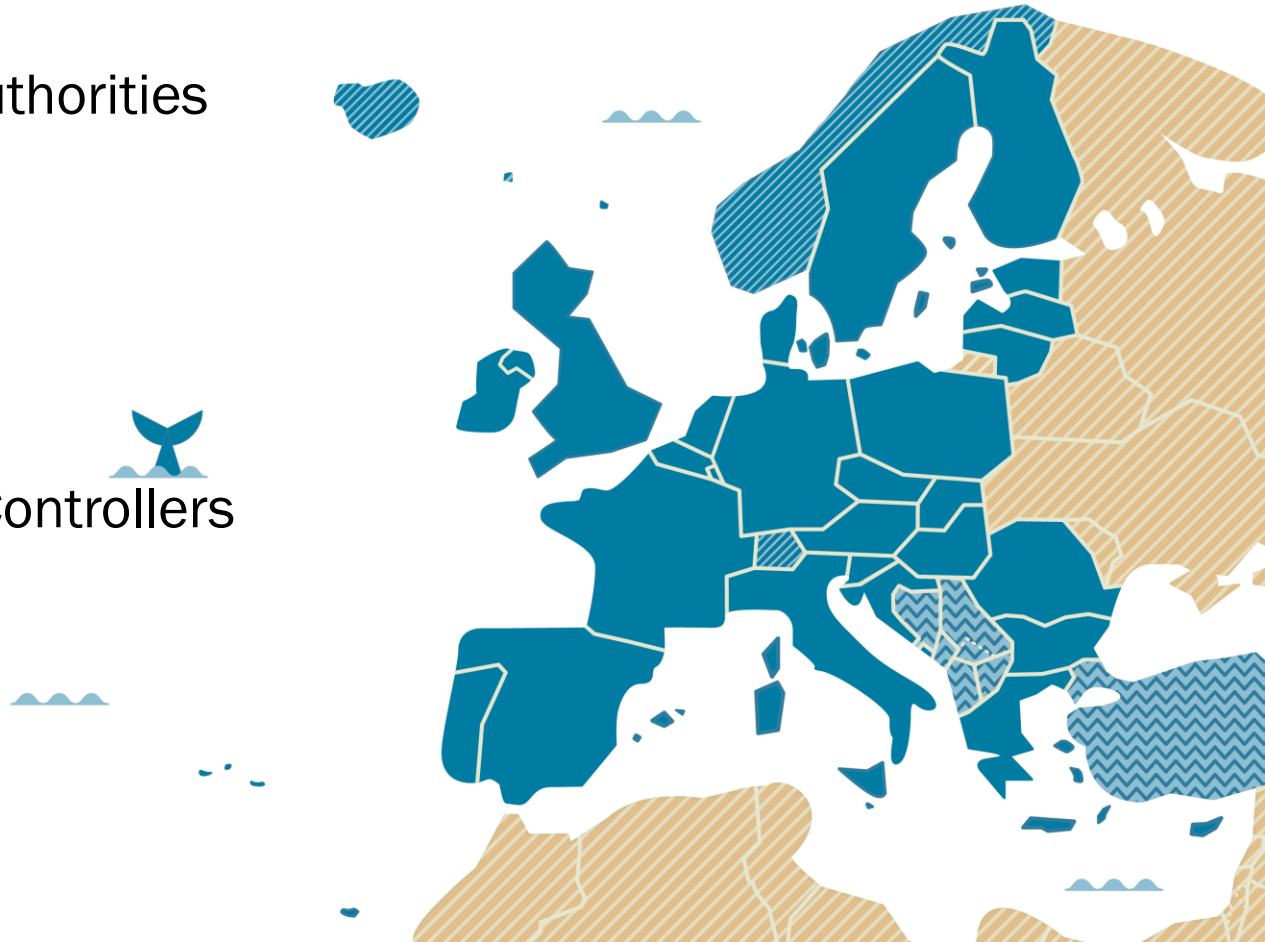
ETC (1299/2013), Article 19

Staff costs

Staff costs of an operation may be calculated at a flat rate of up to 20% of the direct costs other than the staff costs of that operation.

Benefits of using SCOs

1. For Programme Authorities
2. For Beneficiaries
3. For Auditors and Controllers



Flat rates

- calculation of costs of a specific budget line(s)
- calculated by applying a percentage fixed in advance
- percentage applied to one/several other budget lines

Example:

Up to **15% of eligible direct staff costs**

Staff costs * 0,15 = Office and Administration costs



Flat rates

1. For Office and Administration (Indirect costs) – up to 15% of Staff Costs
2. 25% used for certain priorities in some programmes
3. For Staff Costs, up to 20% of eligible direct costs
4. Omnibus regulation



Standard scale of unit costs

- calculation of all or part of costs of a specific budget line
- calculated by applying a standard unit cost fixed in advance
- applied to easily identifiable quantities

Example:

Cost for advisory service based on historical data

Number of days * EUR 350



Standard Scale of Unit Costs

1. Germany – Netherlands programme

- For all Staff Cost calculations



2. Interreg Baltic Sea Programme

- Budget line 7



Lump sums

- calculation of all or part of costs of the project
- subject to achievement of predefined outputs/activities
- single payment – maximum limit **EUR 100.000 of public contribution per project**

Example:

Project preparation costs

Costs of predefined project activities

Small projects / people-to-people projects



Lump Sums

1. For preparation costs



2. For project activities



3. For project closure



Why another Q&A on Simplified Cost Options?

- Uncertainty with the new regulations
- New approach for control and audit due to introduction of SCOs
- Many questions arising from the Interreg community
- EC Guidance on SCO not for Interreg alone
- Need for an Interreg-specific guidance on SCOs



Structure/logic of the guidance document on SCOs

The document is structured into 2 main sections:

1. General questions on simplified cost options (SCOs)

- This section includes guidance on how verification should be performed for different types of SCOs:
 - how **public procurement** should be observed when SCOs are used
 - main areas prone to **irregularities** which require special attention from controllers and auditors.
 - general issues concerning the use of **flat rates** and **lump sums**



Structure/logic of the guidance document on SCOs

2. Questions related to the Staff Costs category of expenditure
 - This section raises points of attention for different staff cost calculation methods and highlights specificities of this category with regard to the audit trail requirements.



General principles

The verification and audits of SCOs focus on checking:

1. The correct establishment of the calculation method
2. The correct application of the calculation method



Example of Questions & Answers

Flat rates

Question: Is a beneficiary required to provide any evidence that the amount received as a flat rate was actually spent on expenses of the cost category to which the flat rate applies? Can controllers/auditors request such evidence?

Answer: No, verification of expenditure declared under a simplified cost option should be limited to the verification of the existence of the relevant cost category, the calculation method and its correct application.



Example of Questions & Answers

Lump sums

Question: Is it possible to proportionally reduce the payment of a lump sum?

Answer: Lump sums operate on a binary approach, and there are no other choices than paying 0% or 100% of the grant. However, should the document define a number of milestones as intermediary steps for the input/output, it is possible that partial payments of the lump sum can be made...



Examples of Questions & Answers

Costs reported do not match bookkeeping of beneficiary

Question: Costs reported to the programme under a simplified cost option do not match the actual expenditure registered in the bookkeeping system of the beneficiary. How to deal with this?

Answer: In cases where costs are calculated based on simplified cost options, the expenditure might differ from the actual costs registered in the accounting system of the beneficiary. This is a direct consequence of the use of simplified cost options.



Examples of Questions & Answers

When are staff costs considered paid?

Question: When are staff costs considered paid? If payslips were accepted, this would simplify the administrative work for beneficiaries, controllers and auditors.

Answer: The concept of "paid" is different for flat rates and standard scale of unit costs. When a flat rate is used, staff costs are considered "paid" if the direct costs that for the basis for the calculation of the flat rate are paid by the beneficiary. In case of standard scale of unit costs, there is also no paid expenditure in the usual sense. Paid expenditure is calculated on the basis of declared and certified quantities.



Audit trail – Staff costs

Required documents depending on the reimbursement option

Required documents depending on the reimbursement option	Real costs					20 % flat rate	SSUC
	Full time	Part time			Hourly rate set in the contract		
		Fixed %	1720 hours/ year	Actual hours			
Employment/work contract	✓	✓	✓	✓	✓	✗	✓
Job description	✓	✓	✓	✓	✓	✗	✓
Payslips	✓	✓	✓	✓	✓	✗	✗
Data from time registration system	✗	✗	✓	✓	✓	✗	✓
Proof of payment	✓	✓	✓	✓	✓	✗	✗



Upcoming changes to SCOs in the Omnibus regulation

- Lump sums (Art. 67)
 - 100.000 threshold removed
- New delegated regulation
 - SCOs, SSUC and flat rates
- New flat rate: 40% of eligible direct staff cost for remaining costs



Cooperation works

All materials will be available on:

[**www.interact-eu.net**](http://www.interact-eu.net)