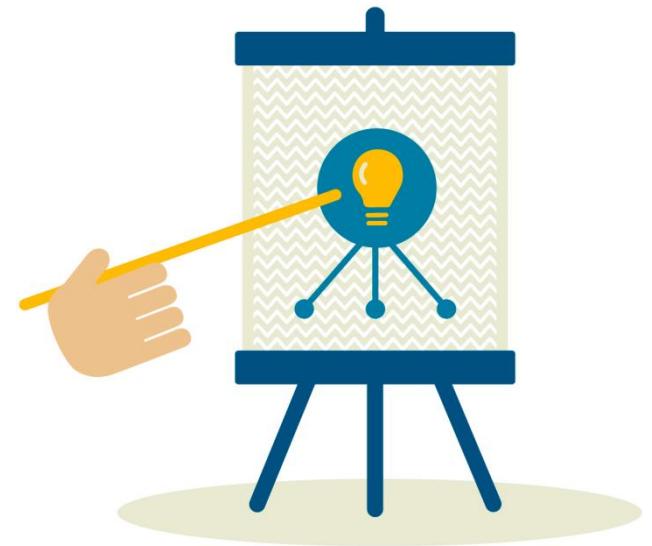


Simplified cost options

2nd CBC finance network meeting

9 -10 April 2019 | Valencia, Spain

Iuliia Kauk, Interact



Standpoint - definition

- 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.



Forms of reimbursement in Interreg

Real costs

Simplified cost options

Standard scale of unit cost

Lump sum

Flat rate

Calculation methods for SCOs – 4 basic criteria

- **Ex-ante:** before signing the contract.
- **Fair:** reasonable, based on reality, not excessive nor extreme; duly justified and documented.
- **Equitable:** not favouring some beneficiaries or types of operations over others.
- **Verifiable:** based on documentary evidence which can be verified (audit trail).

WHY TO SCO?

Advantages of SCOs:

- Lifting the administrative burden (programme & projects: flexibility for beneficiaries, easier reporting, reduced bureaucracy)
- Shift to result/output orientation
- Less time consuming
- Reducing the risk of errors (lower error rate)
- Facilitate audit and control

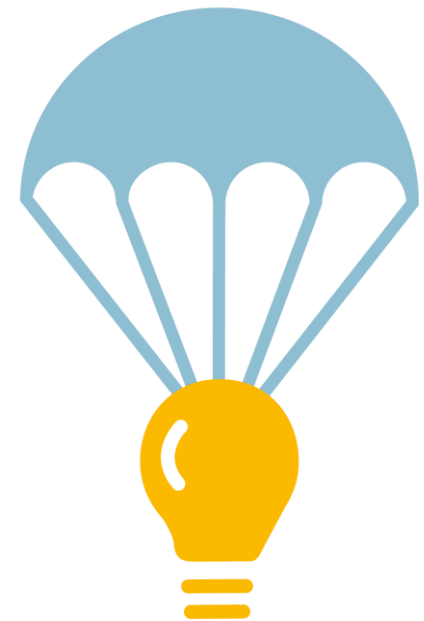


Omnibus Regulation 2018/1046

- Increased possibility for using SCOs: flat rate, SSUC, lump sums

A different mindset is needed!

- SCOs support a result oriented approach, they are designed to no longer trace every Euro
- Balance between trust and control
- Clarity
- Communication



Legal references

CPR 1303/2013 (after Omnibus, applicable from 02 August 2018*)

- Article 67: Forms of grants and repayable assistance
- Article 68a: Staff costs concerning grants and repayable assistance
- Article 68b: Flat-rate financing for costs other than staff costs

ETC, 1299/2013

- Article 19: Staff costs

* Former articles in CPR: 48-51

Post 2020 (proposed Regulation)

- Like now, but
 - Up to 7% flat rate for admin costs on all other direct costs
 - Up to 20% flat rate for staff costs on all other direct costs
only in CPR (attention: public procurement limitation for services, supply and works)
 - SCO mandatory for projects <200,000€ (CPR, 48(1))
 - SCO mandatory for SPF projects if ERDF <100,000€

Omnibus 2014-2020 (1)

Omnibus 2014-2020	Post 2020 Proposal
<p>New types</p> <ul style="list-style-type: none"> • Lump sums: No upper limit Art. 67(1)(c) • Financing on the fulfilment of conditions related to progress in implementation or the achievement of objectives of programmes - in delegated acts (e.g. energy efficiency, TA) Art. 67(1)(e) • Compulsory use when public support ≤ EUR 100.000 for operations not implemented exclusively through public procurement Art. 67(2a) • Possibility of an expert judgment for setting tailor-made SCOs (Art. 67(5)(a)(i)) • Draft budget on a case-by-case basis and agreed ex ante by the MA when public support ≤ EUR 100.000 Art. 67(5)(a)(bis) • Off-the-shelf SCOs: EC can adopt in a delegated act SSUC and FR Art. 67(5a) 	<p>Forms of grants Art. 48</p> <p>✓ Y</p> <p>✓ Link cost of the operation are based on either: fulfilment of conditions ; achievement of results</p> <p>Compulsory use when public support ≤ EUR 200.000</p> <p>✓ Y</p> <p>✓ Draft budget ≤ EUR 200.000 ex ante by the body selecting the operation</p> <p>✓ Art. 88 EC can adopt SSUC, Lump sum and FR</p>
<p>Costs Public Procured</p>	
<p>Where public procurement is limited to certain categories of costs: SCOs may be used to cover the entire operation Art. 67(4)</p>	<p>✓</p>

Omnibus 2014-2020 (2)

Flat rates Art. 68, 68a, 68b	Art. 49, 50, 51 Proposal
<p>Art. 68 flat rate for indirect costs</p> <ul style="list-style-type: none"> • up to 25% - method required • up to 15% of eligible direct staff costs • existing methods applicable in EU policies for similar type of operations and beneficiaries • Staff costs up to 20% of other direct staff costs of an operation as a flat rate for direct staff costs Art. 68a(1) -cannot be used without calculation method when the direct costs include public works contracts/ services/ supply above threshold defined in the public procurement directive • 40% of eligible direct staff costs for calculating remaining eligible costs Art. 68b -cannot be applied to staff costs calculated on the basis of a flat rate, e.g., 20% 	<ul style="list-style-type: none"> • Y • Y • up to 7% of eligible direct cost • Y • Y
<p>Restructuring Art. 68(a) Staff costs</p>	
<p>Full time</p> <ul style="list-style-type: none"> • latest documented annual gross employment cost/1720 hours: • pro-rata, extrapolation when not enough data available • number of hours declared/ year cannot exceed the number of hours used for the calculation of the hourly rate 	<ul style="list-style-type: none"> • Y

Omnibus 2014-2020

- The audit approach must be aligned with simplification objectives: reduce administrative burden and costs



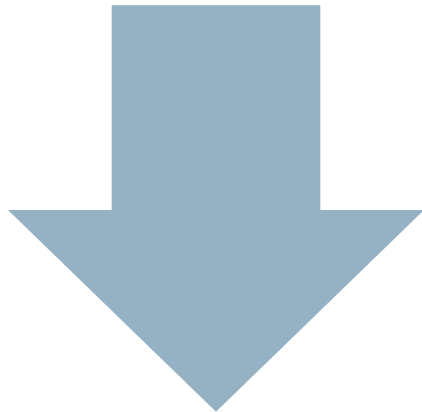
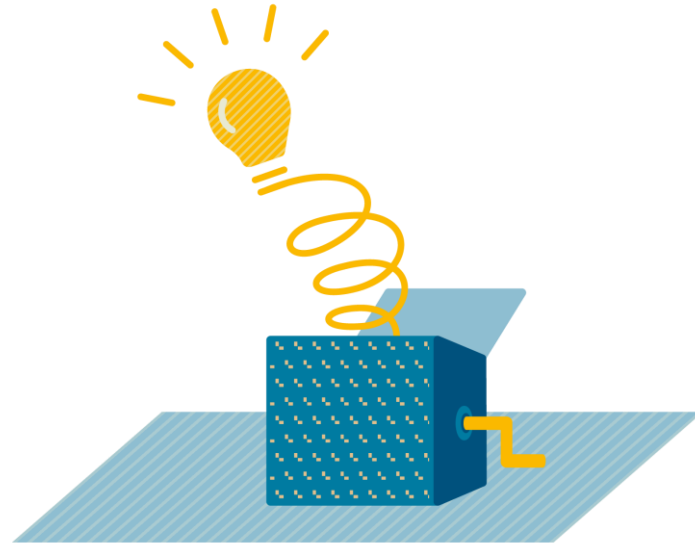
The audit is carried at 2 levels:

1. At programme level on the methodology – MA/IB
2. At beneficiary level on the implementation of the SCOs (payments based on SCOs – conditions for reimbursement have been fulfilled)

HOW TO SCO?



DIY



OFF-THE-SHELF

DIY – Do it yourself

Set-up individually at programme level

- Own calculation (fair, equitable, verifiable):
 - historical or statistical data,
 - objective information,
 - expert knowledge,
 - usual practices of project partners
- Ex-ante
- Draft budget on a case-by-case basis and agreed ex-ante by MA, < 100.000 EUR ERDF (e.g., meetings)



DIY – Do it yourself

Points of attention

- Documentation
- Ex-ante assessment of methodology – involvement of audit authority
- Lump sums
 - Milestones/intermediate achievements



Off-the-shelf

Ready-made SCOs available from CPR & ETC Regulation

- Up to 15% flat rate for indirect costs (= admin cost flat rate) on direct staff costs, Art. 68 Omnibus
- Up to 20% flat rate for staff costs, on all other direct costs, Art. 19, ETC, Art. 68(a) Omnibus
- Up to 40% flat rate for all other costs, on staff costs, Art. 68b(1) Omnibus

Copy-Paste

Use what other programmes are using (similar type of operation & beneficiary)

- Applicable in other EU programmes, e.g., H2020, or national programmes
- Other Fund-specific rules (e.g., ESF Regulation, Financial Regulation)
- Specific methods for determining amounts established in accordance with Fund-specific rules (e.g., Delegated Regulations)

Other “How”

Almost off-the shelf, but...

- Up to 25% flat rate for indirect costs (= admin cost flat rate) on direct other costs, but
 - with underlying calculation method, or
 - applicable in other programmes/funds, etc.

Points of attention

- Pay attention to public procurement
 - SCOs not to be applied if project entirely subject to public procurement
 - 20% staff cost flat rate, clarifications pending
- Pay attention to State aid
 - Thresholds might not apply if projects receive State aid (except if *de minimis*)
- Mandatory use of SCOs if project's budget <100,000€ ERDF (ETC can apply a transition period, Art. 152(7), CPR)

Points of attention (cont.)

- EC working on Delegated Regulation to provide more off-the-shelf methods
- Financing linked to fulfilment of conditions for achievements/objectives of programme not a SCO(!), but interesting? Delegated Regulation under construction..
- ...

Control & audit

Principle

- Audit and control limited to verification of calculation method and its correct application
(see Interact publication: [Q&A on Simplified cost options in cooperation programmes](#))

Observations, points of attention

- Change of mind-set, training/explanations
- Ex-ante assessment preferable
- Flat-rates: clean basis costs
- Lump sums: all or nothing – intermediate steps useful to lower risk

Golden rules for implementation

- One for all
- Focus on what can be achieved – activities, outputs, results
- Minimise the risk for the beneficiary (and the programme)
 - intermediate milestones

More information

- [Q&A on Simplified cost options in cooperation programmes](#) (Interact)
- [Guidance on Simplified Cost Options \(SCOs\)](#) (EC)
- Transnational Network of ERDF/CF SCO practitioners (EC) – meetings & repository
- [Fact sheet on the updates in the Omnibus regulation for Interreg](#) (Interact)
- [Updated CPR article by article](#) (Interact)



...and the practice

Group work

WHAT ARE THE LIMITS OF SCOs?
How to overcome these limitations?

Instructions (30 minutes)

Table discussions – use flipchart

STEP 1. Pick specific SCOs

STEP 2. Identify limitations/ perceived limitations

STEP 3. How to overcome these limitations

STEP 4. Report to the plenary

Examples

Erasmus +

- Activities for capacity building
 - Unit costs for travel distances

Amount	Rule of allocation
For travel distances between 10 and 99KM: 20 EUR per participant	Based on the travel distance per participant. Travel distances must be calculated using the distance calculator supported by the European Commission ⁴⁰ . The applicant must indicate the distance of a one-way travel to calculate the amount of the EU grant that will support the round trip ⁴¹ .
For travel distances between 100 and 499 KM: 180 EUR per participant	
For travel distances between 500 and 1999 KM: 275 EUR per participant	
For travel distances between 2000 and 2999 KM: 360 EUR per participant	
For travel distances between 3000 and 3999 KM: 530 EUR per participant	
For travel distances between 4000 and 7999 KM: 820 EUR per participant	
For travel distances of 8000 KM or more: 1500 EUR per participant	

More examples

Erasmus +

- Activities for capacity building
 - Unit costs for trainings/staff exchanges

Eligible activities	<p>An adult education mobility project must comprise one or more of the following activities:</p> <ul style="list-style-type: none"> ▪ teaching/training assignments; ▪ structured courses or training events abroad; ▪ job shadowing
----------------------------	--

TABLE 1 – INDIVIDUAL SUPPORT (AMOUNTS IN EURO PER DAY)

The amounts depend on the country where the activity takes place. Each National Agency will define - on the basis of objective and transparent criteria - the amounts applicable to projects submitted in their country. These amounts will be set within the minimum and maximum ranges provided in the table below. The exact amounts will be published on the website of each National Agency.

Receiving country	Staff mobility
	Min-Max (per day)
	A4.1
Group 1: Norway, Denmark, Luxembourg, United Kingdom, Iceland, Sweden, Ireland, Finland, Liechtenstein	80-180
Group 2: Netherlands, Austria, Belgium, France, Germany, Italy, Spain, Cyprus, Greece, Malta, Portugal	70-160
Group 3: Slovenia, Estonia, Latvia, Croatia, Slovakia, Czech Republic, Lithuania, Turkey, Hungary, Poland, Romania, Bulgaria, the Former Yugoslav Republic of Macedonia, Serbia	60-140

More examples

Europe for Citizens Programme

- Activities
 - **M 2.2 Networks of Towns**
Networking between municipalities on issues of common interest appears to be an important means for enabling the exchange of good practices.
 - **M 2.3 Civil Society projects**
Projects implemented by transnational partnerships promoting opportunities for solidarity, societal engagement and volunteering at Union level.

More examples

Europe for Citizens Programme

- Lump sum financing system
- Same parameters are valid for all participating countries: number of participants, number of countries involved, number of events developed
- Cover costs for:
 - staff costs linked directly to the action;
 - travel and subsistence costs of participants at events;
 - rental of room/interpreting and translation needed for the running of events;
 - communication/dissemination costs linked to the events;
 - coordination costs generated by the involvement of several organisations;
 - cost of research and IT tools needed for the preparatory activities (limited)

More examples

Europe for Citizens Programme

Number of participants →	25/50	51/75	76/100	101/125	126/150	151/175	176/200	201/225	226/250	251/275	276/300	>300
Number of countries ↓												
1-3	12.600	15.120	17.640	20.160	22.680	25.200	27.720	30.240	32.760	35.280	37.800	37.800
4-6	15.120	17.640	20.160	22.680	25.200	27.720	30.240	32.760	35.280	37.800	40.320	40.320
7-9	17.640	20.160	22.680	25.200	27.720	30.240	32.760	35.280	37.800	40.320	42.840	42.840
10-12	20.160	22.680	25.200	27.720	30.240	32.760	35.280	37.800	40.320	42.840	45.360	45.360
13-15	22.680	25.200	27.720	30.240	32.760	35.280	37.800	40.320	42.840	45.360	47.880	47.880
>15	25.200	27.720	30.240	32.760	35.280	37.800	40.320	42.840	45.360	47.880	50.400	50.400

Total number of participants in the preparatory activities	Lump sum (EURO)
≤ 5	2.270
> 5 and ≤ 10	5.290
> 10 and ≤ 15	7.560
> 15	10.080

SPF examples of activities

activity	covering expenditure for	suitable SCO	
Workshops	Rent, interpretation, speakers, facilitators, etc.	Unit cost Lump sum	
Twinning of municipalities	Workshops, travel	Unit cost Lump sums	
Visitor guidance systems	Signposts, web applications, translation	Unit cost Lump sum	
Cycle paths	Signposts, tourist information, maps, web applications, translation	Unit cost	
Exhibitions	Billboards, stands, regional PR	Lump sum	

SPF examples of activities

activity	covering expenditure for	suitable SCO	
Student/staff exchange; summer camp	Accommodation, travel, catering or pocket money,	Unit cost Lump sum	
Feasibility study	Service contracts	Lump sum	
Analysis, concepts	Service contract	Lump sum	
Publications	Layout, editing, printing	Unit cost Lump sum	

Cooperation works

All materials will be available on:

www.interact-eu.net