

Simplified cost options - Article 68b¹, CPR - 40% of direct staff costs to cover all other eligible costs

Fact sheet on the new off-the-shelf flat rate calculation
June 2019

Purpose

More and more programmes are discovering the new off-the-shelf flat rate introduced in Article 68b of the Common Provisions Regulation (CPR) by the so called "Omnibus" regulation. They find this new calculation method interesting, and are beginning to ask questions about it. This fact sheet presents a practical example of how to use the method.

Calculation method

In this method, **direct staff costs** is the category of eligible costs the rate is applied to, in order to calculate the remaining eligible costs of a partner's budget. All the remaining costs of the partner's budget are calculated with up to 40% of direct staff costs.

Partner's eligible costs = direct staff costs + remaining eligible costs (up to 40%*direct staff costs)

There is a misunderstanding that the rate of the direct staff costs in that method equals 60% of the budget, and the remaining costs rate is 40 %. **Please note** that when using max 40% rate, the real rate of direct staff costs in a project's budget would equal up to almost **71,5%** of all eligible costs.

Example and observations

Let's assume for the sake of this example, a project partners plan to create 3D models of cultural heritage sites. The results of their work will be presented to the general public, and shared as good practice examples during a separate meeting with representatives of other private cultural institutions in a cross-border area.

The project's indicative budget, based on the activities, is presented in a table on the next page.

¹ Article 68b, CPR 'Flat-rate financing for costs other than staff costs:

1. A flat rate of up to 40% of eligible direct staff costs may be used in order to cover the remaining eligible costs of an operation without a requirement for the Member State to execute any calculation to determine the applicable rate.
For operations supported by the ESF, the ERDF or the EAFRD, salaries and allowances paid to participants must be considered additional eligible costs not included in the flat rate.

2. The flat rate referred to in paragraph 1 must not be applied to staff costs calculated on the basis of a flat rate.'

No	Budget line	Lead partner €	Partner 1 €
1	Staff costs ²	1 000	400
2	Office & administration expenditures (rent, utilities, media, etc.)	100	20
3	Travel and accommodation costs (on site, partners meeting, conferences, etc.)	50	30
4	External expertise & services costs (studies – experts including their travels, publications, promotion, intellectual property rights, etc.)	150	100
5	Equipment (purchase of IT software, hardware rental, purchase of office equipment, etc.)	50	100
TOTAL		1 350	650

In our example the programme applies for projects the new flat rate according to Article 68b of CPR. The rate according to the programme is set at 40% of direct staff costs. While drafting the project's budget the 40 % option is considered.

Hence, the draft calculation for the budget would look like this:

Budget line	Lead Partner €	Partner 1 €
Direct staff costs	1 000 €	400€
Remaining eligible costs	1 000€ * 40% = 400 €	400€ * 40% = 160 €
Total partner budget	1 400 €	560 €

Observations:

The obvious advantage of a flat rate is that the project saves time and resources and can shift the attention on more content related issues. It simplifies the administrative work and helps to focus on results. With regard to the over and undercompensation of a potential real cost budget (in our example the LP would have a minor overcompensation while the project partner would face an undercompensation), it is important to keep in mind that this is one of the “natural” side effects of SCOs.

As the example shows, this particular SCO might be most suitable for projects with a particular content, e.g. smaller, with many small costs items in the budget categories travel & accommodation and/or external expertise. If in a project substantial costs in other budget lines are planned, for instance if the project includes larger infrastructure or equipment items, the new flat rate may not be the best choice.

² The staff costs category of expenditure covers costs of staff members employed by the beneficiary organisation (public or private, as listed in the application form) and working full-time or part-time on the development or implementation of the project in line with the employment document.
Staff costs can also include costs of persons working for the partner organisation under a contract other than an employment/ work contract, and receiving salary payments.
Expenditure on staff costs consists of the gross employment costs; i.e., salary payments and any other costs directly linked to salary payments that are incurred and paid by the employer.’ - Q & A on simplified cost options in programmes Interact March 2018

It has also to be remembered that in order to avoid the risk of double funding the flat rate cannot be applied to staff costs calculated on the basis of a flat rate. (Article 68 b (2) CPR)