

# SIMPLIFIED COST OPTIONS IN LEADER/CLLD

The following guidance material<sup>1</sup> describes in more detail some aspects of using SCOs in LEADER/CLLD. It is conceived as “hands-on” material to help actors of the LEADER/CLLD delivery chain to discuss this topic at the national or regional level. It is complementary to the general guidance on SCOs developed by the European Commission<sup>2</sup>.

## Part 2. Planning for SCOs in RDP and calculating lump sums and flat rates

In the “classical” approach to verification of costs of projects (operations) financed from ESI Funds, the analysis focuses on aspects of eligibility and reasonableness of each cost item. In the case of a SCO, however, the amount of the grant is linked to specific outputs and is calculated „up-front“. Therefore, the analysis of correctness of the calculation method of the grant amount as well as of its correct application replaces the analysis of the individual cost items.

If the calculation of the SCO is done correctly, this will lead to fewer cases of negative audit findings. The checks carried out by the programme authorities will become easier and the administrative burden for the beneficiary will be reduced.

### (1) Where to include information about SCOs?

#### (a) in the RDP:

RDP Section 8: Description of Measure 19 (LEADER)	Eligible costs	List of eligible costs, including explicitly those under the SCOs
	Amounts and support rate	Final amounts resulting from the calculations for the establishment of SCO, if available and/or aid intensities
	Methodology for the calculation of amount or support rate	Methodology for the establishment of the SCO or its principles. Where appropriate, a reference will be made to legal provision under which the methodology is developed, i.e. CPR Art 67(5) (a)-(e), Art 68(1)(a)-(c) or Art 68(2).
RDP Section 15: Programme implementing arrangements	Description of actions to achieve a reduction of administrative burden for beneficiaries	Information of the type of SCOs and measures, including the ones used for LEADER
RDP Section 18: Ex ante assessment of verifiability, controllability and error risk	Statement confirming the adequacy and accuracy of calculation by an independent body	Only for SCO developed under Art. 67(5)(a) 2-step approach: methodology (in RDP) and amounts (in the call for proposals)

#### (b) at the national (regional) level:

The relevant rules and conditions should be incorporated in the national/regional eligibility rules applicable to the RDP, as well as in any relevant national/regional legislation.

<sup>1</sup> The material is based on examples provided by Managing Authorities and on discussion held during a [workshop organised on 19 January 2016](#) organised by the ENRD Contact Point together with the European Commission.

<sup>2</sup> [http://ec.europa.eu/regional\\_policy/sources/thefunds/fin\\_inst/pdf/simpl\\_cost\\_en.pdf](http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/simpl_cost_en.pdf)

## (2) What are the most important things to take into account when planning SCOs under LEADER/CLLD?

For simplified cost options, it is important to **ensure proper ex ante assessment and related documentation of the method**, where necessary, since only the fulfilment of conditions for aid (e.g. achievements or outputs) is checked before the latter is actually paid.

In the most typical cases under LEADER/CLLD, i.e. a lump sum for preparatory support and flat rate financing for running & animation costs, the calculation has to be...

- defined ex-ante,
- published/made available to LAGs as beneficiaries at the latest in the call for proposals,
- **based on one of the available methods** (see Art. 67 (5) Reg. 1303/2013)
  - *the calculation based on “statistical data or other objective information”, for instance on historical payments to similar operations and beneficiaries.*
  - **the use of other EU schemes** (only if applied to a similar type of operation and beneficiary)
  - **the use of existing national schemes** (only if applied to a similar type of operation and beneficiary);
  - **the use of specific rates and methods from the CPR and Fund specific regulations**

If the method is based on "statistical data or other objective information", the calculation has to be:

- **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.

All the **supporting evidence for the calculation** has to be kept. This includes the opinion of the independent body which has certified the calculation.

## (3) Further details on the available methods:

### (a) Calculation based on “statistical data or other objective information”

- In case of lack of historical data, the results of market surveys for specific types of costs could be used.
- A further idea would be the use of data from another MS or another region from the same MS, using a correlating factor.
- It is noted that it is very unlikely that the method based on historical data or accounting practices of the beneficiary (Art 67(5)(a)(ii)-(iii)) can be applied under EAFRD, because of additional requirements to be met (see dedicated section in the Guidance).

### (b) Calculation based on the use of other EU schemes

- Such EU schemes could be, for example, Horizon 2020 or LIFE.
- The precondition is that they can only be used for the calculation if the type of operations and beneficiaries are similar.
- The totality of the method has to be used (for instance, eligible expenditure or scope; conditions for payment of the grant, etc.) and not only its result (lump sum of EUR X);

*Note: For what should be considered "similar" please see dedicated section of the Guidance*

### (c) Calculation based on existing national schemes

- Existing own national systems that are used for such calculation have to be funded by national funding only;
- They can only be used for the calculation if the type of operations and beneficiaries are similar;
- The totality of the method has to be used (for instance, eligible expenditure or scope; conditions for payment of the grant, etc.) and not only its result (lump sum of EUR X);
- It should apply to the same geographical area or a smaller one.

### (d) Rates established by the Regulation 1303/2013 or the Fund-specific rules

- For instance, the available flat rates under Article 68 of the CPR.

### (e) Calculation based on the use of specific rates and methods from the CPR or the Fund-specific regulations:

- For instance, lump-sum payments for start-up aid, setting-up of producer groups (flat rate) or all area and animal based payments (unit costs)

#### Relevant parts of Art. 67 Reg. 1303/2013:

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 10.0000 of public contribution;**
- (d) flat-rate financing, determined by the application of a percentage to one or more defined categories of costs.**

4. Where an operation or a project forming a part of an operation is implemented exclusively through the public procurement of works, goods or services, only point (a) of the first subparagraph of paragraph 1 shall apply. Where the public procurement within an operation or project forming part of an operation is limited to certain categories of costs, all the options referred to in paragraph 1 may be applied.

5. The amounts referred to in points (b),(c) and (d) of the first subparagraph of paragraph 1 shall be established in one of the following ways:

- (a) a fair, equitable and verifiable calculation method based on:
  - (i) statistical data or other objective information;
  - (ii) the verified historical data of individual beneficiaries; or
  - (iii) the application of the usual cost accounting practices of individual beneficiaries;
- (b) in accordance with the rules for application of corresponding scales of unit costs, lump sums and flat rates applicable in Union policies for a similar type of operation and beneficiary;
- (c) in accordance with the rules for application of corresponding scales of unit costs, lump sums and flat rates applied under schemes for grants funded entirely by the Member State for a similar type of operation and beneficiary;

(d) rates established by this Regulation or the Fund-specific rules;

(e) specific methods for determining amounts established in accordance with the Fund-specific rules.

6. The document setting out the conditions for support for each operation shall set out the method to be applied for determining the costs of the operation and the conditions for payment of the grant.