

SIMPLIFIED COST OPTIONS IN LEADER/CLLD

The following guidance material¹ 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 Commission².

Part 3. Using lump sums under preparatory support

In this type of SCO, all eligible costs or part of eligible costs of an operation are calculated on the basis of a fixed amount subject to delivery of predefined activities, results and/or outputs. The grant is paid if the predefined terms of agreement on activities and/or outputs are completed.

To provide LEADER/CLLD preparatory support through a lump sum – i.e. funding which LAGs can use for the preparation of their Local Development Strategy (LDS) – seems to be one of the most obvious ways to take advantage of the SCO system (as is also the case of a flat rate for running costs and animation)³.

(1) Reasons to use lump sum financing

- Preparatory support for the elaboration of Local Development Strategies (LDS) is a relatively small amount and the time to use it is very limited, so it should be provided in the least burdensome way possible.
- There is a result that can very clearly be established in advance: the submission of a LDS.
- The type of activities which LAGs have to carry out in order to prepare the strategy is likely to be fairly homogeneous for a given RDP.
- In case of controls, only the establishment of the method for the calculation of the lump sum will be verified. Individual invoices will no longer be checked or audited. The potential for errors will therefore be substantially reduced!

(2) Questions to be raised before applying the lump sum

- When would be the best point in the implementation process to introduce the lump sum?
- What type of costs need to be supported in the preparatory phase (animation activities, meetings, consultancy services etc.)? It should be remembered that such costs can be comparable to those incurred for running and animation costs.
- Is there enough historical data from the previous period to establish such a lump sum? If not, are there alternative ways to calculate a lump sum (see Part 2 of the present guidance

¹ 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.

² http://ec.europa.eu/regional_policy/sources/thefunds/fin_inst/pdf/simpl_cost_en.pdf

³ At the time of writing this document (March 2016) the establishment of such a lump sum might not be relevant any longer for most LEADER MAs (as the development of EAFRD supported local development strategies is probably finalised for most of LAGs), but it is considered that it may be useful for other ESI Funds or, at the latest, in the next funding period. The document also provides useful examples of how lump sums could be applied in relation to other LEADER sub-measures, for instance M 19.2 (the implementation of projects within the LDS).

material)? Note that the underlying historical data can be costs incurred for running and animation costs under Measure 431 of the 2007-13 RDP.

- Who has to be involved in the elaboration of the lump sum and what for?
Note: important actors include: Managing Authorities, Intermediate Bodies, Paying Agencies, LAGs, experts. Don't forget the need for an externally certified method in the RDP, Art. 62(2) Reg. 1305/2013.

(3) Points for consideration

- The lump sum possibility can alleviate the administrative workload for small operations and provide small-scale non-profit entities (such as LAGs) with better access to the ESI Funds. That is the reason why lump sums falling within the scope of Article 67(1) (c) Reg. 1303/2013 are restricted to amounts below EUR 100 000 of public contribution.
- An important consideration when planning to use a lump sum is that the result has to be fully achieved. All or part of eligible expenditure of an operation is reimbursed on the basis of a single pre-established amount. The grant is paid if the predefined terms of agreement on activities and/or outputs are completed, if they are not achieved or only partially achieved, the lump sum is not eligible.
- For this purpose the full result to be achieved has to be defined very clearly in advance. There is no scope for interpretation afterwards!

(4) The steps to establish the lump sum

Example

The Polish Managing Authority decided to apply lump sums for preparatory support in LEADER in 2014-2020. In the sections below, the different steps necessary to design the SCO are illustrated using information obtained from the Polish MA and Paying Agency.

(a) Define the tasks to be carried out by the LAGs

The Polish MA has established the minimum tasks that each LAG would have to carry out in order to develop its Local Development Strategy. These included:

- establishing a LAG office opened a certain minimum number of days per week,
- ensuring a minimum number of employees,
- organising at least one strategy development meeting in each municipality,
- maintaining website and communication activities,
- developing and submitting a Local Development Strategy that meets at least the formal eligibility criteria.

The MA also defined the type of evidence that the LAG would have to provide in order to demonstrate that it has fulfilled its contractual obligations (e.g. photographic documentation, attendance lists etc.).

The LAGs had to maintain these obligations for at least 4 months after the submission of its strategy (so in total for **9 months**).

(b) Check the verified historical data

The data from the last period, if available, has to be analysed in depth. In the Polish example, data on costs actually incurred by LAGs under measure 431 from the period 2007-2013 provided by the Paying Agency was taken into account. This was complemented by an in-depth study of the costs in 58 LAGs.

(c) Establish the lump sum (or several lump sums)

The following information could be taken into account:

- The average monthly running costs in the 2007-13 period
- The number of months for which the support should be provided
- The LAG size (measured for instance as the number of inhabitants in each LAG area). The calculation of monthly costs of the basic tasks according to population allows to set several limits of support under the sub-measure and is the basis for establishing several lump sums.

In the Polish case three thresholds of support were determined, depending on the size of population covered by the LAG wanting to design a strategy:

- **30 000 – 59 999 inhabitants: ca. EUR 27 500**
- **60 000 – 99 999 inhabitants: ca. EUR 33 000**
- **100 000 – 150 000 inhabitants: ca. EUR 38 500**

The conditions that the LAG had to meet also depended on the size of the area, in particular:

- **the office had to be opened for 2, 3 or 4 days a week depending on the number of inhabitants (i.e. LAGs under 60 000 inhabitants had to have the office open at least 2 days a week, those over 60 000 but under 100 000 inhabitants – for 3 days and the biggest LAGs – 4 days a week)**
- **the minimum number of employees was adjusted accordingly (1 person for the smallest LAGs, 1.5 for medium-sized and 2 persons for the biggest LAGs).**

Note:

- *Be aware of the fact that such thresholds may have to be revised and updated, in order to avoid cases of under- and over-compensation. This may not be relevant for preparatory support, which is a one-off grant in the early stage of implementation, but may have to be taken into account when calculating SCOs for running costs and animation.*
- *Too many thresholds might increase the administrative burden.*
- *The risk of under-compensation might be set off by the reduction of administrative burden.*

(d) Ensure verification of the calculation methodology by an independent body.

In the Polish case, such verification was carried out by a leading rural research institute of the Polish Academy of Sciences.

(e) Check if the conditions for providing the support were met and pay the grants:

- The payments depend on the proof that the LAG has met the contractual obligations;
- Several (staged) payments are possible.

In the Polish case, the lump sum was paid in two stages:

- **70% when the contract was signed⁴**
- **the remaining 30% when it was confirmed that the submitted LDS met the formal requirements**

Note: Think about how to check the fulfilment of commitments/parameters and what the most useful tools might be.

⁴ For this first payment claim the beneficiary must confirm that employment costs have been already paid, that the website is operating and that the office is running. They should also attach detailed information on dates and venues where meetings with the local community will take place (to enable on the spot controls).