



European Network for
Rural Development

Simplified Cost Options in LEADER/CLLD

ENRD workshop

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1. Introduction

This workshop was organised by the ENRD Contact Point as the first of a series of three workshops connected to LEADER/CLLD taking place in the first half of 2016. It is linked to the aim of capacity building and peer exchange to support a simpler and more effective rolling out of CLLD and LEADER.

The use of Simplified Cost Options (SCOs) is one of the methods of simplifying the delivery of ESI Funds. The specific use of SCOs for the delivery of LEADER/CLLD is advocated by the European Commission in its guidance documents, and several Member States and regions have designed or are designing such SCOs. Others have suggested in their RDPs that they might use SCOs for LEADER/CLLD at a later stage. In a few MS/regions serious discussions on the usefulness and applicability of SCOs for LEADER/CLLD have taken place or are taking place.

The aim of the workshop was to share practical experiences on the approaches and disseminate existing examples among representatives of Managing Authorities and Paying Agencies with a special focus on preparatory support (sub-measure 19.1) and running costs & animation (sub-measure 19.4). It also sought to deepen the discussion on further applicability of SCOs. The case studies and discussions from the workshop will also be used to develop a series of practical factsheets for interested LEADER/CLLD stakeholders.

The workshop brought together more than 40 participants from 14 Member States as well as European Commission officials including DG AGRI auditors and officials from other ESIF DGs.

The morning part of the meeting was devoted to presentations and case studies and the afternoon to question and discussion rounds and practical group exercises.

2. Presentations and case studies

10.00 – 12.45

Welcome and
introduction

Presentations:

Gregorio Davila Diaz:
[“Simplified cost
options in LEADER”](#)

Note: Presentations can be directly downloaded by clicking on the link provided

Paul Soto, the **Team Leader of the ENRD Contact Point**, welcomed the participants, explained the background and structure of the workshop and introduced the different groups of participants. A few participants were asked about the state of play of SCOs for LEADER/CLLD in their country as well as their expectations for the workshop. The presence of several DG AGRI auditors was noted as an important contribution to exchange on the practical implementation elements.

Gregorio Dávila Díaz from **DG AGRI** presented the overall framework of SCOs for the delivery of ESI Funds, the specificities of EAFRD and the applicability of SCOs to LEADER.

Gregorio started by reminding the audience that the main reason to use SCOs in the delivery of programmes was to reduce the administrative burden associated with the control of administrative costs. He pointed out that the use of SCOs is part of a shift from a costs-based approach towards a more results-based approach, which also contributes to significantly reduction in the error rate.

He outlined the three SCO systems (standard scales of unit costs, lump sums and flat rate financing) as well as the ready-to-use flat rates in Article 68 Reg. 1303/2013 (up to 15% of staff costs for indirect costs). Some possible examples of how to apply several of these SCOs to CLLD/LEADER were presented.

As regards the calculation methods for SCOs, Gregorio referred to the guidelines for SCOs issued by the European Commission in late 2014 (an updated version is expected soon). He reminded participants that the calculation has to be based on:

- Statistical data or other objective information;
- Verified historical data of individual beneficiaries; and
- The application of the usual cost-accounting practices of individual beneficiaries.

The calculation method has to be fair, equitable and verifiable.

Roxana Moldovan-Romain, Oliver Baum, Maura Cordovani: [Audit of EAFRD measures LEADER running costs and animation with SCOs](#)

Roxana Moldovan-Romain from the **DG AGRI Rural Development Audit Unit** made a presentation on the audit aspects as regards the implementation of the sub-measure 19.4 (running costs & animation) with SCOs.

In her presentation, Roxana explained the difference between a compliance audit of running costs & animation without SCOs and with SCOs. While in the 'classical' situation, the analysis focuses on aspects of eligibility and the reasonableness of costs for each item, in the case of a SCO (e.g. flat rate), the analysis focuses on the eligibility of costs taken into consideration and an **analysis of the calculation method** for the flat rate as well as of its correct use. It was noted that at the moment DG AGRI has very limited experience of SCOs for LEADER.

Comments from participants dealt with the question of the effectiveness of a calculation method and whether the audit would cover an analysis of the ratio of possible under- and over-compensation. The answer is that as the method was based on analysis of evidence, this would not be challenged for individual cases. The calculation method would be considered to be valid at the level of the programme.

[Łukasz Tomczak: Lump sum under preparatory support and flat rate under running and animation costs \(SCOs for LAGs under RDP 2014-2020 in Poland\)](#)

[Marzena Cieślak: SCOs under RDP 2014-2020 in Poland: practical approach - implementation](#)

[Neil Howard: Staff Costs and Overheads – SCO Approach in Wales](#)

Lukasz Tomczak from the **Polish Ministry of Agriculture and Rural Development** and **Marzena Cieslak** from the **Polish Paying Agency** outlined the design and implementation of the lump sums used for preparatory support (sub-measure 19.1) and the flat rate for running costs & animation (sub-measure 19.4) in Poland.

In Poland both sub-measures are fully implemented via SCOs. In his presentation, Lukasz emphasised that the decision to design SCOs for both sub-measures was steered by the fact that both preparatory support and running and animation costs were “standard projects” for which SCOs could be applied.

It was considered vital to involve all relevant actors in the design of the SCOs. The ministry worked closely together with the implementing bodies (the *voivodships* - Polish regions) to analyse the historical data and to gain practical knowledge. The paying agency offered its view on verifiability and controllability aspects. Finally, the Institute of Rural and Agricultural Development confirmed the accuracy and adequacy of the calculations. Also the LAGs were surveyed.

The key stage was the analysis of historical data and the in-depth analysis of case studies of 58 LAGs. The analysis was based on the expenditure incurred in the running and animation costs measure of the last period (M431).

Replying to a question by participants on how much time/manpower etc. was needed to carry out the analysis the speakers indicated that it represented 3-4 months of work for two persons.

Neil Howard from the **Ministry of Natural Resources and Food in Wales** presented the SCO approach in Wales regarding staff costs and overheads.

Neil reported on how Wales developed a specific SCO unit cost method for the calculation of LAG and FLAG staff costs. These costs can be expressed as an hourly rate for each person involved in the relevant project. The hourly rate is then multiplied by the hours that will be spent on delivering the project.

This unit cost hourly rate has to be determined before the project is approved. The evidence for the work is provided by timesheets and not through proof of expenditure (pay slips etc.). The approach simplifies the procedure by no longer requiring complicated evidence linked to percentage calculations to apportion costs thus reducing the amount of documentation.

Wales also makes use of the 'ready-to-use' flat rate in Art. 68 Reg. 1303/2013. It is mandatory for LAGs and FLAGs to use a flat rate of 15% of the total staff costs for indirect costs for projects supported through the EAFRD and the EMFF.

3. Group work & discussion

13.45 – 16.30

Group work

The afternoon session was divided into two parts:

A group work session in which the participants had the opportunity to analyse and evaluate the case studies from the morning in the presence of one of the speakers and a DG AGRI auditor as a resource person.

The groups discussed key challenges of the different case studies in order to find ways to address them, as well as to identify the drivers that make SCOs work. They also explored supplementary questions to find out what was needed to carry out these projects, in terms of information, support etc.

Discussion

A group discussion session focussing mainly on the needs assessment for SCOs, the different steps of the design process as well as on the implementation workflow and the audit perspective.

The main reactions from the participants were linked to the following issues:

- SCOs have a substantial potential for simplification in LEADER, but the possibilities have to be further explored.
- All stakeholders have to work together when designing the SCOs.
- Paying Agencies and LAGs should be involved by the Managing Authority already in the design stage.
- The introduction of SCOs for LEADER in the RDP through a programme modification is still worth considering at this stage of the programming period.
- It is not easy to develop a watertight calculation methodology.

Conclusions and next steps

The participants agreed that as SCOs are fairly new for rural development, it would be useful to have a look at the evolution of the use of SCOs in the ESF, where it started with 'ready-to-use' flat rates (as in Art. 68 Reg. 1303/2013). Building on this experience, further flat rates were developed tailored to the identified needs. It would also be useful to develop 'model SCOs' for LEADER/CLLD, which to a large extent would be transferable.

In closing comments, **John Grieve** of the **ENRD CP** reiterated the three main benefits of SCOs:

- Reduced burdens (help to analyse and identify those to be addressed)
- Improved focus on results (achievement);
- Reduced error rates.

He said that SCOs are important in rebuilding trust in the LEADER system/chain. This requires a change of mentality for everyone, including a shift of audit focus to take account of method, process and achievement.

The ENRD Contact Point announced that it will produce some guidance material based on the examples and experience presented in this workshop.