

# Simplified Cost Options

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Workshop and exchange for EGTCs  
9 April 2019  
Brussels, Belgium

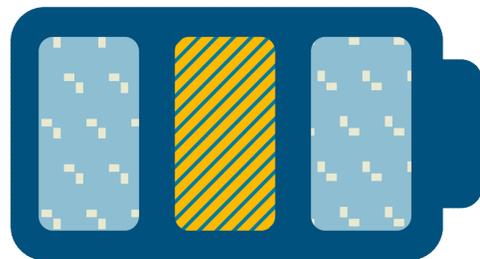
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# Simplified Cost Options

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Why, what and how? And the practice...



# Why?

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## **Advantages of SCOs**

- Lifting the administrative burden (programme & projects)
- Shift to result/output orientation
- Less time consuming
- Reducing the risk of errors

# What?

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## **Simplified Cost Option (SCO) - 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

**Real costs**

## **Simplified cost options**

Flat rate

Standard scale of unit cost

Lump sum

- Options applied in 2007-2013
- Options in CPR 1303/2013 and ETC Reg. 1299/2013
  - Ex-ante calculations

## Flat rates

- calculation of costs of a specific budget line(s)
- calculated by applying a percentage fixed in advance
- percentage applied to one/several other budget lines

Example:

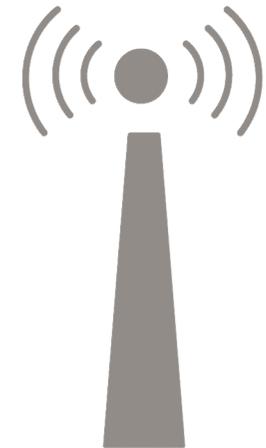
Up to **15% of eligible direct staff costs**

**Staff costs \* 0,15 = Office and Administration costs**



# Flat rates

1. For Office and Administration (Indirect costs) – up to 15% of Staff Costs
2. 25% used for certain priorities in some programmes
3. For Staff Costs, up to 20% of eligible direct costs
4. Staff costs \* 40% to cover all other costs





Can *Staff* costs calculated at a flat rate still form the basis for calculation of *Office and administration* costs at a flat rate of up to 15% of staff costs?

## **Standard scale of unit costs**

- calculation of all or part of costs of a specific budget line
- calculated by applying a standard unit cost fixed in advance
- applied to easily identifiable quantities

Example:

Cost for advisory service based on historical data

**Number of days \* EUR 350**

**Number of participants \* EUR 45**



# Standard Scale of Unit Costs

## 1. Germany – Netherlands programme

- For all Staff Cost calculations



## 2. Interreg Baltic Sea Programme

- Budget line 7



## **Lump sum**

- calculation of all or part of costs of the project
- subject to achievement of predefined outputs/activities
- single payment

Example:

Preparation costs for approved projects

**Project approval = EUR 10,000 (ERDF)**

# Lump Sums

1. For preparation costs



2. For project activities



**Northern Periphery and  
Arctic Programme**  
2014-2020



**EUROPEAN UNION**

Investing in your future  
European Regional Development Fund

3. For project closure

**Interreg - IPA CBC**  
Croatia - Bosnia and Herzegovina - Montenegro



# Audit trail – Staff costs

Required documents depending on the reimbursement option	Real costs					20 % flat rate	SSUC
	Full time	Part time			Hourly rate set in the contract		
		Fixed %	1720 hours/year	Actual hours			
Employment/work contract	✓	✓	✓	✓	✓	X	✓
Job description	✓	✓	✓	✓	✓	X	✓
Payslips	✓	✓	✓	✓	✓	X	X
Data from time registration system	X	X	✓	✓	✓	X	✓
Proof of payment	✓	✓	✓	✓	✓	X	X



# How?

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**Do it yourself, take it off the shelf or  
copy-paste it ...**

## **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
- In advance
- Draft budget on a case-by-case basis and agreed ex ante by MA, < 100.000 ERDF

# 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 the Interreg relevant Regulations (CPR, ETC)

- Up to 15% flat rate for indirect costs (= admin cost flat rate) on direct staff costs, Art. 68(b), CPR
- Up to 20% flat rate for staff costs, on all other direct costs, Art. 19, ETC (? Update in CPR)
- Up to 40% flat rate for all other costs, on staff costs, Art. 68b(1) (? reference to participants)

## **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 (ETC relevant?)
  - 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.)**

- COM 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: basis costs clean
- Lump sums: all or nothing – intermediate steps useful to lower risk

## **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€

## **Golden rules for implementation**

- One for all – but consider significant cost gradients
- 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

# **...and the practice**

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# Example SCO 1 - draft budget

Budget item	Cost	SCO	Approach
Kick off workshop	15,000	,Lump sum 1' = 60,000	Milestone 1
Feasibility study	45,000		
3 consultation workshops	12,000	,Lump sum 2' = 28,000	Milestone 2
Final conference & agreement on technical solution	7,000		
Staff	8,000		
Translation	1,000		
<b>Total</b>	<b>88,000</b>	<b>88,000</b>	

*An alternative to this approach could be to define the feasibility as a lump sum, to take the unit cost for workshops & conferences from ,Europe for citizens' and a lump sum for preparation and follow-up*

# Draft budget approach

Requirement	Why?	Considerations / Sources
Set of cost benchmarks	Shift to ex-ante assessment of 'value for money'	<ul style="list-style-type: none"> <li>▪ Payment requests</li> <li>▪ Internet search</li> <li>▪ Expertise of public authorities</li> <li>▪ Historical data on recurring items</li> </ul>
Agreement on milestones	Avoid binary logic (0/1) of lump sums in order to lower risk for both sides	<ul style="list-style-type: none"> <li>▪ Clearly identifiable</li> <li>▪ realistic number along no of interim payment requests (1-2)</li> </ul>
Consistency of the approaches	Ensure consistency across different SCO approaches	



# Example SCO 2 – unit cost

Budget item	Cost	SCO	Approach
Travel bus (2 busses, 2 days)	3,000		Evidence for number of participating kids
Accommodation (25 EUR per pupil, 60 persons)	1,500	Unit cost 60 EUR per day and person for school cooperation projects	
Catering per day (15 EUR)	900	$60 * 2 * 60$	
Visit to museum (5 EUR per person)	300	E.g. as proven average from historical project data	
Facilitator, guide (2 days)	800		
Translation	600	Reimbursement slightly less but hardly any paperwork required!	
Staff	400		
<b>Total</b>	<b>7,500</b>		

# Unit cost approach

Requirement	Why?	Considerations / Sources
Historical data	Broad range of data to ensure sound fundament	<ul style="list-style-type: none"> <li>▪ Previous projects</li> <li>▪ Archives of relevant (public) authorities</li> </ul>
Awareness about sensitive cost items	In order to ensure attractiveness of the SCO for applicants	<ul style="list-style-type: none"> <li>▪ Cost gradients between countries or urban/rural regions etc.</li> </ul>
Combination with other SCOs as option	Unit costs lower the inherent risk of the binary logic as in lump sums	<ul style="list-style-type: none"> <li>▪ Unit cost cannot cover a large number of cost items since otherwise issues related to cost gradients will prevail</li> </ul>

# More 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 <sup>40</sup> . 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 <sup>41</sup> .
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

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

<b>activity</b>	<b>covering expenditure for</b>	<b>suitable SCO</b>	
Workshops	Rent, interpretation, speakers, facilitators, catering	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

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

## SPF examples of activities

<b>activity</b>	<b>covering expenditure for</b>	<b>suitable SCO</b>	
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	
Education incl. modules for language training	Trainer, rent for premises, equipment	Unit cost Lump sum	

# Cooperation works

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All materials will be available on:

[www.interact-eu.net](http://www.interact-eu.net)