

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 4. Applying flat rates to running and animation costs

In the case of flat rate financing, specific categories of eligible costs which are clearly identified in advance are calculated by applying a percentage, fixed *ex ante* in relation to one or several other categories of eligible costs. Flat rates are best suited to costs that are relatively low and for which verification is costly.

To support running and animation costs through a flat rate seems to be one of the most obvious ways to take advantage of the SCO system, similar to the lump sum for preparatory support.

(1) Reasons to use flat rate financing

- There is a need to limit the administrative burden as regards the support of LAG running and animation costs.
- The types of costs involved are relatively homogeneous for all LAGs within a given RDP.
- There is already a significant amount of historical data concerning real expenditure of LAGs for running costs and animation.
- In case of controls, only the establishment of the method of calculation of the flat rate will be controlled. Individual invoices will no longer be controlled. The potential for errors will therefore be substantially reduced!

(2) Questions to be raised before applying the flat rate

- When would be the best point in the implementation process to introduce the flat rate financing approach?
- Is there enough historical data from the previous period to establish such a flat rate? If not, are there alternative ways to calculate a flat rate (see Part 2)

Note:

- *Underlying historical data should ideally be the similar operational costs incurred by individual beneficiary LAGs under Measure 431 of the 2007-13 RDP.*
- *The greater the number of LAGs, the more complicated the calculation will be due to the greater variation of such costs within the LAG population. It may therefore be necessary to group LAGs and calculate flat rates based on these groupings.*
- *Be aware of the fact that the flat rate is established at programme level. Its use will be mandatory for all LAGs.*

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

- Who has to be involved in the elaboration of the flat rate and what for?
Note: important actors include: Managing Authorities, Intermediate Bodies, Paying Agencies, LAGs, experts.

(3) Points for consideration

- Running and animation activities under CLLD have types of costs which are to a large extent standardised.
Note: There is potential to implement the whole sub-measure through flat rate financing as a fixed percentage calculated from the budget for the implementation of the LDS (19.2)
- The maximum amount for running costs and animation fixed by the EU legislation is 25% of the total public budget for the strategy (Reg. 1303/2013 Art. 35(2)).
- The application of the flat rate financing has to be envisaged in the RDP.

(4) The steps to establish the flat rate

Example

The Polish Managing Authority decided to apply flat rate financing for running costs and animation in LEADER in 2014-2020. In the sections below, the different steps necessary to design 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 defined the minimum tasks that each LAG would have to carry out in the course of implementing its Local Development Strategy. These included:

- ensuring the financial progress of the LDS implementation (the most important requirement!)
- establishing a LAG office open for a minimum number of hours and ensuring a minimum number of employees (2-5, depending on the LAG size),
- organising calls of proposals and selection of projects, including regular meetings of LAG decision making body,
- maintaining website and communication activities,
- providing advice and support to project promoters.

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.

(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 flat rate or thresholds to calculate flat rates

The following information could be taken into account:

- The average monthly running costs in the 2007-13 period;
- The expected maximum amount of budget available for the implementation of the LAG strategy from EAFRD (fixed in the national legislation and relative to the number of inhabitants in the LAG area);
- The LAG size (number of inhabitants in each LAG area).

In case where there are considerable differences in LAG size, running and animation costs cannot be related to the total LAG budget in a linear way: each LAG has a certain level of fixed costs which do not change with the size of the budget, so smaller LAGs (with small budgets) have a relatively higher percentage of running costs and animation than large LAGs with bigger budgets.

In the Polish case an analysis of the historical data led to the establishment of eight categories of LAG size. For each category, the average monthly amount of running costs and animation was calculated based on historical data. Then, taking into account the maximum budget for the local strategy for a given LAG size, the flat rate was calculated as the ratio between the average running costs and the maximum total budget.

Such ratios, calculated for each LAG size category, vary between 17% (for the largest LAGs) and 25% (for the smallest LAGs)³ of the total strategy budget.

Note:

- *Be aware of the fact that such thresholds may have to be revised and updated over the period of strategy implementation.*
- *The complexity of developing and implementing too many thresholds might offset the SCO simplification benefits and actually increase the administrative burden.*
- *The risk of under-compensation might be set off by the reduction of administrative burden.*
- *The flat-rate paid has to comply with the 25% threshold put on running costs and animation set out in Art. 35(2) of Reg. 1303/2013.*

(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.

³ The following size categories and amounts of support are applicable:

- €312 500 (for the whole period) when the LAG has 30 000 – 39 999 inhabitants (30 000 is the minimum no. of inhabitants per LAG in Poland),
- €362 500 when 40 000 – 49 999 inhabitants,
- €412 500 when 50 000 – 59 999 inhabitants,
- €462 500 when 60 000 – 69 999 inhabitants,
- €512 500 when 70 000 – 79 999 inhabitants,
- €562 500 when 80 000 – 89 999 inhabitants,
- €612 500 when 90 000 – 99 999 inhabitants,
- €662 500 when the LAG has 100 000 – 150 000 inhabitants.

These figures indicate the maximum amount of support; the real support will be calculated as percentage of the amount actually used for LDS implementation.

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

- The payments depend on the financial progress of the LDS implementation and the proof that the LAG has met the other contractual obligations;
- Several (staged) payments are possible.

In the Polish case, LAGs can receive payments for their running and animation costs maximum 4 times per year. They can choose from two options of advance payments:

- **Up to 50% with a bank guarantee, in line with Reg. 1305/2013, Art. 42.2 and 63**
- **Up to 37% without a bank guarantee, based on the national advance payment scheme (37% is the national public contribution to LEADER)**

Note: Think about how to check the fulfilment of commitments/parameters. Might there be a need for the development of a database?