

# Overview Of Simplified Cost Options (SCOs) in EU Funded Projects

## SIMPLIFIED COST OPTIONS – Definition

Eligible costs of projects 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.

SCOs use fair, equitable and verifiable calculation methods based on:

- Statistical data, other objective information or an expert judgement.
- Verified historical data of individual beneficiaries;
- Application of the usual cost accounting practices of individual beneficiaries

Use of SCOs:

Draft budget established on a case-by-case basis and agreed ex ante by the body selecting the operation, where the total cost of the operation does not exceed EUR 200 000.

In accordance with the rules for application of corresponding unit costs, lump sums and flat rates applicable in Union policies for a similar type of operation.

In accordance with the rules for application of corresponding unit costs, lump sums and flat rates applied under schemes for grants funded entirely by the Member State for a similar type of operation;

Flat rates and specific methods established by or on the basis of CPR or the Fund-specific Regulations.

SCOs are regulated by:

- Common Provisions Regulation (CPR) for shared management funds (Regulation (EU) 2021/1060)
- European Regional Development Fund (ERDF) and Cohesion Fund (CF) Regulation (Regulation (EU) 2021/1058)
- European Social Fund Plus (ESF+) Regulation (Regulation (EU) 2021/1057)
- Interreg Regulation laying down specific provisions for the European territorial cooperation goal supported by the European Regional Development Fund and external financing instruments (Regulation (EU) 2021/1059)

## OVERVIEW OF TYPES OF SCOs

The following overview serves as a quick reference on the types and pre-approved SCOs

### Standard Scale of unit cost

- calculation of all/ part of costs of specific budget line
- fixed in advance

- amount multiplied with number of units
- applied to easily identifiable quantities

#### Lump sum

- calculation of all or part of costs of the project
- subject to achievement of predefined outputs/activities
- 0-1 approach (milestones)
- applied to clearly defined activities

#### Flat rate

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

#### Off the shelf vs DIY SCOs

- Off the shelf: Ready-made SCOs available from the relevant Regulations (CPR)
  - Up to 7 % flat rate for indirect costs (= admin cost flat rate) of eligible direct costs
  - Up to 15% flat rate for indirect costs (= admin cost flat rate) on direct staff costs
  - Up to 20% flat rate for staff costs, on all other direct costs,
  - Up to 40% flat rate for all other costs on staff costs
- DIY (Do it yourself): Set up individually at programme level (by Managing Authority)
  - Own calculation by MA (must be fair, equitable, verifiable), using:
    - Historical or statistical data,
    - Objective information,
    - Expert knowledge,
    - Usual practices of project partners,
  - Must be calculated in advance (before the call for proposals).

SCOs can be combined among each other and with regular budgeting.

### Sectoral Application of the SCOs

This section incorporates feedback from five social service sectors: Families in Poverty and Children in Protection, Work Integration, Persons with Disabilities, Poverty and Homelessness, and Elderly. The SCOs have been reviewed by experts across these sectors. The gathered feedback suggests the following improvements to meet sector-specific needs.

- Budgeting Support: Provide a budget template or calculators like some centrally managed programmes.
- Budget Clarification: provision of in-depth glossaries by managing authorities, explaining key features of common simplified budget options with clear examples. This applies especially to Social Service Organizations (SCOs) and those with limited experience in budget drafting.

- **Capacity-Building for Budgeting:** Capacity-building opportunities targeted to social services professionals for the drafting and implementation of simplified cost options in the framework of ESF+ and ERDF.
- **Adjusting Flat Rate:** considering a higher flat rate than the current 40%, particularly for sectors facing challenging tasks and target groups.
- **Improving Working Conditions:** facilitating access to ICT equipment, especially for smaller Work Integration Social Enterprises (WISEs), potentially through EU project purchases. Also, explore removing limitations on weekly work hours and allowing higher salaries for project managers and social workers to attract top expertise.
- **Better Financial Conditions:** Some entities face financial difficulties because of a lack of cash flow, highlighting a need for increased flexibility with payment schedules. On the other hand, it was suggested to increase the support and the requirements related to the ability to manage the budget. For instance, there should be guidelines on handling the differences in salary levels between EU countries, especially for cross-national projects.
- **Consideration for Specific Target Groups:** When designing SCOs for projects in the fields with specific and vulnerable target groups such as families in poverty and child protection, always consider the extra costs this requires in order to provide efficient support to these important and impactful projects.
- **Overall Simplification:** overall simplification, including SCOs, to address the complexity that is still perceived as too high, particularly for small NGOs within programs using SCOs. A more streamlined and simplified approach is deemed essential and beneficial for the sector.