



**Delivery mechanisms for the AKIS strategies**

## AKIS-in-Practice! 2.9

### Application of flat rate for indirect costs of Operational Groups and demonstration projects in Flanders



#### Keywords/Tags



Simplification



Flat rate



Indirect cost



Direct staff costs



Off the shelf



EIP



Farm demonstration



#### Potential users



EIP operational groups



Demonstration farms



Managing authorities of the CAP strategic Plans



Paying agencies, auditors, and certifying bodies



## RATIONALE



For the 2023-2027 period, CAP support for the set of interventions (Article 83 of EU Regulation 2021/2115) may, among other options, be provided in the form of unit costs. Under Article 83(1) of the CAP Strategic Plan Regulation, three forms of simplified cost option may be used: 1) unit costs; 2) lump sums and 3) flat-rate financing.

Point 2 of the same Article sets out the methods for determining the amounts applicable to SCOs, which includes the possibility of applying SCOs used in similar types of operations in Union or national policies based on the rules for the application of unit costs, lump sums and flat rates.

These points are almost identical to the corresponding points in the Common Provision Regulation. However, the latter includes 6 fully and 1 semi "off-the-shelf" SCOs which can be used in Structural and Cohesion Fund programs without any justification. One of these fully "off-the-shelf" solutions is that where the flat rate is used to cover indirect costs up to 15% of direct staff cost.

The use of the flat rate for indirect costs is twofold. On the one hand, to reduce the administrative burden for beneficiaries by not having to claim indirect costs on an itemized invoice basis. On the other hand, to reduce the error rate as well as time spent on checking and controlling the payment claims since real indirect costs do not have to be checked.

For the EIP AGRI Operational Groups and the farm demonstration interventions, there was no previous experience of applying flat rate in Flanders. The main argument in favour of this solution was that, as it is an "off the shelf" solution, the method and the value is set by the Commission and does not require any justification, which makes it much easier to implement and reduces the audit risk. The other main argument is that this solution has been and is being successfully used in LEADER implementation in the previous programming period.

## SOLUTION



The Belgium (Flanders) CAP Strategic Plan 2023-2027 allows for the financing of indirect costs up to 15% of direct personnel costs on a flat-rate basis for the European Innovation Partnership operational groups and the demonstration farms intervention

## IN PRACTICE



The costs covered by the flat rate are office and administrative costs, which are as follows:

- Payments for office rent.
- Maintenance costs of buildings, infrastructure and vehicles.
- Costs for heating, lighting, water, gas, electricity, telephone and internet.
- Consumables not directly linked to the project (paper, printer,...).
- All insurances (except employees' insurance for accidents covered under staff costs).
- License fees for standard software.
- Management and maintenance of general website.
- Staff costs of managerial and general support staff (reception, secretariat) not directly involved in the project.
- Professional clothing.
- Professional literature.
- Staff activities (team building, etc.).
- Catering for staff (coffee, water fountain, fruits, etc.).

When applying the 15% flat rate, indirect costs do not have to be accounted for item by item, using invoices.

The main focuses of the verification are that:

- There is no ineligible expenditure included in the staff costs which are the 'basis costs', and 15% of those are reported as indirect costs.
- There is no double declaration of the same cost item: the direct costs in the payment claim may not include any cost item that falls under the 15% flat rate, to avoid double financing.
- The amount calculated by applying the 15% flat rate is proportionally adjusted if the value of the staff costs (used as basis costs) to which the flat rate is applied have been modified.
- Staff costs are calculated on the basis of the standard hourly rate and registration of hours worked on the project (see the other Flemish AKIS-in-practice format).

## PRACTICAL IMPLICATIONS FOR REPLICABILITY



- An examination of similar interventions to justify the application of the flat rate (whether the cost structure of the subsidised improvements is in line with the 15% flat rate).
- Incorporate the application of the percentage flat rate in the CAP Strategic Plan for the measures concerned.

## BENEFITS



- It can be used without the need for a detailed supporting study.
- More flexibility and reduced administrative burdens for beneficiaries through simplification.
- The same method is used for several funding instruments thus becoming a practice for applicants and implementing institutions.
- Less time spent on checking payment claims by managing authorities since real costs do not have to be checked.

## FURTHER SOURCES OF INFORMATION



- European Commission: COMMISSION NOTICE GUIDELINES ON THE USE OF SIMPLIFIED COST OPTIONS WITHIN THE EUROPEAN STRUCTURAL AND INVESTMENT FUNDS (ESI) – REVISED VERSION (2021/C 200/01)



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