Setting up a SCO: methodology & documentation

New design for content and finance:
Embracing SCOs

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European Regional Development Fund

STEP 1 - A simplified cost model can start with examination of ...

- ... type of operations/ activities
  - operations: RD&I, technical assistance projects, small projects, feasibility studies, construction/ reconstruction, business development/ support to SMEs ...
  - activities: travelling/ accommodation/ publicity/ project management/ personnel/ facility operation/ equipment costs ...

- ... costs categories
  - administration costs, travel & accommodation, staff costs, external expertise and services ...

- ... type of project partner
  - SME
  - Associations, NGOs
  - Technical experts, universities

STEP 2 – Which SCOs are relevant?

... linking SCOPE and possible SCOs **(type of SCOs/ cost option):**

- flat rate financing
- standard scale of unit costs
- lump sums

STEP 3 – Calculation methodology

- Ex-ante: established in advanced, at the latest before the signature of the subsidy contract!

OFF-THE-SHELF

- READY-MADE SCOs FROM REGULATIONS – NO NEED TO PERFORM ANY CALCULATIONS, IMPLEMENT DIRECTLY

INDIVIDUALLY AT PROGRAMME LVEVEL

- FAIR, EQUITABLE, VERIFIABLE CALCULATION METHOD:
  - HISTORICAL OR STATISTICAL DATA
  - OBJECTIVE INFORMATION
  - NEW: EXPERT JUDGEMENT (ART. 67(5)a(i)
  - USUAL PRACTICES OF PROJECT PARTNERS
- DRAFT BUDGET (< 100 000 ERDF)

'COPY-PASTE' FROM OTHER PROGRAMMES (SIMILAR TYPE OF OPERATION & BENEFICIARY)

- OTHER EU PROGRAMMES (e.g., HORIZON2020)
- NATIONAL/ REGIONAL SCHEMES
- OTHER FUND-SPECIFIC RULES (e.g., ESF, FR)
- SPECIFIC METHODS FOR DETERMINING AMOUNTS ESTABLISHED IN ACCORDANCE WITH FUND-SPECIFIC RULES (e.g., DRs)

What is meant by ***fair, equitable and verifiable***?

	Description*	Examples
Fair	• reasonable, • based on reality, • not excessive or extreme, • no inflation of costs	• not possible: increase from an average of 2€ to 7€, without clear proof justifying increase, • geography can be taken into consideration: remote location might have higher costs than central location
Equitable	• equal treatment for projects and project partners, • differences in treatment must be based on objective elements	• differentiated unit cost possible, evidenced by price differences in different MS, • not possible: lower unit cost applied because project scored less in project assessment
Verifiable	• documentary evidence, incl. description of calculation method, data source, • assessment of relevance and quality of data used	• explanatory fiche for ex-ante assessment by AA, • decision note for MC approval, • updated MCS description • data file

** Based on EC's Gudance on Simplified Cost Options (SCOs), chapter 5, 2014*

What is meant by ***statistical data*** & ***other objective information***?

	Description*	Examples
Statistical data	• objective and verifiable data from documented sources, • can also mean historic and/or verified data from projects at programme level	• surveys, • market research, • draft budgets (needs to be checked as reasonable and acceptable – value for money), • statistical evidence like Eurostat, ESPON
Other objective information		

** Based on EC's Guidance on Simplified Cost Options (SCOs), chapter 5, 2014*

What is meant by *expert judgement*?

Not yet covered by EC guidance!

	Definitions*	Examples
Expert judgement	• a process of evaluation, performed by carefully selected group of persons that are experts in particular subject or activity, • the compatibility of expert opinions must be evaluated in order to ensure the reliability and objectivity of research results, • the opinion of 1 expert might be questioned as expert judgement, • early stage involvement is crucial, • conflict of interest needs to be addressed explicitly	• technical experts, consultants • research has shown that the accuracy of the judgement does not increase significantly if more than 7 experts are involved

** Based on presentation 'Expert judgement' by Girleviciene & Kvietkauskiene (methodology of Libby & Blashfield on the selection of expert number). Check also www.projectmanagement.com*

What is meant by *verified historic data* and *usual practices of project partners*?

<table>
<tr><th></th><th>Description*</th><th>Examples</th></tr>
<tr><td>Verified historic data of project partners</td><td>• based on past accounting data (requires acceptable analytical accounting system),
• data has to cover at least 3 years,
• might require certification,
• reference amount to be applied (average costs over the reference period)</td><td rowspan="2">• interesting for partners involved in many projects
• could cover specific costs categories (e.g., administration costs or unit costs for staff)</td></tr>
<tr><td>Usual accounting practices of project partners</td><td>• based on data from day-to-day accounting practices (independent from EU funds) in compliance with national accounting rules (requires acceptable analytical accounting system),
• SCO based on aggregated group of items, no minimum requirement for time span of data,
• might require certification</td></tr>
</table>

** Based on EC's Gudance on Simplified Cost Options (SCOs), chapter 5, 2014*

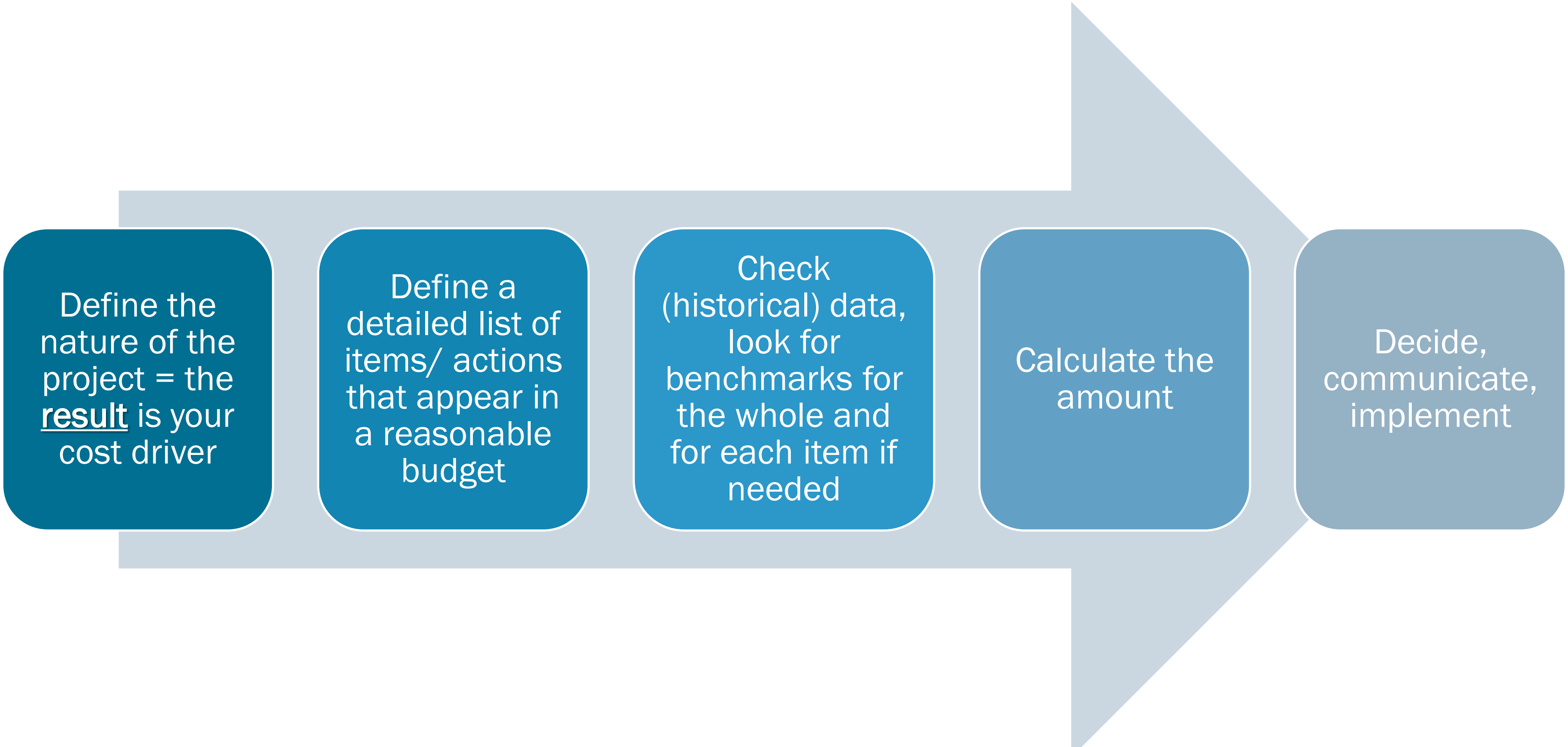
What is meant by *similar type of operation & beneficiary**?*

	Description*	Examples
Similar type of operation & beneficiary	• applicable for SCOs used by other EU programmes/ funds or at MS level, • SCOs discontinued from one period to another excluded, • case-by-case application	• H2020 • ESF • Daily rates in MS

** Based on EC's Gudance on Simplified Cost Options (SCOs), chapter 5, 2014*

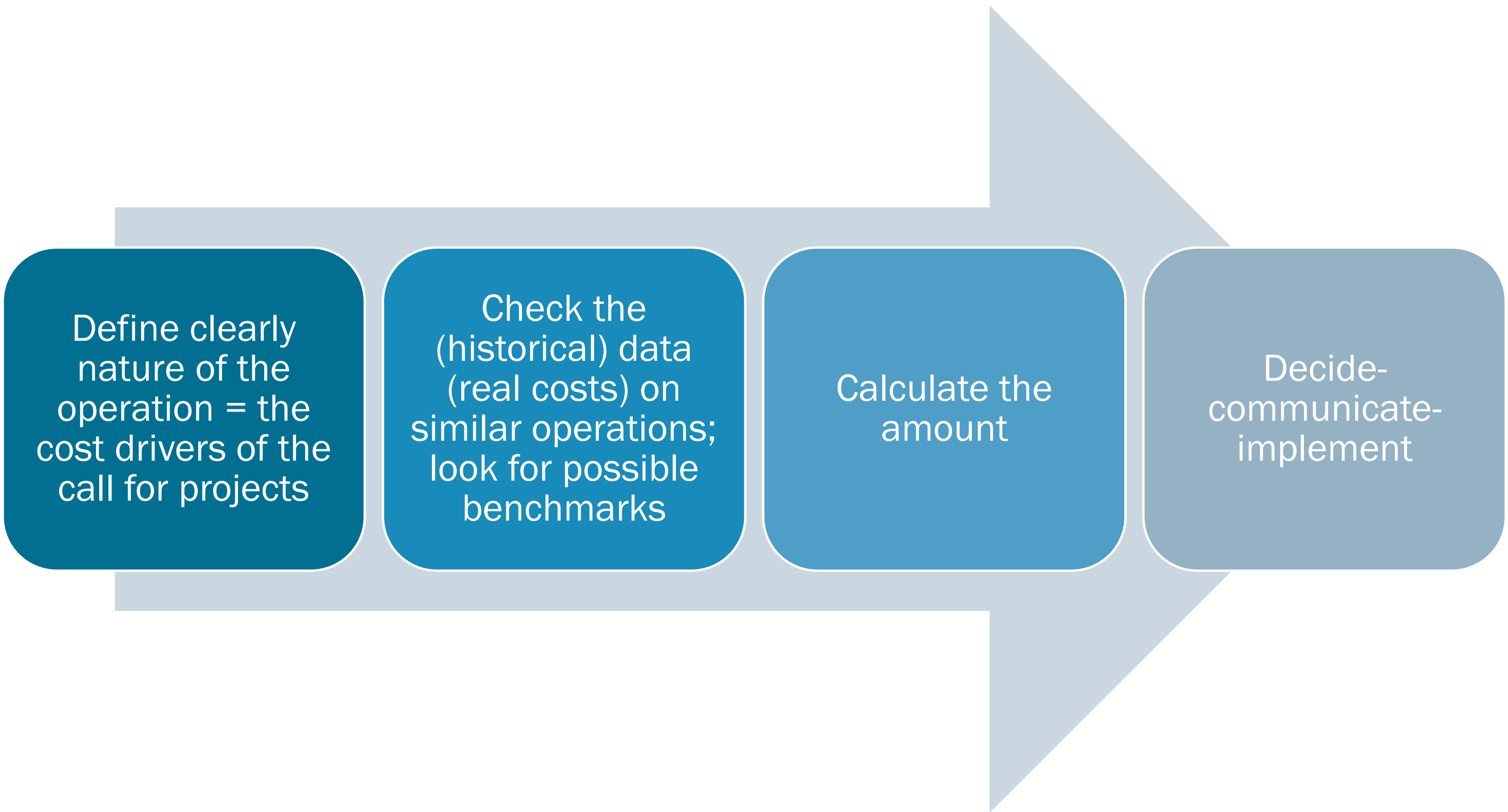
*** proposed to limit similarities to type of operation only for post2020*

… how to calculate lump sum?



- No upper thresholds of lump sums (Omnibus regulation)
- Lump sums not to be used if results cannot be defined as realistic and achievable single unit

… how to calculate unit cost?



- All types of costs can be covered
- For part of or a whole action/ operation (per hour/ service/ milestone/ result)
- A clear and direct link between unit costs and outputs
- Data reliability and availability

... how to calculate flat rate?

1. Define the category of costs as ‘direct’ or ‘indirect’
2. Calculate amount based on historical or objective data – for indirect costs
3. No calculations needed if a flat rate of 20% for direct staff costs is used*
4. No calculations needed if a flat rate of up to 40% is used for all remaining costs other than staff costs**

- Direct costs – costs which are directly related to an individual activity, where the link with this activity can be demonstrated.
- Indirect costs - usually costs which are not or cannot be connected directly to an individual activity of the entity in question.
- *Provided the direct costs do not include public works contracts above threshold in the public procurement directive (Art. 68a(1) CPR).
- **Cannot be applied to staff costs calculated on the basis of flat rate.

Draft budget – calculation method!

Conditions to establish the draft budget:

- Items within the draft budget must be eligible according to eligibility rules
- Expected outcome and indicators of the project are defined, as well as main tasks to achieve the defined outcome, milestones, timeline of activities
- Budget lines for each task are defined with detailed information (activity, cost category, unit, rate, total)
- Methodology used to measure and calculate the cost of each budget line + justification of amounts, numbers, prices (offers made, expert judgement, etc.)

*Draft budget on a **case-by-case basis** and agreed ex-ante by the MA when public support does not exceed or equal to EUR 100 000 (Art. 67(5)(a)(bis)

Draft budget – calculation method!

Can a lump sum be calculated based on a draft budget

STEP 4 - Management verification – what needs to be verified in SCOs

- Soundness of the calculation method established – MA responsibility
- Correct application of the SCO
- Verification of the 'basis costs' for flat rates
- Verification of the outputs for unit cost/ lump sum – also criteria for payments (hours worked, participants trained, qualification achieved, milestones reached)
- Quality of outputs

STEP 5 – Documentation

Points to be considered

- Ex-ante assessment by AA
- Approval by monitoring committee
- Update of programme documents
  - Management and control system
  - Programme manual
  - Subsidy contract, project partnership agreement

Documentation

- Intention & application
- Methodology, link to regulation
- Calculation
- Data used, incl. source of data

DIY – group work!

Objective: Develop a simplified cost model

- Split in groups (based on your preferences)
- If you want, pick a project (presented in a moment), element of the project (specific activity, indicator, type of partner, etc.)

Objective: Develop a simplified cost model

- decide on the relevant type of SCO to match with the selected activity/ indicator/ type of partner, etc. (1 SCO or several),
- discuss and decide on the relevant calculation methodology
- discuss advantages and points for consideration for the selected methodology(ies)
- identify general requirements for the SCO, data needed for the SCO
- risks and obstacles, if any
- stakeholders reactions (take perspective of MA, AA, beneficiary)
- consider state aid and public procurement implications, if any
- monitoring of the SCO, including implications for monitoring systems
- audit trail of the SCO

Group work - timeline

- Group work until lunch (13.00 – 14.00)
- After lunch: brief PLENARY meeting
  Continuation of the group work
- Ca. 15.30 coffee break, point
  to re-shuffle groups 16.30 – PLENARY

PLEASE STICK WITH YOUR GROUP!

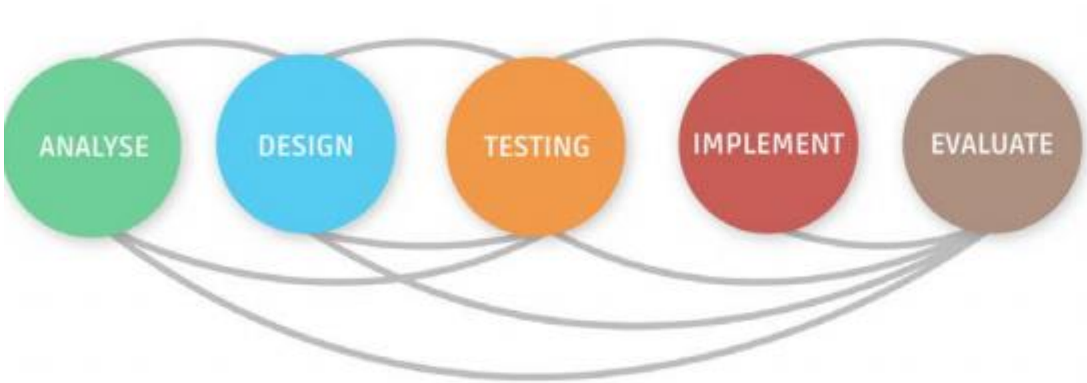
IF YOU WANT TO CHANGE GROUP, FIND US!

MotoAlps – 7 tourism regions, 3 countries, 1 passion

Small project – 6 months

Key activities – development of digital tours, touring map, digital roadbook, pass roads with descriptions.

DIGITRANS – Digital Transformation in the Danube Region (TO1)



Aims to support SMEs in the development of digital BMs by offering targeted blended learning trainings along the DIGITRANS method.

The project is a cooperation of 15 partners from 7 countries from the Danube area.

PREVENT-FIRE – Fire protection in the Alqueva lake area (TO5)

The project focuses on optimization of capacities to develop more effective methods and equipment to extinguish the fires.

Network for the development of quality tourism sites in the region Lake Neusiedl – Modra (TO6)

A network of SK-AT municipalities seeks to broaden and diversify its offers for tourists aiming at environmentally sustainable tourism development.

The project will focus on environmentally-friendly mobility, water management, visitor guidance for cultural heritage and know-how transfer in sustainable tourism.

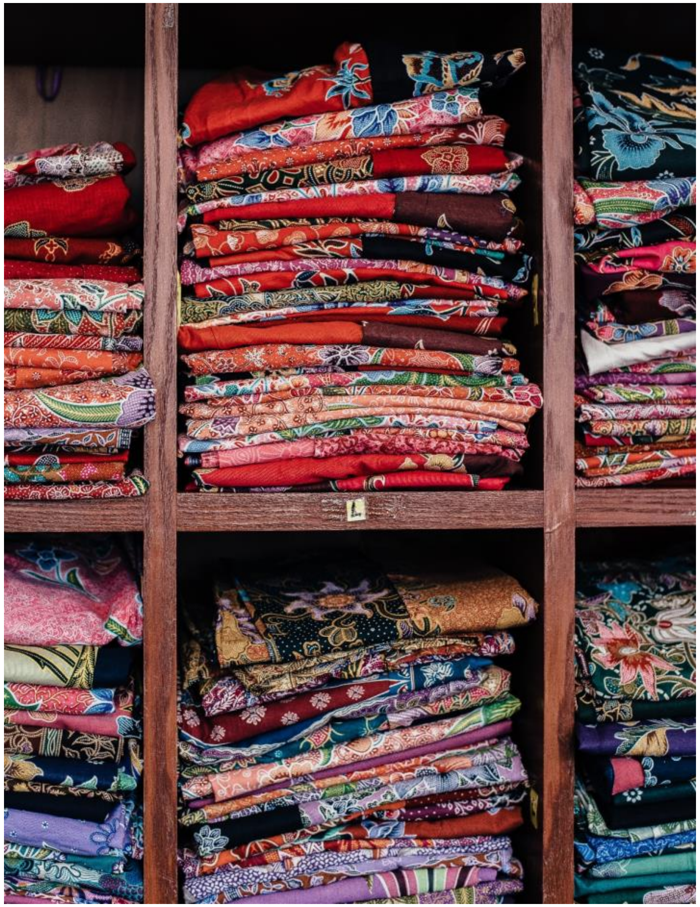
DredgDikes – Dredged Materials in Dike Construction (TO6)

A network of SK-AT municipalities seeks to broaden and diversify its offers for tourists aiming at environmentally sustainable tourism development.

The project will focus on environmentally-friendly mobility, water management, visitor guidance for cultural heritage and know-how transfer in sustainable tourism.

4traditions – Holding alive four fields in the domain of traditions and customs

The project aims at increasing the cultural integration in the cross-border area (West Region of Romania and Serbia) by joint actions and focusing on folk traditions and conservation of cultural values.



BBVET - Boosting Business Integration Through Joint Vocational Education and Training (TO8)

The aim of this project is to develop and pilot the first international cross-border VET Education in the green and blue sector, involving 40 students and 5 countries (Germany, Denmark, Lithuania, Poland, Sweden).

Cooperation works

All materials will be available on:

www.interact-eu.net

European Regional Development Fund