

Minutes and outcomes

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New design for content and finance: Embracing SCOs

Tallinn, Estonia

Report

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Minutes and outcomes

Day 1

Appendix 2 of the draft Interreg Regulation (programme template) UPDATED 11/12/2019

- ~~Does not address the SCOs established at programme level but payments from COM to Member States (MS)~~
- Currently it is not clear if programmes have to provide appendix 2 with the CP. Lately contradicting information has been provided by different services of DG Regio: some saying it is only for the payment between COM to programmes, others say it has to be provided by all programmes planning to use SCOs in the future, including SCOs at project/individual beneficiary level. Interact will ask interpretation/clarification from COM side and share the information. Interested MAs should not hesitate to seek such clarification themselves from their desk-officers.
- It might be interesting in case programmes decide to use financing not linked to cost
- Currently it is not clear how COM will verify that results have been achieved

Ex ante assessment

- The consultancy procedure is actually a formal procedure! If interested there is a presentation on that
- COM offered that DG Regio auditors might accompany MAs in setting up SCOs supporting clarification versus national AAs – actual capacities to do so might be limited

Staff cost

Example of DE-NL (Til Seier, Interreg CBC DE-NL)

- The model is based on a standard hourly rate; using five categories (functions) in the project, maximum per employee is 1,650 hours per year; the approach is built upon statistical data from the previous period – all data on real cost have been available in-house
- When developing the model differences in definitions between the countries surfaced: e.g. in NL hired staff is staff cost whereas in DE it has been considered as external cost

Check routines:

- We don't look at people but at functions – easy in case of changes of staff – e.g. 3 persons fulfil a function
- We don't look into salaries but existence of employment contracts is being checked (if staff exists)
- Important to agree on the basis for control beforehand

Beneficiaries consider it as a huge simplification!

Q&A – example DE-NL

Q: How to check the adequate assignment of functions in the projects – is it part of the assessment at the application stage?

A: Yes, it is done at the assessment stage. It is the same challenge as for real cost! Generally speaking the use of SCOs means more weight on the assessment phase, i.e. to check value for money! In our programme the FLC doesn't do it anymore.

Q: How about changes in partner budgets?

A: In DE-NL shifts between function categories are allowed. Such shifts are o.k. if the project respectively the activities are not considered as state aid.

Q: Country approaches versus programme-based SCOs?

A: DE-NL sees one set of rules as a major selling point – the attractiveness of the programme for beneficiaries has improved!

Calculation methods for staff (Katja Ecke, Interact)

- Currently a number of methods is applied and the range of underlying and differing interpretations is impressive
- To apply different methods across programmes for the same staff increases the risks! reducing the number of calculation options might be an asset in terms of legal certainty in the forthcoming period
- Fixed percentage (a real cost method) could be applied since it is very flexible and it currently applied in some programmes without any problems (for example Alpine Space or Baltic Sea in the 4th call); the major advantage is that time sheets would be no more required and that it is comparatively easy to tackle the huge wage gradients across Europe
- Use of off-the shelf options: for the current period the programme the use of off-the-shelves from COM programmes has to demonstrate that it is the same type of beneficiary and the same type of operation – in the forthcoming period only the same type of operation is required
- 20% flat rate for staff (off the shelf): the one based on Omnibus can be used only if project does not include any public procurement above the threshold for works (5 MEUR) - but this is not related to 20% flat rate for staff based on article 19 of the current ETC Regulation; now the draft CPR refers to the threshold for works and services (EUR 250,000); now there is the attempt for the future ETC-Regulation to bring it back to unrestricted use for Interreg programmes

Q&A - calculation methods

Q: Can a programme restrict respectively reduce the number of options applied; i.e. not offer one of the methods listed in the Regulation(s)?

A: Yes that is possible. You can choose as a Programme not to offer some of the options in the regulation. For example you could only allow for fixed percentage to be used in the Staff cost category.

Q: Wouldn't it be better to use unit costs with coefficients per country? How realistic is that? Least problematic options for programme and beneficiaries ...

A: That needs to be decided – key is the interest of programmes as well as the feedback from programmes already applying one or the other option.

Lump sum for phase 2 of projects (monitoring of action plans) (Petra Geitner, Interreg Europe)

- Phase 2 of projects, i.e. the monitoring of action plans is based on predefined outputs – prone for the use of a lump sum
- The approach is used/tested in the 4th call

Practical issues:

- The option to use EY (acting as external auditors for sample audits) for an endorsement of the method
- EY claimed that the sample is not representative – thus the sample has been extended to the full population (from 40 to 130)
- EY claimed that budget data cannot be considered as ‘verified historical data’ as basis for the calculation? Thus the programme relabelled it into ‘other objective information’ (for the option of ‘expert judgement’ expertise is still rarely found)
- EY claimed that the average is not representative? Average amounts to 17,000; standard deviation amounted to EUR 6,000; a major argument has been that the SCO with its predefined outputs supports adjustment and standardisation and underestimation as well as overestimation is inherent to a SCO
- As regards the implicit risk of the binary approach (reimbursement in case of a lump sum is 1 or 0): the threshold is set such that it can be easily achieved
- Technically the lump sum has been added as budget line in the monitoring system

SCOs: key responsibilities of the AA stipulated in the Annexes to the CPR

Annex V to CPR

- Annex V is the template for ERDF, ESF+, CF and EMFF programmes – it mirrors respectively is the basis for the Interreg programme template
- ~~Appendix 1 refers to SCOs used for reimbursement of eligible expenditure from the Commission to the Member State based on unit costs, lump sums and flat rates; part C includes a section on~~ **Please see information above for appendix 2.**
- 5. *Assessment of the audit authority(ies) of the calculation methodology and amounts and the arrangements to ensure the verification, quality, collection and storage of data.*

ANNEX X to CPR

Key requirements of management and control systems (MCS) and their classification - Article 63(1)

- 4. Appropriate management verifications, including appropriate procedures for checking fulfilment of conditions for financing not linked to costs and for simplified cost options – concerning the MA

Annex XI to the CPR

Elements for the audit trail – Article 63(5)

III. Obligatory elements of audit trail for simplified cost options to be kept at the level of the managing authority/ intermediate body:

1. documents evidencing costs declared under other categories of costs to which a flat rate applies; the categories of costs and the costs forming the basis for the calculation;
2. documents evidencing the adjustment of the amounts, where relevant;
3. documents evidencing the calculation method if Article 48(2)(a) is applied.

Brief overview on work done in groups - Day 1 (please also see; Additional information on SCOs – Tallinn)

Group 2 (SPF and draft budget)

- The group decided to look at SPF from a draft budget perspective
- The use of unit costs or lump sums really depends on the activity and/or cost category
- Lump sums could form a basis for a flat rate on staff costs
- It is possible to combine different off-the-shelf SCOs into a lump sum or unit cost
- A question is when using a unit costs for staff costs, if the calculation should be done on a SPF or MS level
- Another question raised is whether the draft budget should be used on a beneficiary level or by the programme?

Group 3 (SPF & cost category)

- The group decided to focus on a unit costs or lump sum design for events/meeting
- The biggest challenge, and which was difficult to overcome, was how to define concretely which elements the SCO should cover. E.g. should it cover catering, translation, venue hire, moderation and publicity? Or should some elements be excluded?
- The group agreed that rates could differ depending on the country = having country specific rates.

Group 4 (SCO & type of activity)

Unit costs

- Preliminary agreement in the group: 2 types of unit costs possible: 1) per cost category or 2) per activity)
- Staff unit costs could take into consideration:
 - Type of work (job profile) – data @ MS level & Region
 - Based on gross employment salary ranges
- Translation unit costs could take into consideration:
 - Per page, per word
 - Type of text
 - Simultaneous/consecutive
- Training unit could take into consideration:
 - Participants
 - Topic
 - Time needed for finishing
 - Preparation, material
 - Place catering
- Meeting unit costs could take into consideration:
 - Size
 - Translation
 - Place, catering

Flat rate

- This group tried to focus on finding an alternative model for flat rating financing for travel & accommodation costs.
- After discussion different approaches (e.g. number of partners travelling, number of countries involved), it became clear that the proposed option for a flat rate for travel and accommodation in the ETC regulation seems to be the best way forward (no need to reinvent the wheel).

Group 5 (SCO options for communication activities)

There are typical types of projects with similar communication activities for which a SCO could be considered. However, the content and target groups of each project are unique and therefore require a specific set of communication actions that contribute to the achievement of project objectives.

It would be more feasible to set up SCO for some mandatory publicity and visibility tasks (see EU and programme rules).

Option 1: Lump sum – a challenge with this SCO is that a group of communication activities/outputs will need to be identified that would be relevant for all types of projects.

Because programmes have different requirements regarding project communication this SCO would need to be established on the programme level and not harmonized on EU level.

Option 2: Standard scale of unit cost – For some standard communication outputs unit costs could be identified. Costs will need to be set on country level because of different price levels.

Option 3: Flat rate – Percentage of all direct costs. It would need to be specified which activities will be covered by the flat rate and which can be budgeted separately. It is not advisable to use this SCO because Interreg programmes still need to actively promote the need to communicate using the appropriate communication channels.

For all options it should be possible to calculate the amount based on the historical data from projects, e.g. cost in communication work package.

There are a few more challenges that could be further discussed, if needed.

Group 6 (type of activities & cost category).

At the beginning, the group tried to list the most common project activities, typical for all Interreg programmes which could be potentially covered by the SCOs. The group found interesting management activities. Different programmes shared different experiences: lump sum for preparation costs, some programmes cover costs incurred by the project between submission of the application form to the programme and signing the subsidy contract. It turned out that it is very difficult to indicate the scope of the management activities (as they fall under implementation activities, as a separate work package for some programmes). At the same time, it's hard to differentiate between management activities and 'content'-related activities during implementation. Thus, the discussion with this type of activity was dropped.

Then the group picked up the idea of a lump sum for project closure activities. The group decided to limit the scope of the SCO; i.e., lump sum, to the final report only – to make the SCO suitable for every Interreg programme. The trigger for the lump sum payment was the acceptance of the final report by the JS/MA.

UIA shared their experience with lump sums for the administrative closure and knowledge transfer after the project end date. The scope of the project closure activities covers 3 months after the project end date, which the project has to submit the final progress report. The final qualitative report must be submitted no later than one year after the project end date. If accepted, the lump sum of 15 000 EUR (12 000 EUR ERDF) is transferred to the urban authority (lead partner).

Finally, the group discussed the idea of establishing the pan-european unit cost for staff costs (a single hourly rate for staff costs per Member State). The unit cost could be calculated based on the historical data available at Interreg programme level and on the

historical data from the national control systems (though, could be a bit tricky for the MS with the decentralised control systems).

The group also discussed implications of this SCO for the electronic monitoring system. The idea was that the only input data for the staff costs is the number of hours worked (where the system multiplies it by the unit cost at the rate of the particular MS).

Day 2 – Group work

Closure – Lump sum (please also see; Additional information on SCOs – Tallinn)

Group 1

Activities covered:

- preparation and translation of a final report;
- 1 month staff costs (full time); project website update.

Activity ‘final conference’ is excluded from the lump sum (taking into account non-possibility to identify average number of participants and the size of the conference)

Group 2

Activity ‘final conference’ is included in the project implementation activities, which are excluded from the lump sum.

Activities included:

- costs for the national control (where applicable);
- last progress report;
- final report

Lump sum is paid only if the final report is accepted by the JS/MA.

Group 3

Additional activities (to the above) covered by the lump sum:

- dissemination activities;
- website maintenance costs (if hosted by the programme).

Conclusion: Interact will look further (with the support of interested programmes) in the possibility to set-up a lump sum for closure in Interreg.

Dotting exercise & and moving forward – where to put the focus

Staff

Harmonisation & Reduction		Business as usual
Fixed %	Unit costs	All options
28	26,5	2

Conclusion: Interact will look further (with the support of interested programmes) in the possibility to set-up unit costs for staff costs, based on country level, for all countries involved in Interreg.

Meeting/Events

Type of costs	No of dots
Unit cost/participant	34
Lump sum/event	19
Real costs	2

Conclusion: Interact will look further (with the support of interested programmes) in the possibility to set-up unit costs and lump sums for the organisation of meetings/events in Interreg.

For additional material/outcomes please see:

- <http://www.interact-eu.net/library#2700-presentations-new-design-content-and-finance-embracing-scos>
- Additional information on SCOs – Tallinn