

SCOs – the Basics.

Session for beginners and reminder for interested

8 July, thematic workshop on SCOs, 09.00 – 10.30 CET

Interact

Katja Ecke

Iuliia Kauk



Workshop structure

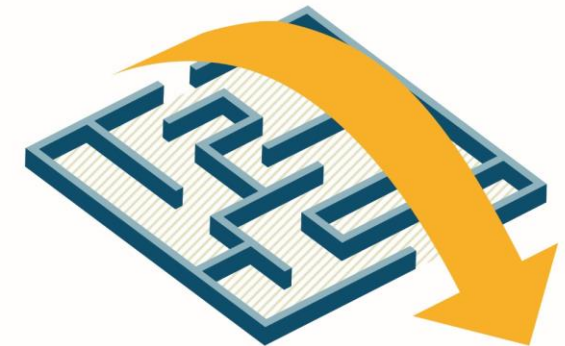
- Introduction to the SCOs
- Why to use SCOs?
- Types of SCOs
- Implementation options of SCOs
- Management verifications and audit
- Group work: quiz on SCOs + feedback
- Q&A



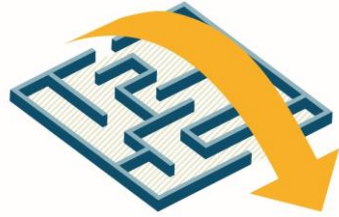
Why use SCOs?

Simplified cost options (SCOs) is an approximation of costs (contrary to real costs), defined in advance and based on averages, surveys and other data.

The method to calculate SCOs is defined in advance and is based on activities, outputs, results (i.e., lump sum, unit cost), or as a fixed percentage of some other costs (i.e., flat rate).



Why use SCOs?



Reduce beneficiaries' workload

Allow wider target groups to access programme funds

Reduce beneficiaries' financial management costs

Speed up payments

Reduce resources and administration for programmes

Reduce error rate and irregularities

Simplify verification and audit phases

Allow focusing on results

Types of SCOs

Flat rate

Calculation of costs of a specific cost category

Calculated by applying a percentage fixed in advance

Percentage applied to one/several cost category(ies)

(Standard scale of) unit cost

Calculation of all/ part of costs of specific cost category

Fixed in advance

Amount multiplied with number of units

Applied to easily identifiable quantities

Lump sum

Calculation of all/ part of costs of the project

Subject to achievement of predefined outputs/activities

0-1 (binary) approach (milestones)

Applied to clearly defined outputs

Lump sums

A lump sum is a pre-established amount which is reimbursed if the terms of agreement on outputs/ results (agreed upon in advance) are fulfilled (if the outputs/ results are delivered).

- Lump sums operate on a binary approach (1:0)
- Can be used for all budget lines; cover all project; specific activities
- Among SCOs, the least used
- Examples in Interreg: preparation costs lump sums, closure costs, seed money projects, lump sum for feasibility study
- Other examples: small (preparational) research projects; preparation of international projects and cooperation networks; new operating models and concepts; learning materials and training for companies, seminars, etc.



Flat rate

A flat rate is a financing method where a cost category(ies) is calculated as a fixed percentage of one or several eligible cost categories.

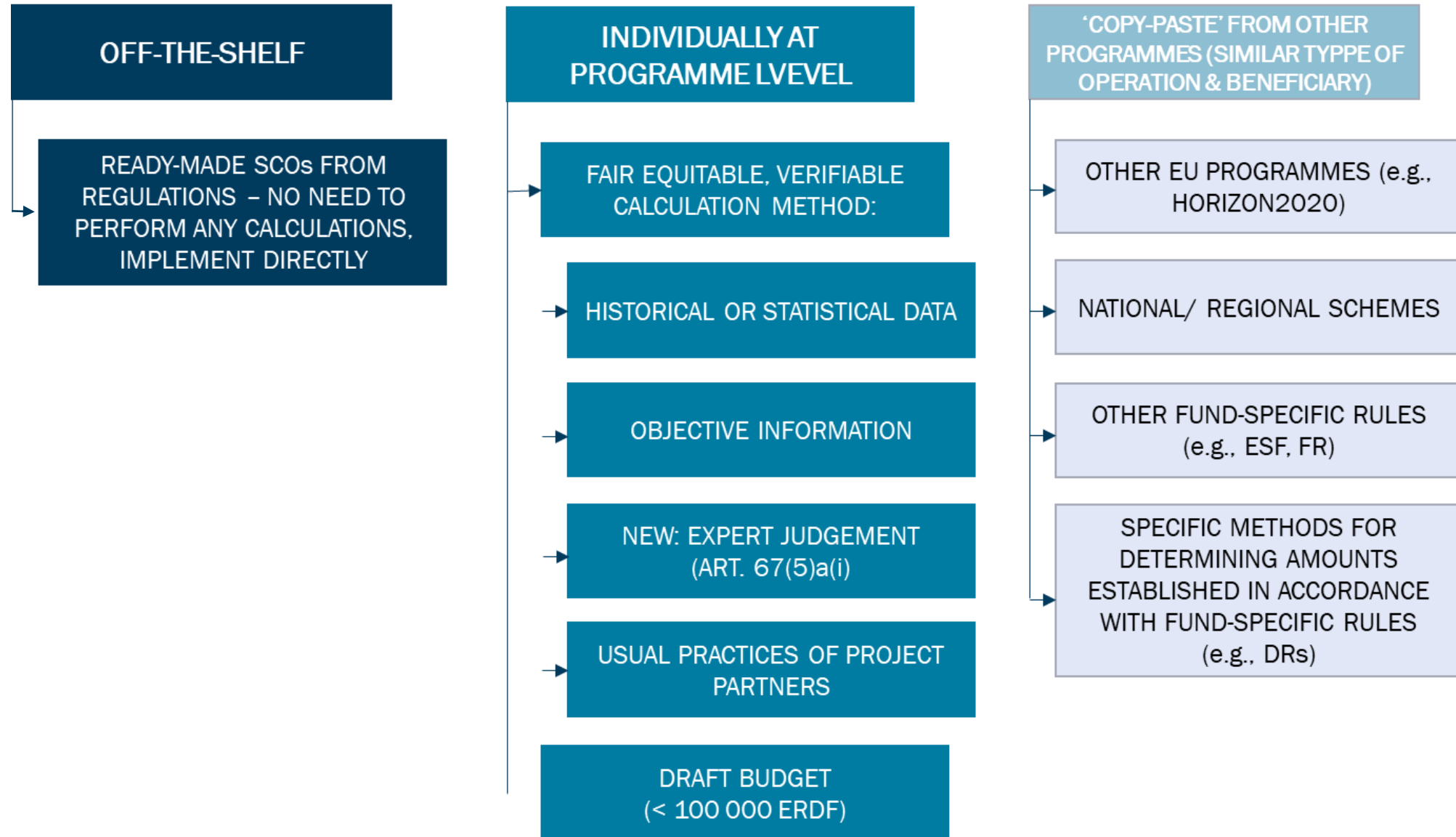
- Three types of costs: flat rate, basis costs, other costs
- The MA needs to ensure a clear definition and distinction between the cost categories (i.e., which costs are covered by flat rate, which costs fall under basis for flat rate calculations, and which are ‘direct’ and ‘indirect’ costs) -> avoid double financing of costs
- Examples in Interreg: up to 15% of staff costs to calculate office and administration costs; up to 20% of other direct costs to calculate staff costs, up to 40% of staff costs to calculate all other costs

Unit costs

Are normally offered for easily-identifiable quantities of specific activities/ outputs/ results when a scale of unit costs for those quantities is available.

- Used either for the entire project or for part of the project – when it is possible to: 1. define quantities related to an activity, 2. identify standard scale of unit costs.
- Most common example of unit costs in Interreg – unit costs for staff costs, where:
 - easily-identifiable quantity' will be the number of hours a person works for a project,
 - a standard scale will be an hourly rate,
 - staff costs will be calculated by multiplying the number of hours worked on the project by the hourly rate.

Implementation options of SCOs



Off-the-shelf SCOs

Developed by the EC and not by an MA alone! These SCOs can be found in regulations (CPR and our Interreg Regulation), which means that they can be applied by any Interreg programme without having to design its own calculation method.

Examples:

- 1) FR up to 15% flat rate on direct staff costs for admin costs
- 2) FR up to 25% of eligible direct costs for admin costs
- 3) FR up to 20% flat rate for staff costs, on all other direct costs
- 4) FR up to 40% flat rate for all other costs, on staff costs
- 5) UC 1720h method to calculate hourly rate



Off-the-shelf SCOs for post2020 period

- FR up to 7% on the direct costs to calculate admin costs
- FR up to 15% of the direct staff costs* of an operation for travel and accommodation costs

*subject to negotiations for the new Regulation;

wording used here: the counter-proposal by the MS



Copy-paste SCOs

SCOs from other programmes for similar types of operations and beneficiaries*:

- other EU programmes (e.g., Horizon2020/ Horizon Europe for post2020 period),
- national/ regional schemes,
- other fund-specific rules (e.g., ESF/ ESF+),
- specific methods for determining amounts established in accordance with fund-specific rules (e.g., draft budget in ESF).



Similar types of operations **and beneficiaries are applied in the 2014-2020 programming period. In the 2021-2027 programming period, **similar types of operations** applies only.*

Programme-specific SCOs

Each programme can design its own simplified cost option(s).

The method itself must be designed in advance (at the latest before the subsidy contract with the approved project is signed) and should be **fair, equitable** and **verifiable**:

- **fair** - data used for calculation is realistic, reasoned and explained;
- **equitable** - does not favour some beneficiaries or projects over others;
- **verifiable** - based on documentary evidence which can be checked.

NEW PUBLICATION
[A ROADMAP TO A PROGRAMME-SPECIFIC SCO](#) in our Library

Management verification of SCOs

What to check	What NOT to check
<p>Correct application of the calculation method & that other reported project expenditure is not already covered by SCO (management verifications (FLC/MA) & audits)</p>	<p>The real costs underlying the expenditure reported based on simplified cost options</p>
<p>Correct establishment of the calculation method (audits)</p>	

Management verification of flat rates

- Verification of the 'basis costs' to which the flat rate is applied
- Verification that the correct % is applied
- Verification that other reported project expenditure is not already covered by flat rate

Example:

SCO flat rate of 15% of staff costs to calculate administration costs → verification of the eligible staff costs and that 15% of those are reported under administration costs

Management verification of unit costs

- Verification of the number of units
- Verification that the amount declared is justified by the quantities
- Verification that other reported project expenditure is not already covered by the unit cost

Example:

30€ per participant per day in a project event (=unit), justified with a participant list → verification of number of participants in participant list, correct multiplication of unit (e.g. $15 \times 30\text{€} = 450\text{€}$)

Management verification of lump sum

- Verification of the relevant deliverables/outputs
- Verification that the criteria for the payment of the lump sum are fulfilled
- Verification that other reported project expenditure is not already covered by the lump sum

Example:

10.000€ for final conference → verification that the final conference took place

Control and audit conclusions

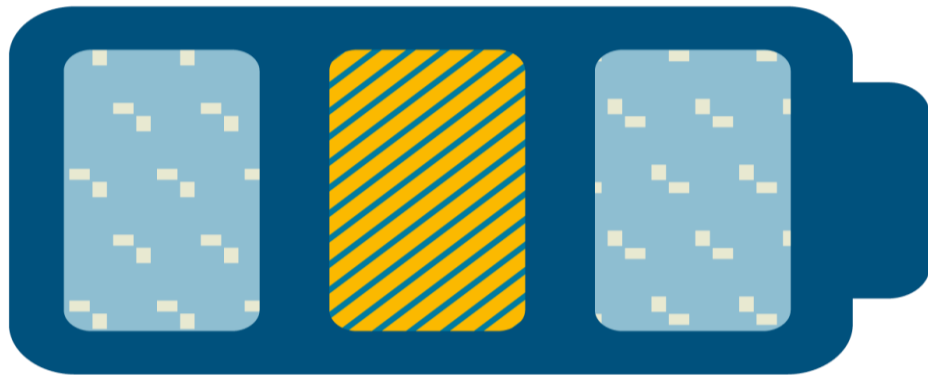
- No costs covered by SCO included in other budget line, e.g. heating costs for office premises (covered by flat rate for administration costs) reported under external expertise
- Flat-rates: clean basis costs

Costs reported to the programme under a SCO do not match the actual expenditure registered in the bookkeeping system of the beneficiary.

This is a direct and accepted consequence of the use of SCOs.
It's not a problem!

Group work

Quiz time!



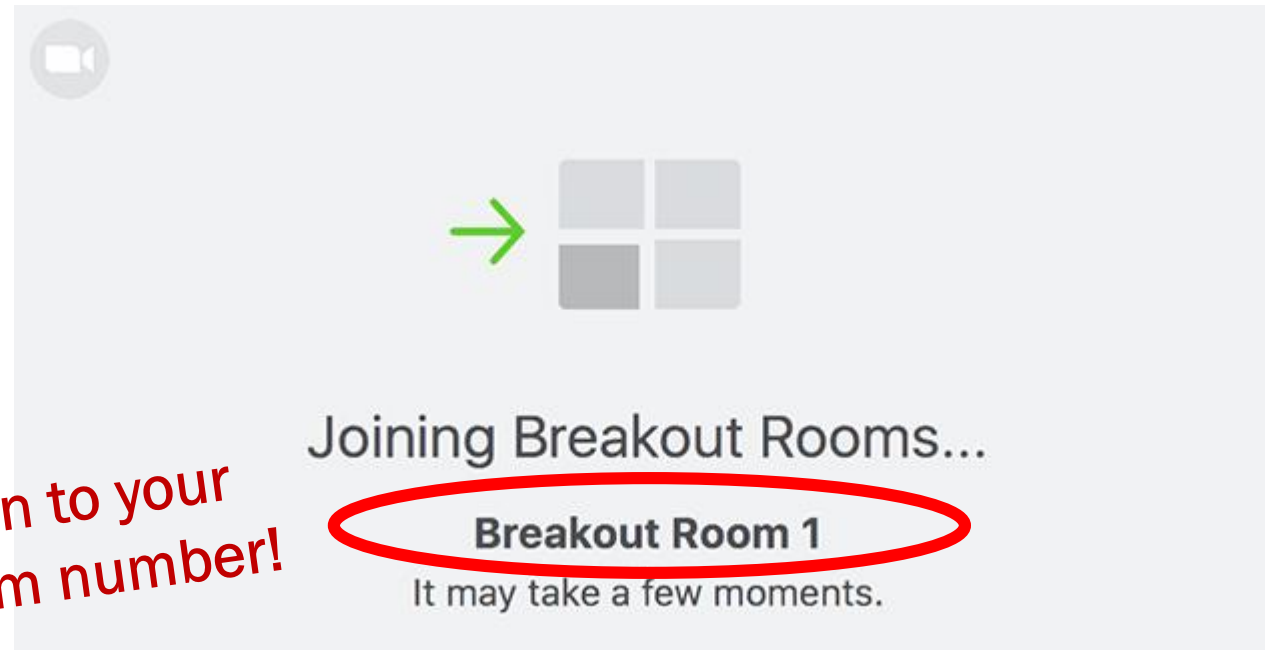
Task for the group work (20 min)

- Small groups
- 13 questions – 20 minutes – be efficient!
- Open link to a google form sent in chat
- 1 person per group fills in google form with questions (share screen with others when answering quiz questions!)
- Don't forget to 'Submit' form before the time is up!
- 1 submitted form per group!



Technical instructions

- Click on the link to the document in Chat (google forms)

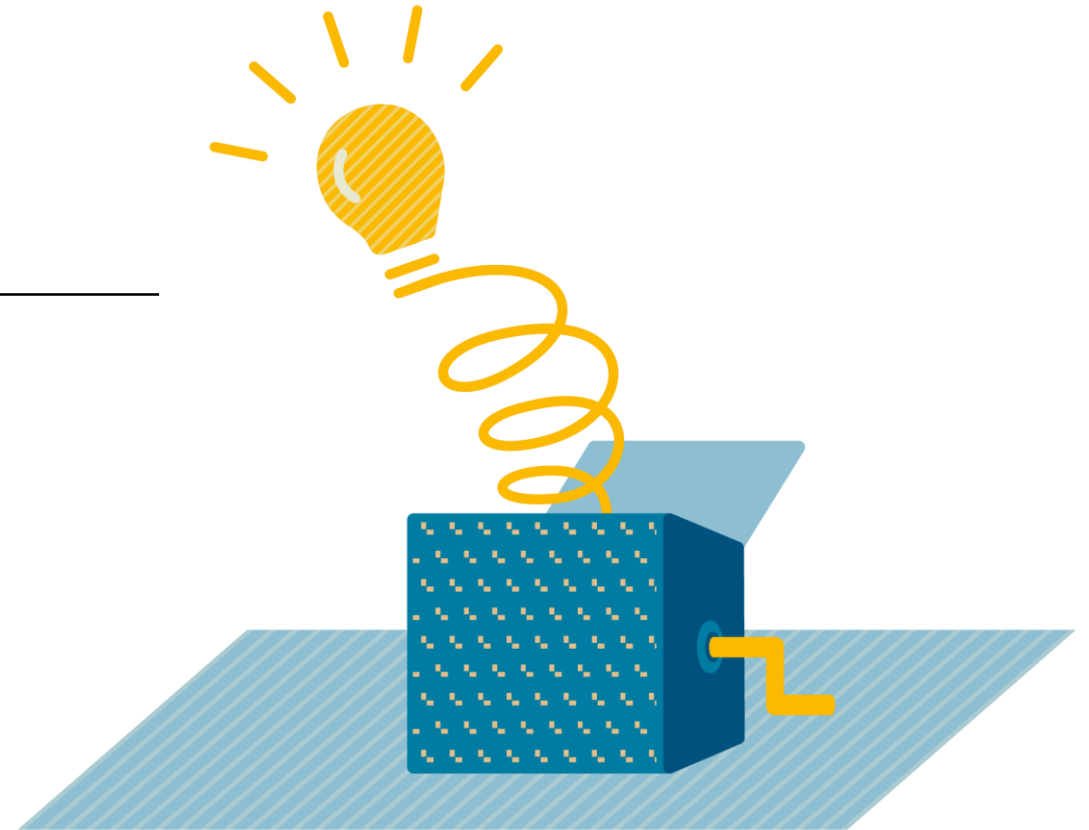


Pay attention to your breakout room number!

- 1st question – fill in your Breakout room number!

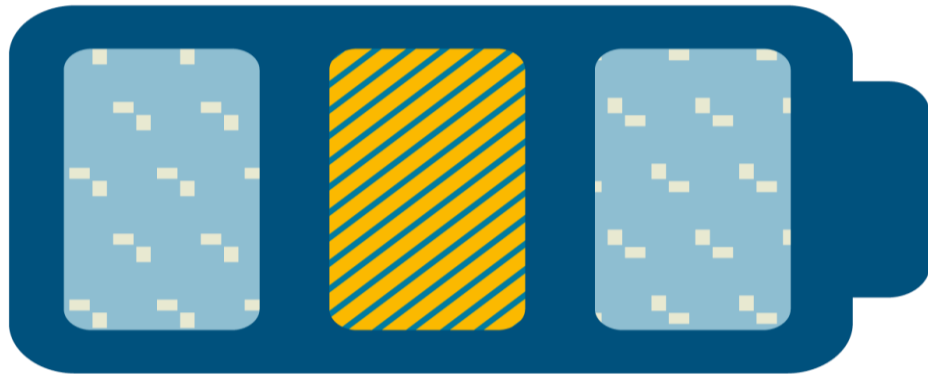
Feedback on Quiz

And the winner is ...



Questions and Asnwers

Anything you want to ask? – Use **CHAT** or ‘rise’ a hand!



Few more points

- Library – Field of expertise – SCOs => many publications/ presentations from previous events (e.g., Q&A on audit and control, roadmap to a programme-specific SCO...)
- Events -> events are published normally 2 month in advance, keep an eye on our website's section: Events
- Interreg SCO community
- Contact us at sco@interact-eu.net



Cooperation works

All materials will be available on:

www.interact-eu.net

