

Combinations of SCOs: risks, points of attention

8 July, thematic workshop on SCOs, 13.00 – 14.30 CET

Interact

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Workshop structure

- Combinations of SCOs (*is it possible to implement projects using real costs and SCOs? is it possible to combine real costs and SCOs in one project? is it possible to combine different types of SCOs in one project? is it possible to leave it to the beneficiaries to choose whether to implement their projects using real costs and/ or SCOs?*)
 - Group work: examining SCOs combinations and identifying potential risks and points for attention
 - Feedback
 - Q&A session



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

Combination of all options is possible!

Legal basis: Article 67(3) CPR & Article 48(1)(e) [new CPR]

- a combination of the forms referred to in points (a) to (d) *provided* that each form covers different categories of costs or where they are used for different projects forming a part of an operation or for successive phases of an operation.
- a) real costs; b) unit cost; c) lump sum; d) flat rate financing



Why? To prevent double-financing and double declaration of costs!

What this means in practice...

Before combining SCOs:

- cost categories must be clearly defined by the MA,
- **same** costs cannot fall under 2 **different** categories,
- some aspects may still require real costs and the eligibility rules for these are unchanged.



Why? To prevent double-financing and double declaration of costs!

Points of attention when combining SCOs

- Double declaration of the same cost item: as ‘basis’ cost (e.g., calculated on the basis of the real cost principle, lump sum or unit cost) and as ‘calculated’ (included in the flat rate);
- Classification of costs: direct, indirect costs
- Respect principle of equal treatment & transparency (beneficiaries, projects)
- Types of projects
- Project time-frame, project size



Is it ever mandatory to use SCOs?

Article 67(2a) CPR

For operations with **ERDF < EUR 100.000** (unless State aid), shall be entirely financed by flat rates, unit costs or flat rates*

Article 48(1) [new CPR]

For operations with **total costs < EUR 200.000** (unless State aid), shall be entirely financed by flat rates, unit costs or flat rates*

Article 24(6) [new ETC, SPF]

For small projects with ERDF < EUR 100.000 (unless State aid), shall be entirely financed by flat rates, unit costs or flat rates* *The amount of support for one or more small projects may be set out on the basis of a draft budget which is established on a case-by-case basis and agreed ex-ante by the body managing the small project fund.*

**If flat rate used, category of costs to which flat rate is applied may be real costs.*



SCOs, SCOs or real costs, real costs?

It is a **programme's decision** either to offer implementation of different budget lines though:

- real costs,
- real costs and SCOs, or
- solely SCOs (OTS, programme-specific, copy-paste).

Programmes may also offer different SCOs to calculate the same budget lines (e.g., flat rate or unit cost for staff costs).

Practical example of SCOs combinations – Interreg Belgium – the Netherlands programme

PREPARATION COSTS			
LUMP SUM EUR 30 000 if the project is selected by the programme			
STAFF COSTS			
UNIT COST Standard hourly rate for BE/NL employees	UNIT COST Standard hourly rate for non-employees	UNIT COST Standard hourly rate for SME owners (Horizon 2020)	FLAT RATE 20% of the eligible amount of direct costs
OFFICE AND ADMINISTRATION			
FLAT RATE 15% of eligible amount of staff costs			
TRAVEL AND ACCOMMODATION			
FLAT RATE 1,5% of eligible amount of staff costs			
COSTS OTHER THAN STAFF COSTS			
FLAT RATE 40% of eligible amount of staff costs			

Auditing of combinations of SCOs

Section 1 (Overview of SCOs applied in the audited operation) of EC

Checklist – review of the SCO (Dec 2019)



Legal reference	Reference/ Guiding questions
Art. 67(3) CPR	<p data-bbox="377 596 1595 644">To identify or exclude double financing of the same expenditure!</p> <p data-bbox="377 689 2328 786">It should be ensured that a specific type of expenditure for a beneficiary can only be reimbursed either based on real costs or one type of SCO:</p> <ul data-bbox="377 832 2440 1325" style="list-style-type: none"><li data-bbox="377 832 2440 929">- If an operation is partially reimbursed on real costs, verify that these costs are not taken into account for the calculation of SCO.<li data-bbox="377 975 2440 1125">- For flat rates: ensure a clear distinction between the cost categories to which the rate is applied and the cost category reimbursed by the flat rate. One or more categories of costs on which the flat rate is based should be pre-established and one should ensure clear and unequivocal definition of these cost categories.<li data-bbox="377 1232 2440 1325">- If a lump sum and unit costs are used for the same type of operation, verify that the calculation of the lump sum does not cover the elements reimbursed based on unit costs.

Combinations of SCOs

MATRIX OF SCOs COMBINATIONS

(download at [Interreg SCOs community/ Files/ Other](#)
potentially interesting information)

Combinations of off-the-shelf & programme-specific SCOs (in the same project/ same beneficiary)

		Off-the-shelf SCOs						Programme-specific SCOs				
	SCOs combinations	20% staff costs	15% admin costs	7% admin costs	15% travel costs ^{a)}	1720h staff costs	40% all other costs	unit cost staff	flat rate staff	25% admin costs	unit costs activities	lump sum activities
Off-the-shelf SCOs	20% staff costs		Y	Y	Y**	N	N	N	N	Y	Y*	Y*
	15% admin costs	Y		N	Y	Y	N	Y	Y	N	Y*	Y*
	7% admin costs	Y	N		Y	Y	N	Y	Y	N	Y*	Y*
	15% travel costs ^{a)}	Y**	Y	Y		Y	N	Y	Y**	Y	Y*	Y*
	1720h staff costs	N	Y	Y	Y		Y	Y	N	Y	Y*	Y*
	40% all other costs	N	N	N	N	Y		Y	N	N	N	N
Programme-specific SCOs	unit cost staff	N	Y	Y	Y	N	Y		N	Y	Y*	Y*
	flat rate staff	N	Y	Y	Y**	N	N	N		Y**	Y*	Y*
	25% admin costs	Y	N	N	Y	Y	N	Y	Y**		Y*	Y*
	unit costs activities	Y*	Y*	Y*	Y*	Y*	N	Y*	Y*	Y*		Y*
	lump sum activities	Y*	Y*	Y*	Y*	Y*	N	Y*	Y*	Y*	Y*	

Risks/ points of attention:

- project perspective

- type of project/ beneficiary/ activities,
- knowledge/experience/historic data,
- project time-frame,
- limited changes options within project,
- financial risks/money shortages (multiplier effect),
- project indicators/outcomes/results...



Risks/ points of attention: - project perspective

Partners budget:

Basic costs: 1000 €

Staff 20% 200 €

Office 15% 30 €

Travel 15% 30 €

Total 1260 €

Public procurement financial correction:

200 € - non eligible costs

+ 40 €

+ 6 €

+ 6 €

- 252 €



Risks/ points of attention: - project perspective

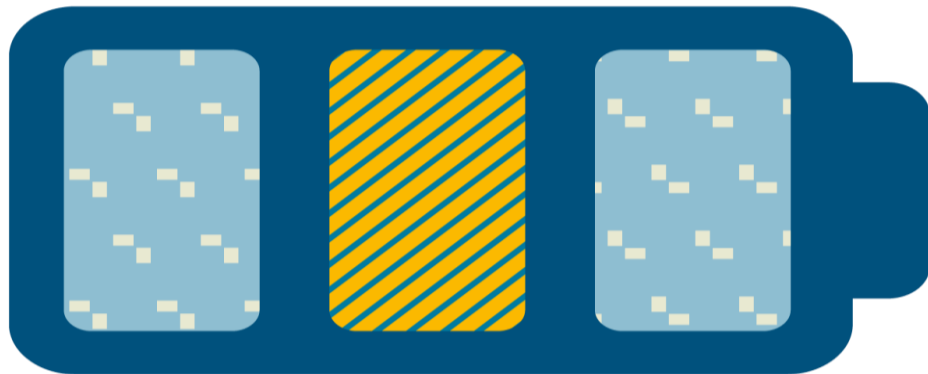
Potential consequences:

- When the correction happens: beginning of the project/ last six months,
- Limited options of financial changes in the project,
- Project implementation period: short 12 months/ long 36 months,
- Lack of financial resources – not performing some activities – indicators not achieved – further financial corrections.



Group work in small groups

Imagine if no limitations ...



Task for the group work (20 min)

- In groups, discuss:
 - If you had ‘free’ hands (there are no limitations for human/financial resources, you didn’t need to convince anyone), which SCO combinations would you develop in your programme? Consider risks!
 - Taking into account specificities of your programme (types of projects/beneficiaries/activities in your programme), discuss with colleagues and take notes (in Jamboard tool).
 - Select 1 person who will report back!



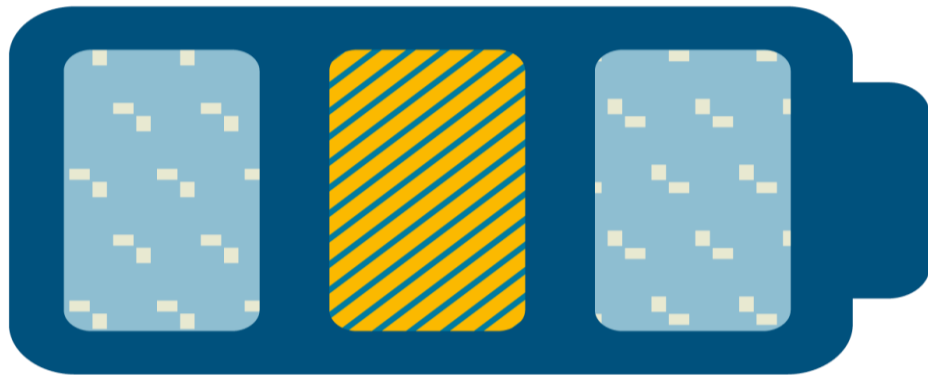
Technical instructions

- Interact colleague will send you a link to Jamboard and explain how the tool works
- In the file, you will see which group you are in – remember number of it (for plenary reporting purpose)
- Take notes!
- Be creative, but realistic!
- Don't forget about **rapporteur!**
- 20 minutes
- **'Ask for help'** option in Zoom



Feedback from the group work

Ideal SCOs combinations?!



Risks/ points of attention: - programme perspective

- knowledge/experience/historic data,
- type of projects/ beneficiaries/ activities,
- demand,
- financial liquidity of programme,
- financial risks(funds allocated, reallocation more difficult, money shortages, decommitment – the Snowball effect),
- programme indicators/outcomes/results....,
- error rate multiplication.



Risks/ points of attention:

- programme perspective

Not sufficient data/ knowledge of a programme area & particular type of projects leads to mistake in planning of SCOs combination for the call with substantial ERDF contribution.

In consequence:

- proposed in the call SCOs combination seems too risky for project partners,
- in the programme area exist alternative, less risky, sources of financing,
- there is very low interest with programme offer,



Risks/ points of attention: - programme perspective

- programme documents require changes,
- the next call has to be organised,
- programme faces underspending,
- there is a serious risk of decommitment.





Conclusions

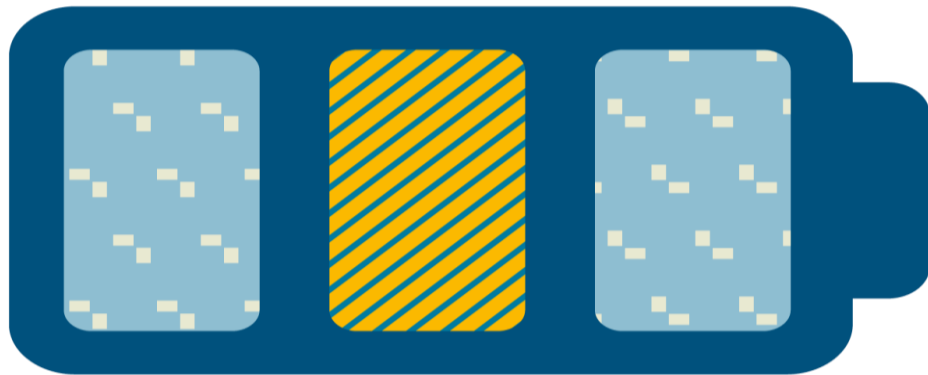
Programme/project perspective,

No one-size-fits-all option,

Understand opportunities and risks!

Questions and Answers

Combinations of SCOs



Cooperation works

All materials will be available on:

www.interact-eu.net

