

# Draft budget – calculation method for SCOs

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

**Interact**

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# Workshop structure

- Introduction of the draft budget method: main points
- Draft budget along the project life cycle: who does what, at which stages
- How to translate the draft budget into SCOs
- Group work: assess the real draft budget
- Feedback
- Q&A session

# How to calculate SCOs

Legal basis: Article 67(5) CPR & Article 48(2) [new CPR]

- A fair, equitable and verifiable method
- **Draft budget** (*draft budget established on a case-by-case basis and agreed ex ante by the body selecting the operation, where the total cost of the operation does not exceed EUR 200 000*)
- In accordance with rules for application of corresponding SCOs applicable in Union policies (for a similar type of operation) or applied under schemes of MSs for a similar type of operation
- Flat rates and specific methods established by CPR or Fund-specific Regulations



# Draft budget

A draft budget is a calculation method to establish an SCO but NOT an SCO itself!

A project submits a draft budget to the programme

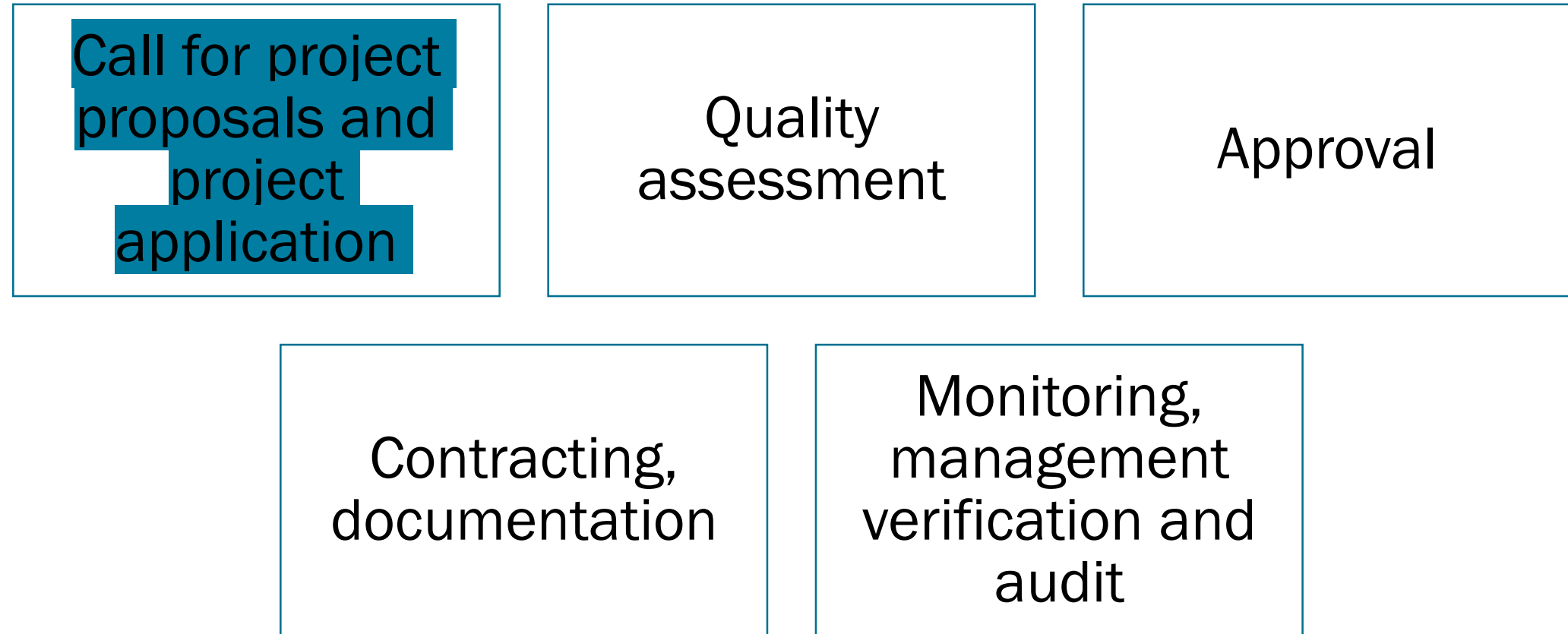


A programme assesses the draft budget and transforms it into SCO(s)

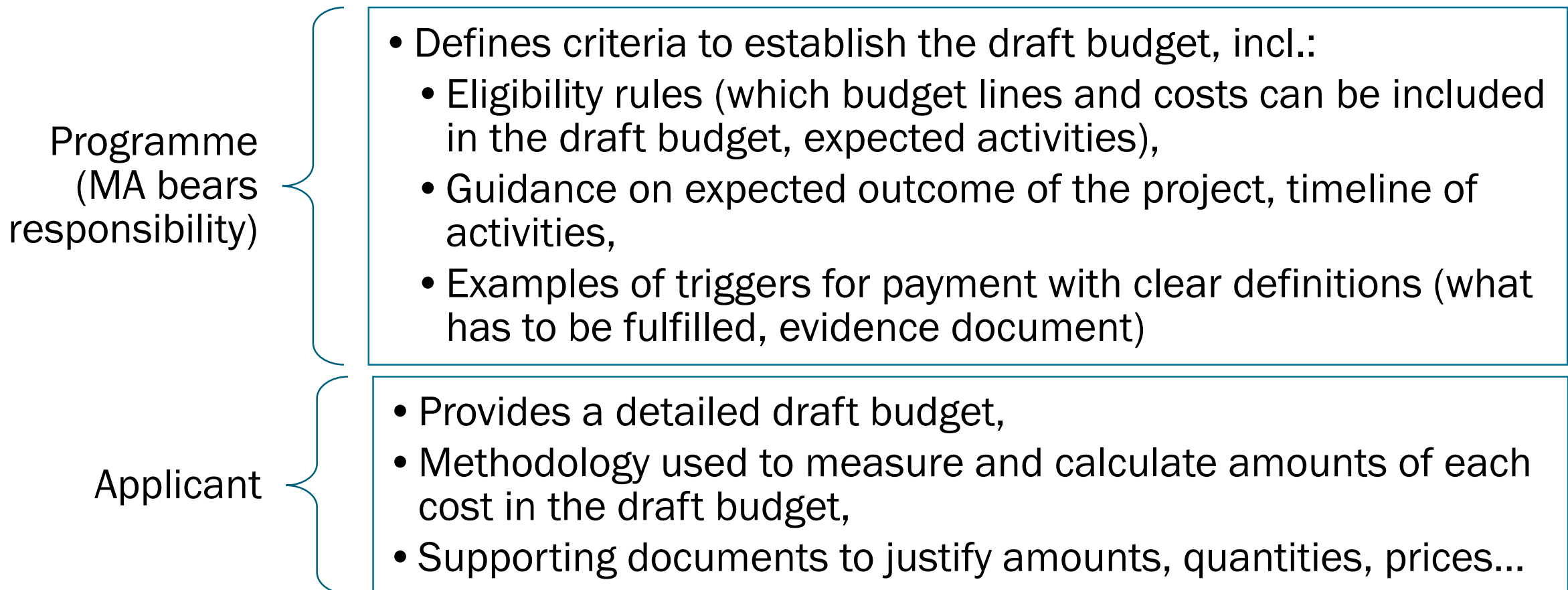


SCOs are used during the project implementation

# Draft budget in the project life cycle



# Call for project proposals and project application



# Call for project proposals and project application



A programme can prescribe specific SCOs to be used in the draft budget at the application stage (e.g., FR for indirect costs, FR for staff costs)



A programme can base SCOs entirely on the indicative real cost budget (after project application is selected for co-financing)



# Quality assessment of draft budget

Each draft budget is assessed on a case-by-case basis!

In the assessment, the MA/JS follows the same principles as for ‘regular’ projects:

- Value for money of proposed activities
- Coherence and proportionality of budget

The MA (JS, but MA is responsible):

1. Verifies if costs in the draft budget follow eligibility rules,
2. Checks supporting documents and justifications for costs,
3. Checks if calculations are correct,
4. Assesses proposed activities against project outcome, etc.





# How to ‘formalise’ assessment of the value for money?

Developing a catalogue of cost benchmarks/reference costs to be used by applicants

Using performance benchmarking  
(comparison of expected outcomes and costs of different applications)

Establishing SCOs (unit costs, lump sums) for recurring items

# How and what to document?

- Projects drawn up using draft budget method,
- Supporting documents from applicants, justifying amounts,
- The SCOs established,
- Assessment methodology,
- Assessment results of each application,
- Communication with projects before contracting (clarifications),
- The Subsidy Contract,
- The approved application and any changes during the implementation.



Audit purposes!

# Contracting

**Tip:** Develop a 'static' subsidy contract template and reference 'dynamic' elements as annexes

1. Include description of SCO's (incl. payment triggers) as an annex to the subsidy contract on top of the latest approved application form
2. Ensure that all relevant SCO's and their application with the payment triggers are part of the contractual agreement!



# Monitoring and management verification

Follows usual principles: activities are matched against the approved application form with its related costs. Checks are limited to the agreed deliverables/outputs, hence the project content and activities.

## Points of attention:

- Programme to ensure that deliverables/ outputs defined for the payment trigger(s) can be reported accordingly -> adjust templates!
- Respect rules for SCOs! If SCOs are established based on draft budget, the real costs should not be checked!
- Adjust reporting cycle if needed; consider impact on programme and project cash flow!



# Audit of the draft budget method

The MA has to ensure a complete and exhaustive documentation of the draft budget methodology!

The AA once verifying the SCOs based on the draft budget will verify:

- If the draft budget was reviewed and agreed by the MA (demonstrating how the budget/ sources of data were used by the MA to analyse the draft budget),
- If the public support does not exceed EUR 100 000 (EUR 200 000 for post2020),
- If changes in budget/ scope of the project have been introduced after project approval,
- Documentation supporting amounts established by the draft budget! (cost benchmarks if existing, historical data of beneficiary..)



# Draft budget and SPF

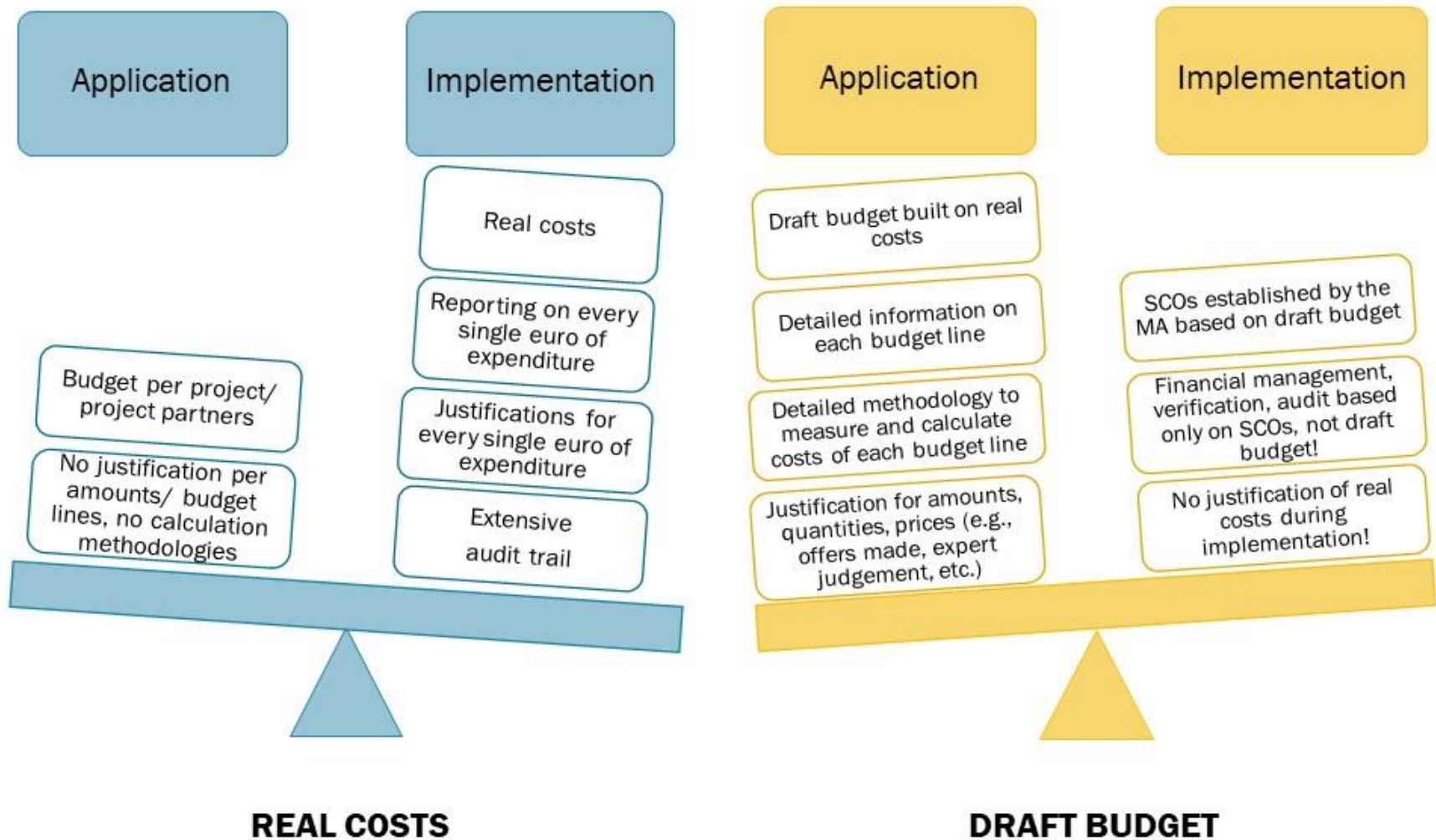
The use of SCOs in small projects (where the public support does not exceed EUR 100 000) might be compulsory in the 2021-2027 period (Article 24 [new ETC Regulation]).

- Article 24(6) [new ETC Regulation] explicitly allows a draft budget method to be used in small project funds:

*‘Where the total costs of each project do not exceed EUR 100 000, 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.*

- **A draft budget allows to comply with the compulsory use of SCOs in small projects (as it is a calculation method to establish SCOs).** It might be taken as a complementary element to off-the-shelf SCOs.

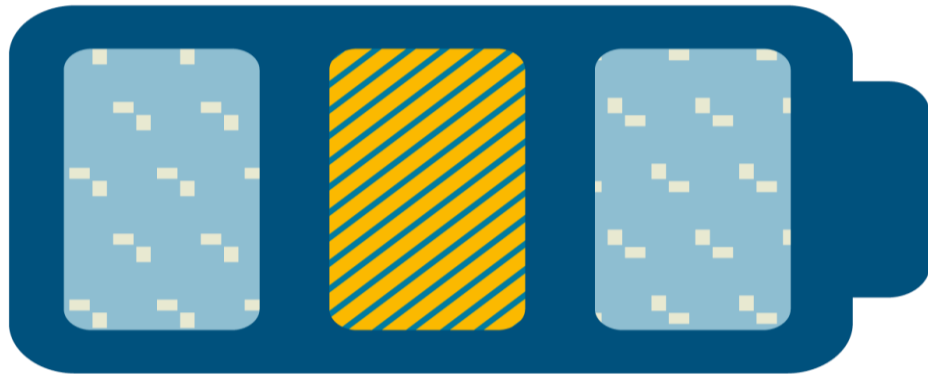
# Draft budget versus real costs



# Group work in small groups

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Assessing the real draft budget



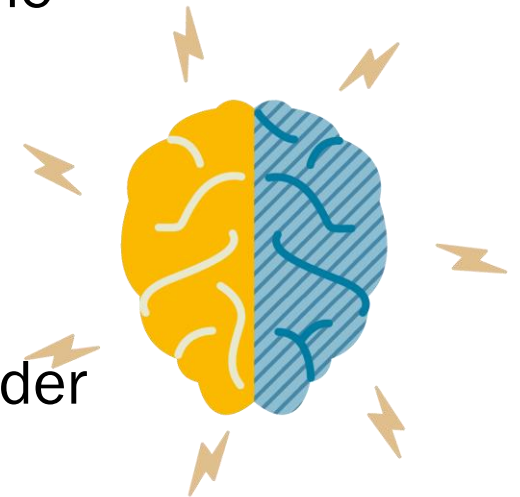


## Task for the group work (20 min)

- In small groups, work on the draft budget example (Excel file)

You are MA/JS and you have to perform a quality assessment of the draft budget (also value for money), including:

- define which costs could be reference costs;
- which costs are recurrent;
- which SCOs you can establish based on the draft budget (consider risks for different SCOs);
- define milestones/ triggers for payment



# Technicalities

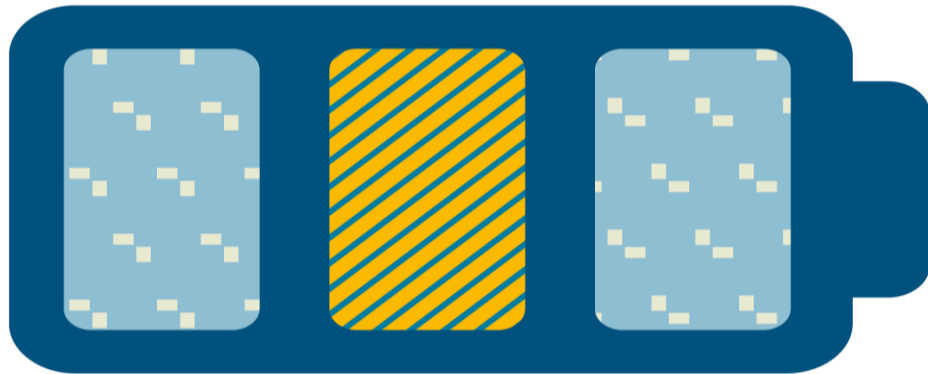
- Interact colleague will send you a link to a Google doc
- Group number and draft budget example number is in the file (page 2)!
- Identify **rapporteur!**
- Take notes!



# Feedback from the group work

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Assessing the real draft budget





## Conclusions from the group work

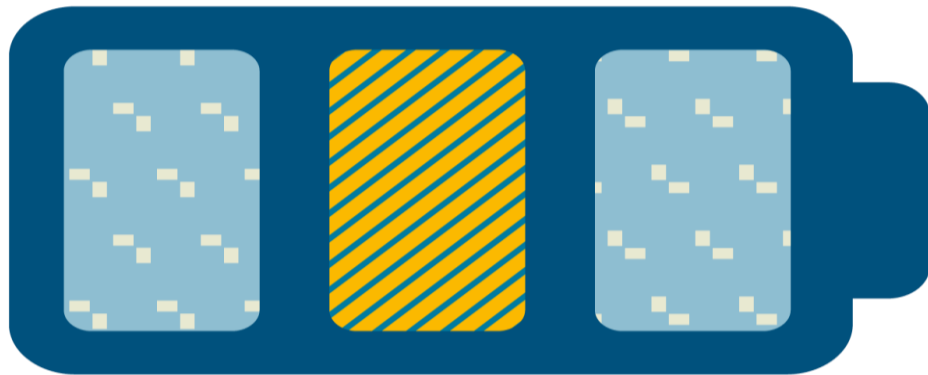
Please focus on:

- rationale to take decision on SCOs (also reference costs),
- approach to define payment triggers/milestones

# Questions and Asnwers

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Draft budget method



# Draft budget - Opportunities

- Allows projects to use their individual approaches and leaves room to innovate
- Reduction of the MA's workload during the assessment of draft budget by using cost benchmarks ('bottom-up' approach, based on real data from projects)
- 'Rolling' process of learning
- Replacing of recurring cost items by unit costs and lump sums which could be extended to the programme level



# Draft budget - Challenges

- Significant resources from the MA to assess each draft budget – balance between the resources invested and size of projects?
- A solid stock of cost benchmarks needs to be developed by the MA
- Consistency across different SCOs established based on different draft budgets has to be ensured
- A risk of single lump sums (for beneficiaries) established based on the draft budget (binary approach) – non-payment in case of non-delivery ...



# Cooperation works

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All materials will be available on:

[\*\*www.interact-eu.net\*\*](http://www.interact-eu.net)

