

SCO/FNLC rules in 2021-2027

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EIPA

European
Institute of
Public
Administration

New 2021-2027 programmes

- 15 MS with SCO worth 11 Bn EUR
 - **BE**, BG, CZ, DE, **IE**, ES, FR, HR, IT, LV, LT, MT, NL, AT, PT and the Interreg programmes.
 - SMEs' business development & internationalisation; RDI, EE in buildings; active inclusion & employability; active employment & activation measures; quality & inclusive E&T.
- 7 MS with FNLC worth 5 Bn EUR
 - BG, IT, LV, HU, AT, PT and PL.
 - EE; social innovation; childcare; ACB; TA; formal education & social inclusion.

SCO State of play 2021-2027

	Appendix 1 Annex V	
Italy	<p>No ERDF programmes</p> <p>Only Lazio ERDF programme for unit costs</p> <p>20 ESF+ regional programmes do not have it</p> <p>Only 2 out of 20 ESF+ regional programmes (Toscana, Lazio)</p>	<p>X</p> <p>✓</p> <p>X</p> <p>✓</p>
Spain	<p>14 of 17 regions do not have it</p> <p>3 Regional ESF+ of Castilla y Leon & Cataluna & Galicia: access to employment for the marginalized, youth, and long-term unemployed through vocational training</p>	<p>X</p> <p>✓</p>
Germany	<p>14 of 16 regions did not include SCO, neither the national programmes</p> <p>Only 2 regional programmes included SCO:</p> <ul style="list-style-type: none"> • Hamburg (ERDF): intelligent automatization in schools • North Rhine-Westphalia (ESF+/JTF): vocational training, consulting offers, and financial backing to support employees and companies with demographic change + equal access to quality education + live-long learning + access to employment 	<p>X</p> <p>✓</p>
Ireland	<p>Not for ERDF South, East, Midlands ERDF programme</p> <p>Not in national JTF</p>	<p>X</p> <p>X</p>
Malta	<p>ERDF/CF/JTF programme Lumpsum for SME support</p> <p>ESF+ Programme support for access to employment and education</p>	<p>✓</p> <p>✓</p>



Phare RO 2005/017-553 04 03 04 02
"Livrarea de echipamente IT pentru
operarea sistemului SMS pentru
POS DRU"
MMFES-AM POS DRU



Unitatea Regională
POS-DRU NE



Nr. Inv. 211661-POS DRU
MMFES

Flat rates overview for grants



Basis	Flat-rate	Costs covered (or calculated)	Special provisions	Calculation
Direct costs	Up to 7% (art 54)	Indirect costs	7% does not need calculation	Off-the-shelf
Direct Staff Costs	Up to 15% (art 54)	Indirect costs	15% does not need calculation	Off-the-shelf
Direct Costs	Up to 25% (art 54)	Indirect costs	Requires methodology	FEV Method
Direct Costs	Roll-over 2014-2020 rate	Indirect costs	For similar operations	
Direct staff costs	Up to 40% (art 56)	Remaining costs (all other costs other than DSC)	ERDF/ESF+/JTF/home funds: Salaries/allowances paid to trainees not in flat rate + incompatible with 20% Art 55.1	Off-the-shelf
All other costs excluding direct staff costs	Up to 20% (art 55.1)	Direct staff costs	But if costs incl PP above EU thresholds then FEV method	Off-the-shelf

Categories of costs

Direct costs: costs directly related to an individual activity

- direct staff costs
- other direct costs

Indirect costs: costs which are not connected directly to an individual activity of the entity (typical administrative/staff expenditure, such as: management costs, recruitment expenses, costs for the accountant or the cleaner, telephone, water or electricity expenses, and so on)

SCO and further simplifications

Case: Dutch hourly staff cost calculation

Manager X has a work week of 36 hours (which according to social partners work agreement is a full time). Gross monthly salary is €2.625 monthly.

On top they charge flat-rate of 32% for social security and holiday allowance ($32\% * €2.625 = €840$);

total monthly gross salary becomes ($2.625 + 840 = €3.465$)

and annually $3465 * 12 = €41.580$

Using 1720 rule the hourly rate becomes

$41.580 / 1.720 = €24,17/\text{hour}$

Determining hourly rates for direct staff costs



Unit cost for hourly rates for Direct Staff Costs in grants (art 55.2)

Nominator	Denominator
Latest documented annual gross employment costs	1720 hours for persons working full time
Latest documented annual gross employment costs	Corresponding pro-rata of 1720 hours, for persons working part-time
Latest documented monthly gross employment costs	Average monthly working time of the person concerned



Hourly rates



Did you claim
hours in
excess of 1720
hours?

Special provisions

total number of hours declared per person for a given year or month shall **not exceed the number of hours used for the calculation of that hourly rate** (art 55.3)

Where annual gross employment costs are not available, they may be derived from the available documented gross employment costs or from the contract for employment, **duly adjusted for a 12 month period** (art 55.4)

Gold-plating and Hourly rates

Know Your
Hourly
Rate



	Special provisions
Timesheets	Staff costs related to individuals who work on part-time assignment on the operation may be calculated as a fixed percentage of the gross employment costs , in line with a fixed percentage of time worked on the operation per month, with no obligation to establish a separate working time registration system . The employer shall issue a document for employees setting out that fixed percentage (art 55.5)

Staff costs : determining the hourly rate

HOURS WORKED



HOURLY RATE
EUR/hour



Time records



Methodology FEV to calculate
average staff costs

1720 hours rule FT
or prorata

OWN HOURS

**NB: you cannot claim more than the
hours used in the denominator**

Lumpsums: no audit of real costs and underlying financial documents

**Nondelivery
leads to 100%
correction**

Period	Increase maximum level	Costs covered
2007-2013	max €50.000	Covering all or certain categories of eligible costs established in advance
2014-2020	max €100.000 of public contribution (per operation)	
2021-2027	No ceiling = no specific article ; only reference is Art 53.3	

**Correction if
intermediate
payments not
justified by
final delivery**

Let's look at a project costs: what can be covered by SCO?

Typology of costs	Direct Costs		Indirect Costs
	Direct Staff Costs	Other Direct Costs	
Actual Real Costs	Evidencing invoices (salaries and timesheets)	Evidencing invoices/apportioning of equipment use	Evidencing invoices and apportioning method for electricity
Unit Costs	1720 rule for full time or part time workers/pro-rata rule	Allowances 100 EUR/night	
Flat rate	Covered by 20% flat rate		Covered by 15%, 7%, max 25% flat rates
		Covered by 40% flat rate	
Lump Sum	20 000 EUR for providing stand in trade fair for group of SME		
Financing Not Linked to Cost	250 EUR per ton CO2 reduced (but it is not linked to costs!)		

Which SCO suits you best ?

You can go for super SCO...

Pros and Cons	FLAT RATES
+	<ul style="list-style-type: none"> Reduction errors and paper trail for small expenses
-	<ul style="list-style-type: none"> Tackling small part of spending Still need a clean basis

Pros and Cons	LUMPSUM
+	<ul style="list-style-type: none"> Well defined products or service Single payment/milestones
-	<ul style="list-style-type: none"> Binary approach Does not fit well innovative projects

Pros and Cons	UNIT COST
+	<ul style="list-style-type: none"> Proportional Input-output-results oriented
-	<ul style="list-style-type: none"> Perverse effects

Additional rules: Mandatory use SCO in grants



- **2014 - 2020:** SCO mandatory projects ≤50 000 € ESF/public support but not if State Aid (art 14.4 ESF)
- **2021 - 2027:** SCO mandatory if ERDF/ESF+/JTF and AMIF/ISF/BMVI projects ≤200 000 € total cost unless State Aid
- **MA/PMC can exempt R&I projects** (art 53.2 CPR)
- **Operations fully procured may be implemented with the use of SCOs**

Additional rules: SCO

Methodologies for grants (art 53.3)

- FEV method based on statistical data/expert judgment, verified historic data, accounting practices of individual beneficiaries
- Draft budgets case by case where TC not exceeding EUR 200 000
- EU policies or national schemes in similar operations (requirement of “similar beneficiaries” waived)
- Off-the-shelf solutions



SGEI and SCO French Court of Auditors Report 2021

- SGEI in ESF:
- But SCO should NOT be leading to overcompensation

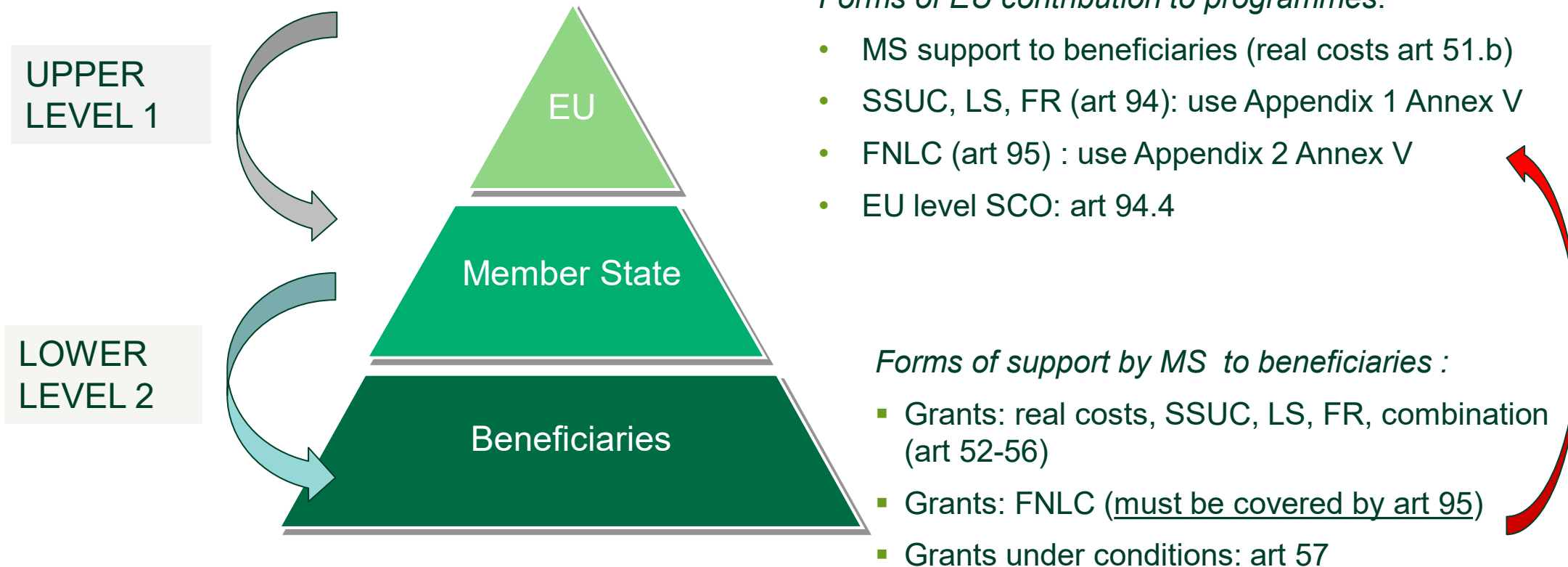
L'autorité de gestion, en l'occurrence la DGEFP, devrait être en capacité de démontrer que la méthode de calcul de la compensation versée aux structures de l'insertion par l'activité économique permet d'éviter toute surcompensation. Elle rencontre toutefois des difficultés pour y parvenir, de même que pour établir une méthode de calcul de coûts simplifiés validée par la Commission européenne, qui serait pourtant utile aux petites structures. À défaut, elle se contente, lors du contrôle de service fait, de s'assurer que le montant des ressources n'excède pas celui des dépenses exposées par les structures contrôlées.

Il importe de démontrer sans tarder que les structures de l'insertion par l'activité économique, notamment les ateliers et chantiers d'insertion, principaux bénéficiaires, peuvent remplir l'ensemble des critères constitutifs d'un SIEG.

Dans son rapport public thématique de janvier 2019 sur l'insertion des chômeurs par l'activité économique¹⁴, la Cour mettait en évidence des risques de non-conformité dans le cofinancement, par les crédits du FSE, des structures de l'insertion par l'activité économique. En septembre 2019, le *Pacte ambition IAE*, présenté par le Conseil de l'inclusion dans l'emploi au Président de la République, après une large concertation des réseaux de l'insertion par l'activité économique, soulignait la nécessité de finaliser les travaux sur les barèmes de coût standard unitaire, entamés en 2016, et de sécuriser ces structures au regard de la réglementation des aides d'État pour bénéficier de la qualité de SIEG.

Enfin, dans la mesure où le secteur de l'emploi donne lieu régulièrement à de nouvelles mesures, y compris au bénéfice du secteur de l'économie sociale et solidaire, la Cour souligne l'intérêt de recourir, préalablement à l'adoption des mesures et de manière plus systématique, à la procédure de pré-notification de celles-ci auprès de la Commission européenne (DG Concurrence). C'est d'ailleurs ce que propose désormais la section 3 du Code de bonnes pratiques pour la conduite des procédures de contrôle des aides d'État¹⁵ (2018/C 253/05) : menée en liaison avec le SGAE, cette procédure ouvre la possibilité pour le ministère à l'origine de la mesure proposée « d'examiner de manière informelle et en toute confidentialité les aspects juridiques et économique d'un projet de mesure avant sa notification formelle ».

Structure of financial support in 2021-2027



SCO and FNLC

CPR/ERDF/CF/ESF+ Regulations

FNCL/SCO optional (appendix 1 and 2 Annex V CPR). Level 1 and level 2

Appendix 1 Annex V can be submitted at OP approval or later aswell and needs to include estimate of expenditure covered

Appendix 1 and 2 is public alongside EC approval of OP

Fair, equitable and verifiable methodology, expert judgment

Upfront AA agreement

SCO should include only eligible expenditure

Recovery & Resilience Facility Reg.

FNLC mandatory

Calculations for the total estimated cost (incl unit cost) of the R&I is submitted at presentation of NRRP

Costing of R&I submitted in Excell format but are not public

Costs needs to plausible/in line, reasonable/evidence and commensurate/cost-efficient (including SCO)

MS ask validation by independent Fiscal Council

Costing excludes VAT and double funding

SCO issues

- Innovative actions often REAL COSTS
- Make it compulsory to use SCO: “not a la carte”
- Applying 40% when you have salaries and allowances of participants
- Defining what is a DSC: use the 3 P model
- Which costs in DSC: gross salary, social security contributions paid by company, home-work reimbursements, company share of “cheques-repas”
- Externals outsourced trainers in DSC: caring for materials or travel costs
- Non-exhaustive list of IC

Appendix 1 Annex V

A. Summary of the main elements

Priority	Fund	Specific objective	Category of region	Estimated proportion of the total financial allocation within the priority to which the SCO will be applied in %	Type(s) of operation covered		Indicator triggering reimbursement		Unit of measurement for the indicator triggering reimbursement	Type of SCO (standard scale of unit costs, lump sums or flat rates)	Amount (in EUR) or percentage (in case of flat rates) of the SCO
					Code ¹	Description	Code ²	Description			

B. Details by type of operation (to be completed for every type of operation)

Did the managing authority receive support from an external company to set out the simplified costs below?

If so, please specify which external company: Yes/No – Name of external company

1. Description of the operation type including the timeline for implementation ¹	
2. Specific objective(s)	
3. Indicator triggering reimbursement ²	
4. Unit of measurement for the indicator triggering reimbursement	
5. Standard scale of unit cost, lump sum or flat rate	
6. Amount per unit of measurement or percentage (for flat rates) of the SCO	

7. Categories of costs covered by the unit cost, lump sum or flat rate	
8. Do these categories of costs cover all eligible expenditure for the operation? (Y/N)	
9. Adjustment(s) method ¹	
10. Verification of the achievement of the units - describe what document(s)/system will be used to verify the achievement of the units delivered - describe what will be checked and by whom during management verifications - describe what arrangements will be made to collect and store relevant data/documents	

11. Possible perverse incentives, mitigating measures ¹ and the estimated level of risk (high/medium/low)	
12. Total amount (national and Union) expected to be reimbursed by the Commission on this basis	

C. Calculation of the standard scale of unit costs, lump sums or flat rates

1. Source of data used to calculate the standard scale of unit costs, lump sums or flat rates (who produced, collected and recorded the data; where the data are stored; cut-off dates; validation, etc.).

2. Please specify why the proposed method and calculation based on Article 94(2) is relevant to the type of operation.

3. Please specify how the calculations were made, in particular including any assumptions made in terms of quality or quantities. Where relevant, statistical evidence and benchmarks should be used and, if requested, provided in a format that is usable by the Commission.

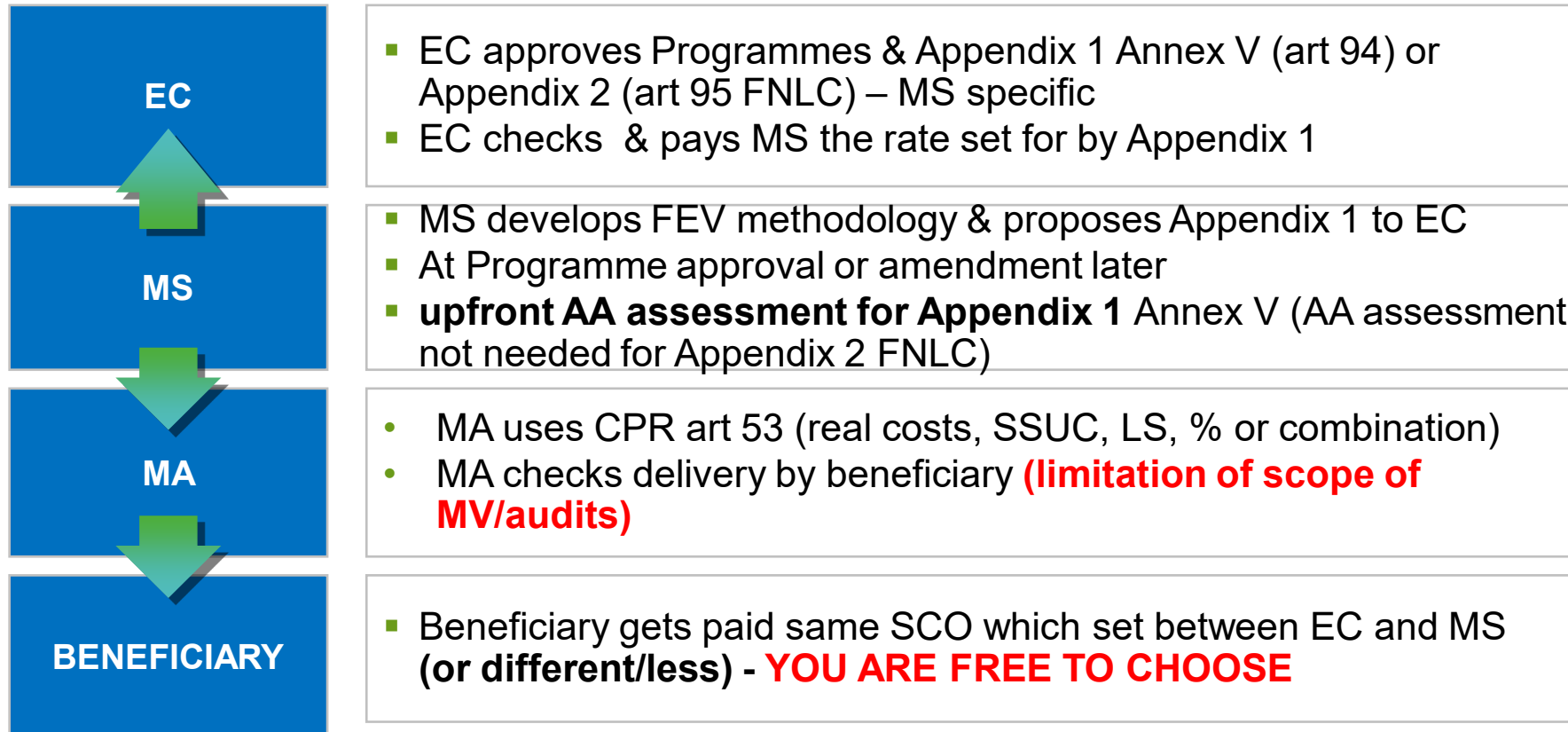
4. Please explain how you have ensured that only eligible expenditure was included in the calculation of the standard scale of unit cost, lump sum or flat rate.

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.

Lander Nord- Rhein Westphalen

1	ESF+	ESO4.8. Förderung der aktiven Inklusion mit Blick auf die Verbesserung der Chancengleichheit, Nichtdiskriminierung und aktiven Teilhabe sowie Erhöhung der Beschäftigungsfähigkeit, insbesondere von benachteiligten Gruppen	Stärker entwickelt	1,65%	134. Maßnahmen zur Verbesserung des Zugangs zum Arbeitsmarkt	„6.4 Beratungsstellen Arbeit“		Restkostenpauschale zu FP2 und FP4	der Gesamtsumme der Standardeinheitskosten von FP2 und FP4	Pauschalfinanzierung	40
1	ESF+	ESO4.8. Förderung der aktiven Inklusion mit Blick auf die Verbesserung der Chancengleichheit, Nichtdiskriminierung und aktiven Teilhabe sowie Erhöhung der Beschäftigungsfähigkeit, insbesondere von benachteiligten Gruppen	Stärker entwickelt	0,38%	134. Maßnahmen zur Verbesserung des Zugangs zum Arbeitsmarkt	„6.5 Basis Sprachkurse zur Arbeitsmarktintegration von Flüchtlingen“		P8 (Unterrichtsstunden): Erklärung der durchgeführten Unterrichtsstunden	Unterrichtsstunde	Kosten je Einheit	38
1	ESF+	ESO4.8. Förderung der aktiven Inklusion mit Blick auf die Verbesserung der Chancengleichheit, Nichtdiskriminierung und aktiven Teilhabe sowie Erhöhung der Beschäftigungsfähigkeit, insbesondere von benachteiligten Gruppen	Stärker entwickelt	0,38%	134. Maßnahmen zur Verbesserung des Zugangs zum Arbeitsmarkt	„6.5 Basis Sprachkurse zur Arbeitsmarktintegration von Flüchtlingen“		P9 (Unterrichtsstunden hauptbeschäftigte Lehrkraft): Erklärung der durchgeführten Unterrichtsstunden	Unterrichtsstunde einer hauptbeschäftigten Lehrkraft	Kosten je Einheit	77
1	ESF+	ESO4.8. Förderung der aktiven Inklusion mit Blick auf die Verbesserung der Chancengleichheit, Nichtdiskriminierung und aktiven Teilhabe sowie Erhöhung der Beschäftigungsfähigkeit, insbesondere von benachteiligten Gruppen	Stärker entwickelt	0,84%	134. Maßnahmen zur Verbesserung des Zugangs zum Arbeitsmarkt	„7.2 Regionalagenturen“		FP2 (Projektleitung): Erklärung zur Projektstätigkeit	Personalstelle und Monat (sowohl Stelle als auch Monat können jeweils anteilig in die Abrechnung einfließen)	Kosten je Einheit	7320
1	ESF+	ESO4.8. Förderung der aktiven Inklusion mit Blick auf die Verbesserung der Chancengleichheit, Nichtdiskriminierung und aktiven Teilhabe sowie Erhöhung der Beschäftigungsfähigkeit, insbesondere von benachteiligten Gruppen	Stärker entwickelt	0,84%	134. Maßnahmen zur Verbesserung des Zugangs zum Arbeitsmarkt	„7.2 Regionalagenturen“		FP4 (Projektmitarbeit): Erklärung zur Projektstätigkeit	Personalstelle und Monat (sowohl Stelle als auch Monat können jeweils anteilig in die Abrechnung einfließen)	Kosten je Einheit	5730
1	ESF+	ESO4.8. Förderung der aktiven Inklusion mit Blick auf die Verbesserung der Chancengleichheit, Nichtdiskriminierung und aktiven Teilhabe sowie Erhöhung der Beschäftigungsfähigkeit, insbesondere von benachteiligten Gruppen	Stärker entwickelt	0,84%	134. Maßnahmen zur Verbesserung des Zugangs zum Arbeitsmarkt	„7.2 Regionalagenturen“		Restkostenpauschale zu FP2 und FP4	der Gesamtsumme der Standardeinheitskosten von FP2 und FP4	Pauschalfinanzierung	40

SCO : How does Appendix 1 work ?



ANY QUESTIONS?

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Exercise: unit cost

- **Total cost = EUR 155 742**
- **20 trainees**
- **each one being trained for 1600 hours**
- **1 day has 8 hours**
- **Target : 75% of trainees into a job at the end of the training**
- **Devise a unit cost either :**
 - **a) process (input/output) based**
 - **or b) result based**
- **What are the PRO and CONS of your solutions? Any possible countermeasures?**

Control and audit of unit costs

Advantages and disadvantages of SCO

SCO chosen	+ PROS	- CONS	Possible countermeasures
'''			
''			
....			

Exercise: proper application of SCO with art 53.2 CPR on mandatory SCO use?

Project A	€	Reimbursement method chosen
Direct staff costs	100.000	Real costs
Indirect costs	15.000	Flat rate 15%
Other direct costs	75.000	Real costs
Total costs	190.000	

Project B	€	Reimbursement method chosen
Direct staff costs	100.000	Real costs
Indirect costs	15.000	Flat rate 15%
Other direct costs	90.000	Real costs
Total costs	205.000	



Common errors in apportioning: go for SCO!

Example 11

Falsified hotel invoice

Facts: A beneficiary submitted a hotel invoice to justify attendance at a meeting.


Red flag: The hotel belongs to a large group where all operations are computerised: clients' registration, invoicing, etc. The invoice was hand-written, had no number, did not indicate the currency and did not show any information related to the payment.


Reaction: The invoice was cross-checked with the hotel, which confirmed that it did not issue such invoices and that it did not know this client.

Outcome: The reimbursement was refused to the beneficiary. Taking into account the low amount at stake, no further action was carried out.

HOTEL
PLACE 13

For official use

Description	Montant
Room Rent	
3 x 85	255
	
Petit dj. :	
Extra :	
Total :	255

Ch. No. 404 Nom. 
Date : 14/1/2009 No. Prs. 1

Lump sums



Unit costs

Flat-rates





EU level SCO ERDF

Ref. Pres(2021)275/JOB - 20/04/2021



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
REGIONAL AND URBAN POLICY
Better implementation, Closure and Programme Implementation III
Better implementation and Closure

European Commission

Call for tenders REGIO/2021/OP/0009

**Study to develop EU level Simplified Cost Options (SCOs)
and other EU level results – based tools in the
programming period 2021-2027**

(2020CE16BAT166)

Open procedure

TENDER SPECIFICATIONS

2) Research & Innovation activities

Research and Innovation is necessary for countries and regions to become/remain competitive by increasing companies' productivity, accessing new, higher added-value markets and ultimately leading to sustainable employment creation in a context of fierce global competition. Europe needs a strong and creative human resource base, mobile across countries and sectors, with the right skills to innovate and to convert knowledge and ideas into products and services for economic and social benefit. In this respect, enhancing research and innovation capacities is key to promoting a 'Smarter Europe' as it allows to develop and transfer new skills, knowledge and innovation and, thus, to realise full potential of Europe's intellectual capital across all sectors and regions.

The contractor **shall establish the appropriate SCO (unit cost, lump sum or flat rate) as well as the relating indicators and audit trail** for the following actions/interventions:

- i. **Knowledge/technology transfer activities of SMEs** by promoting knowledge-exchange opportunities through mobility of researchers.

Categories of costs include all costs of the actions/interventions such as: staff costs for researchers, allowances, research costs (different according to target groups and whether research is experimental or non-experimental, overheads, research/training costs).

- ii. **Innovation vouchers for SMEs for Research & Development implementation** in innovative start-up projects in environmental technology or digital products.

Categories of costs include all costs of the actions/interventions such as: costs of scientific and technical equipment and materials, staff costs (researchers, engineers, technicians, support staff), project management costs.

- iii. **Research Development & Innovation research projects** focusing on collaboration between SMEs and public/private research institutions.

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Categories of costs include all costs of the actions/interventions such as: costs of scientific and technical equipment and materials, staff costs (researchers, engineers, technicians, support staff), project management costs.

- iii. **Research Development & Innovation research projects** focusing on collaboration between SMEs and public/private research institutions.

Categories of costs include all costs of the actions/interventions such as staff costs (researchers & technical support staff), travel costs for business trips of researchers, project management costs, publicity costs, indirect costs for research projects.

The above categories of costs are not exhaustive and are only intended to provide examples of what may be envisaged.

