

# Make Headway - Enhancing SCOs

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## Event-Report

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### Introduction

The report focuses on sessions which:

- included parallel group discussions
- included individual programme feedback
- resulted in agreements and their next steps
- resulted in open-points

Sessions dedicated purely to information or exchanges are covered with their respective presentations. All presentations from the event are [here](#).

During the 1,5 days event more than 60 participants representing more than 30 programmes contributed to the discussions with the objective to move the use of simplified cost options (SCOs) forward.

### What is the best way forward for staff costs?

During the [SCOs event in Tallinn in September 2019](#) a general agreement was reached that the right way forward should be a reduction of staff costs calculation methodologies. Participants agreed that the problem is not so much the different methodologies themselves, but the interpretation and variety of programme specific rules related to each method. In Tallinn, participants agreed to limit the focus on the following approaches:

- a) SCO: Unit costs for different functional/performance groups
- b) SCO: a single hourly rate/Member State based on programme data (Central Baltic programme volunteered to make such data available)
- c) Non-SCO: fixed percentage (this was an Interact proposal), participants agreed that it is a simplification, but not a SCO, which should remain the objective.

In Bratislava, this discussion was picked up, presenting the activities between the two events for the SCO approaches a) and b). For a) colleagues from the Austrian CBC network went on a fact finding mission to the DE-NL programme to learn more about the functional groups

approach. For b) based on data provided by Central Baltic programme an hourly rate for Estonia was calculated. In the course of that, also Eurostat data for hourly rates were consulted. To further identify the most suitable/interesting/relevant staff cost methodology, participants were asked to discuss 4 different methods

- a) SCO - unit cost: single hourly rate per Member State based on programme data
- b) SCO – unit cost: single hourly rate per Member State based on Eurostat data
- c) SCO – unit cost: several hourly rates as of functional/performance groups
- d) Non SCO – fixed percentage

Participants identified advantages & disadvantages for each approach, as well as problems & potential solutions.

In a second round each programme had to decide for one method (non-binding, of course ☺) and discuss concrete next steps to put the methods into practice.

Please find the overview of the results for the different methods at the end of the document.

### Agreements & homework (Interact, programmes volunteering)

#### Agreements

- To work further for staff cost harmonisation on:
  - 1 hourly rate/ MS based on Eurostat data (SCO unit costs)
  - Functional/performance groups (model DE-NL) (SCO unit costs)
  - fixed percentage (real costs)
- To disregard “1 hourly rate/MS based on programme data” (cost/benefit, risks)

#### Homework *1 hourly rate/MS based on Eurostat data*

- Interact will until mid of March
  - look further into the different NACE Rev. 2 categories (support by programmes appreciated)
  - check other NACE Rev. 2 categories to see if a mix of them would be the best approach
  - Prepare a time plan, including other tools for harmonisation (e.g. timesheet template)
- Programmes will
  - reach out to 1-2 projects to check if they would be interested to use such an approach – NWE & Interreg Europe programmes
  - do a reality check to see there is a risk of significant win-lose – NWE & Interreg Europe
  - do a comparison of Eurostat hourly rate with hourly rates calculated based on programme data - BSR & Central Baltic programme

#### Homework *functional/performance groups (DE-NL model)*

- Interact will make the following materials available until mid of March:
  - Materials from Interreg DE-NL: Description of functional groups, hand-out for assignment to functional groups and summary of the study-trip to Interreg DE-NL in January 2020 (in DE, EN)
  - Hints on relevant benchmarks (Eurostat, wage schemes, collective wage systems) – questions refer among others to wage gradients between urban

- Country co-efficient (might be an issue for other calculation approaches as well)
  - SI-HU, PL-DE & DE-CZ are about to start respectively already work on an analysis of historical programme data – which might serve as a basis for exchanges on methodology (pitfalls, shortcuts) and benchmarks
- Homework *fixed percentage (real-costs)*
- Interact will work until mid of March on
    - a proposal for a fact-sheet for harmonised rules (changes of % etc.)
    - a proposal for a template for tasks assignments
    - a PowerPoint presentation to be used as talking points with controllers and other stakeholders

**SCOs in the project lifecycle**

After a brief presentation by Interact on (potential) implications of SCOs in the project lifecycle, participants were asked to indicate the area(s) (each person could use up to 3 dots), which they think will be mostly impacted by a shift from real costs to SCOs.

Dotting exercise result

Steps	SCOs induce the need to rethink the management approach ... Where do you expect the most significant need for adjustment of procedures, templates, work routines as well as task division between different bodies?
Guidance	■■■ ■■■ ■■■ ■■■ ■■■ ■■■
Application	■■■ ■■■ ■■■ ■■■
Submission	
Assessment	■■■ ■■■ ■■■ ■■■ ■■■ ■■■ ■■■ ■■■
Selection	
Contracting	
Reporting	■■■ ■■■ ■■■ ■■■ ■■■ ■■■
Management verification	■■■ ■■■ ■■■ ■■■ ■■■ ■■■ ■■■ ■■■ ■■■
Closure	
Complaints	

More detailed looks into assessment and project changes by the group have shown:

#### **Assessment**

- Introduction of SCOs does not necessitate major changes to templates for quality assessment
- Assessment of value for money is a key criterion and it poses a challenge for programme management, independent of the use of SCOs

#### **Changes**

- As project activities and SCOs might be closely interlinked (e.g. lump sum and content), programmes need to pay attention to their rules and procedures as implications are possible

### **SCOs and quality assessment**

When performing quality assessment of project applications, for both real costs and SCOs the focus is placed on the assessment of the value for money.

There was a common understanding at the event, that programmes use a soft approach when assessing value for money: what has been created in terms of integrity, partnership, networks, and what's actually delivered?

Only a few programmes calculate how much certain indicators/outputs cost, and price/quality ratio (with the help of the external experts).

It was also agreed that when assessing the strategic criteria of quality assessment (e.g., project strategy, project objective and project's fit into the programme's intervention logic), SCOs play no role (as these are already an operationalisation of the project idea).

In smaller groups, we looked at the exemplary guiding questions for assessment of 2 criteria: work plan and budget (offered by the HIT template for quality assessment). Groups looked at how assessment questions change for project applications consisting of flat rates (15% for admin, 20% for staff costs, 40% for all costs other than staff costs), unit costs (for staff costs; meetings and events); lump sums (preparation costs; entire small projects).

The general conclusion was that the quality assessment does not really change when SCOs are used (as compared to real costs approach). Certainly, some questions could not have been assessed (e.g., if a lump sum is used it is impossible to assess how proportionally the budget is distributed between the budget lines or project partners). The focus of the quality assessment remains on the quality of the outputs, if all proposed activities are necessary for delivery of the project outputs and objectives and so on.

**Conclusive remark: the focus of the quality assessment of applications remains on project content, adequacy, value for money and indicators for both SCOs and real costs.**

## SCOs and project changes

Project changes and their verification, regardless of their nature, are part of the project and programme life.

There are the following main types of project changes:

- partnership
- content
- finances
- time frame

In smaller groups, participants discussed the question: is it possible to implement all types of project changes with the different SCOs (flat rate, lump sums, unit costs)?

	Unit costs		Flat rate		Lump sums	
	Y/N	Why/What?	Y/N	Why/What?	Y/N	Why/What?
<b>Partnership</b>	Y	If applicable (if rates change)	Y, N	Partner budget → project limitations, Project & Programme differences (is a new partner obliged to use a flat rate if this was optional for the old partner?)	Y	For instance, events Possibly partnership agreement or subsidy contract need changing
<b>Content</b>	Y	No of units change Change to activities not covered by unit cost.	No additional conclusions were possible – it turned out during the discussion that the issue is rather complex and requires more time		Y, N	If LS related: No If not defined in LS: Yes
<b>Finances</b>	Y, N	Depends e.g. on overall budget or breakdown			N	If project implemented as LS, otherwise as “content”
<b>Time frame</b>	Y	Indexation (one year to another)			Y	Normal programme procedure (partnership agreement, subsidy contract)

During setting up of SCOs, programmes should anticipate all possible implications e.g.:

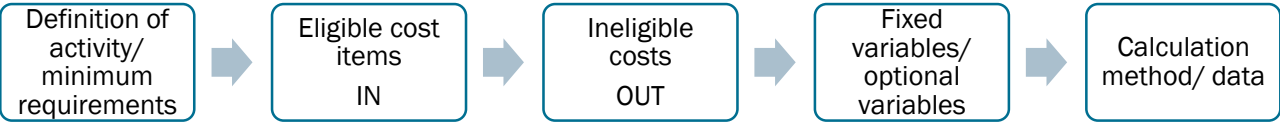
- a change of a project partner on originally selected SCOs within project (e.g. can a new partner change originally selected flat rate?),
- changes in staff functional categories or acceleration of activities performance on reductions of project's budget (should project keep generated savings or should they be returned to a programme?),
- on indicators in case of lump sums (partners need extra guidance during project's preparation phase to understand implications of setting up too detailed indicators).

IT programme management tools should not constrain implementation of allowed changes.

**Conclusive remark: the discussion was an important starting point and requires further work. It will be picked up at future events.**

**Setting up SCOs for meetings & events**

Following introductory presentations by Interact and the Italy-Albania-Montenegro programme, each table discussed possibilities for setting-up SCOs for meetings/events. Starting point was a decision for either a unit costs or a lump sum then following this approach:



Results from the table discussions:

Unit costs for meetings/events	Lump sums for meetings/events
<p><b><u>Definition of activity</u></b></p> <ul style="list-style-type: none"> <li>Consider, if external events only (rationale: internal meetings don't pose significant cost and should be considered as beneficiary's contribution?)</li> </ul> <p><b><u>Eligible cost items - IN</u></b></p> <p>Sorted according to frequency; indicated by counts: I, II, III</p> <ul style="list-style-type: none"> <li>Cost for rent of the venue ###</li> <li>Catering ###</li> <li>Interpretation, translation II</li> <li>Facilitation, expert (including travel and accommodation) II</li> <li>Interpretation, translation II</li> <li>Equipment</li> </ul> <p><b><u>Ineligible costs - OUT</u></b></p> <ul style="list-style-type: none"> <li>Staff cost ###</li> <li>Travel (most likely in future covered by flat rate) III</li> <li>Office and administration (covered by flat rate) II</li> <li>Travel of participants I</li> <li>Interpretation, translation I</li> </ul>	<p><b><u>Definition of activity</u></b></p> <ul style="list-style-type: none"> <li>Examples               <ul style="list-style-type: none"> <li>Training, covering                   <ul style="list-style-type: none"> <li>participants</li> <li>experts</li> </ul> </li> <li>Training, covering                   <ul style="list-style-type: none"> <li>Participants</li> </ul> </li> <li>People meeting, covering                   <ul style="list-style-type: none"> <li>4h meeting</li> <li>2 countries</li> </ul> </li> </ul> </li> </ul> <p><b><u>Eligible cost items - IN</u></b></p> <p>Sorted according to frequency; indicated by counts: I, II, III</p> <ul style="list-style-type: none"> <li>Venue, equipment (some including) speakers, artists, security IIII</li> <li>Catering IIII</li> <li>Travel &amp; accommodation participants II</li> <li>Translation II</li> <li>Communication material II</li> <li>Trainer/moderator/facilitator I</li> </ul> <p><b><u>Ineligible costs - OUT</u></b></p> <ul style="list-style-type: none"> <li>Travel &amp; accommodation III</li> <li>Staff costs III</li> <li>Moderator I</li> </ul>

<p><b><u>Variables to consider</u></b></p> <ul style="list-style-type: none"> <li>• Country / location</li> <li>• Number of participants</li> <li>• Duration of the meeting (not necessarily if unit cost per day and participant; provided half-day meetings are excluded (there would be good reasons to do so))</li> </ul> <p><b><u>Method</u></b></p> <ul style="list-style-type: none"> <li>• Historical data</li> <li>• Market research</li> </ul> <p><i>In case of historical data, it is advisable to use market research as benchmark</i></p>	<p><b><u>Variables to consider</u></b></p> <ul style="list-style-type: none"> <li>• Fixed: catering &amp; venue</li> <li>• Optional: translation</li> </ul> <p><b><u>Method</u></b></p> <ul style="list-style-type: none"> <li>• Historical data II</li> <li>• Eurostat</li> </ul>
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### Agreements & homework (Interact, programmes volunteering)

#### Agreements

- To focus on the possibility to develop a unit cost:  
**Amount per participant per day per Member State**
  - Looking into Jean Monnet (Erasmus +) unit cost approach
  - Looking into the possibility to work with Eurostat country co-efficient
- To no longer work on a lump sum approach

#### Homework

- Interact will analyse its own data (we really organise a lot of events in different Member States) to check if a useful/reliable conclusion can be drawn.  
Deadline: app. Mid-March, results to be published in the Community

### Closure lump sum & preparation costs lump sum

Following Tallinn agreements and several discussions in other events a preparation lump sum proposal was presented.

Just to better illustrate the main points for discussions, the lump sum would

- cover all types of costs incurred between the beginning of eligibility period (e.g. 01.01.2021) and the date of the project approval (e.g. a decision of Monitoring Committee) necessary for preparation of the project (e.g. staff costs, office and administration, travel and accommodation, external expertise and service...)
- not cover cost for preparation of investment projects, e.g. environmental or feasibility studies. Such costs would be covered by implementation activities regardless if they were incurred before the project approval.

### Main points of discussion:

- Exclusion of preparation costs for investments from the preparation phase might be misleading and may increase the error rate (due to overlapping time periods).
- For some programmes separation in historic data investment costs from other preparation costs may be very difficult or even impossible (some programmes have been using already preparation lump sums for all preparation types of costs).
- For some programmes the eligibility period starts after a project approval. Such programmes don't allow for preparation costs at all. They also don't have historic data needed for setting up of the lump sum.
- Most programmes which have already introduced preparation costs in this programming period would prefer to keep their current rules.

### Agreements & homework (Interact, programmes volunteering)

#### Agreements

- No agreement was reached.

#### Homework

- Interact will reach out to programmes already working with preparation costs flat rate to see what are the minimum requirements and what can be the smallest common denominator.
- Interact will reach out to programmes which would prefer to keep “their” approach to see if there is room to accommodate needs and find compromises.

Unfortunately, there was no time to tackle the question of a closure lump sum. This topic will be brought back on the agenda at suitable occasions, we also propose to use the SCO-Community as a reflection platform.

In case you would like to become a member of the SCO-Community please reach out to [sco@interact-eu.net](mailto:sco@interact-eu.net).



## Overview from group discussions for staff costs

Staff costs – 1 hourly rate/MS – programme data (SCO unit costs)			
Advantages	Disadvantages	Interested programmes	How to proceed
<ul style="list-style-type: none"> <li>reliability of historic data used for calculation of a rate,</li> <li>clear audit trail,</li> <li>once introduced to programme significantly simplify and accelerate various implementation processes (e.g. guidance, assessment, control – no need for experience knowledge or time-consuming verifications to perform these tasks by even not experienced staff of programme institutions)</li> </ul>	<ul style="list-style-type: none"> <li>'winners vs losers' - project perspective - (different rates for partners from different Member States, functional groups, performing the same activities in the project, the same rate for all programming period). These discrepancies might               <ul style="list-style-type: none"> <li>lead to tensions among partners' personnel,</li> <li>might hamper smooth cooperation within a project and</li> <li>can have a negative impact on quality of performed within a project activities (potential preventive measures: annual indexation, cross-checking with Eurostat rates).</li> </ul> </li> <li>might be exclusive for beneficiaries with limited budget capacities,</li> <li>'winners vs losers' – programme perspective – overspending programme allocation on simple tasks,</li> <li>high workload and time consumption of skilled programme personnel needed to:               <ul style="list-style-type: none"> <li>establish a rate for a programme,</li> <li>compare with rates/ data (in case of overlapping programmes) from other programmes,</li> </ul> </li> <li>very unlikely to find consensus among all programmes in one Member State (lack of comparable data)</li> </ul>	DE-NL BE-NL	N/A → Method no longer considered

<b>Problems/solutions</b> <ul style="list-style-type: none"> <li>Reliability of calculations → cross-check with Eurostat data</li> <li>Indexation → solution for differences among MS, but also for continuation to the next programming period</li> <li>MS willingness to apply one rate to all programmes</li> </ul>			
<b>Staff costs – 1 hourly rate/ MS based on Eurostat data (SCO unit costs)</b> <b>Category: professional, scientific and technical services (code M)</b>			
<b>Advantages</b> <ul style="list-style-type: none"> <li>Easy</li> <li>No work behind</li> <li>Cheaper for MA – methodology is ready to be implemented</li> <li>legal certainty is there</li> <li>Rate per MS is available (with the exception of Cyprus for the specific category selected)</li> <li>Easy to check – controllers (no need of controllers at all?)</li> <li>Possibility of using 40% flat rate on top of staff costs calculated as unit costs (based on Eurostat) – claims with time sheets to be checked only!</li> </ul>	<b>Disadvantages</b> <ul style="list-style-type: none"> <li>Win/ lose situation</li> <li>Artificial pump up of number of hours worked (not this method's specific problem, in general with unit costs)</li> <li>Differentiation between skilled/ semi-skilled/ non-skilled staff</li> </ul>	<b>Interested programmes</b> <ul style="list-style-type: none"> <li>Central Baltic</li> <li>Baltic Sea Region</li> <li>Estonia – Latvia</li> <li>North-West Europe</li> <li>Slovakia – Austria</li> <li>Slovakia – Czech Republic</li> <li>South Baltic</li> <li>France – Germany – Switzerland (Upper Rhine)</li> </ul>	<b>How to proceed</b> <ul style="list-style-type: none"> <li>Check categories of economic activities offered in Eurostat (NACE Rev. 2), check what is 'behind' different categories. Analyse and select the most relevant one. If it is not one that is the most relevant, select few and calculate the average hourly rate (from rates of different categories)</li> <li>Approach 1 – find 1-2 projects that might be interested in this option – send them an email with the hourly rate (as in Eurostat) and ask partners if they would be interested to use it =&gt; reality check of what is the real win/ loose.  Volunteered programmes to do this check: NWE, Interreg Europe</li> <li>Approach 2 – reality check based on the historical programme data -&gt; comparison with the hourly rates offered in Eurostat (for the selected economic category(ies)) -&gt; analyse which is the closest category from Eurostat to amounts resulted from the programme data analysis.  Volunteered programmes (programme data check): BSR, CB</li> <li>Design harmonised template for a time sheet – to be used if and where needed only! (not a compulsory mechanism)</li> </ul>
<b>Problems/Solutions</b> <ul style="list-style-type: none"> <li>How big is the win/ loose in reality?</li> <li>Willingness of MSs/ programmes to use 'one fit all' approach -&gt; convincing work to be done! harmonisation approach!</li> <li>Justification for category of economic activities selected</li> <li>Updating hourly rate (data available quarterly) -&gt; to analyse the percentage of change for the last 7 years, to include % of change on top of the unit cost hourly rate and to use for the 7 years of programming</li> </ul>			

		<ul style="list-style-type: none"> <li>• Write down the methodology</li> <li>• Analysis for the update of the hourly rate: calculate the % of change (Eurostat data from the past 7 years) -&gt; add the amount on top to the hourly rate. In this way, we will account for the possible hourly rate changes for the 7 years of programming – no need to update the hourly rate any longer.</li> <li>• One harmonised assessment of the methodology – one for all, involvement of the Audit Unit? Check if possible with the EC</li> <li>• Start convincing MSs/ programmes to use this option! -&gt; ‘plant the seed’ well in advance! Critical mass is crucial!</li> <li>• Prepare time-table of the work plan asap!</li> </ul>
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Staff costs - Functional/performance groups (model DE-NL) (SCO unit costs)			
Advantages	Disadvantages	Interested programmes	How to proceed
<ul style="list-style-type: none"> <li>• Number of groups (allows for negotiations and flexibility; allows to narrow losses and gains) – meaningful range would be 4 to 6 groups</li> <li>• Less administrative burden for beneficiaries and programme management in implementation</li> <li>• Healthy change of mindset – from focus on academic degrees and qualifications to actual tasks</li> <li>• Matches project philosophy – centred on functions in/for the project</li> <li>• Easy to understand</li> </ul>	<ul style="list-style-type: none"> <li>• Number of groups (opens room for questions related to assignment of persons to functional groups)</li> <li>• Challenge to cover neighbouring countries (low number of cases, lack of benchmarks from Eurostat, public wage schemes etc.)</li> <li>• Work with historical data poses risk – e.g. regions with sharp rise of wage costs; lack of historical data in forthcoming period (but pragmatic approach to indexation possible (cf. DE-NL)</li> <li>• Takes time to get the model up and running</li> <li>• Assignment to functions might turn into a lengthy process</li> </ul>	<ul style="list-style-type: none"> <li>• Interreg NORD (SE-FI-NO)</li> <li>• CZ-PL</li> <li>• DE-CZ (Bavaria)</li> <li>• AT-CZ</li> <li>• AT-HU</li> <li>• SI-HU</li> <li>• PL-DE (Saxony)</li> <li>• DE-NL (applies it)</li> </ul>	<ul style="list-style-type: none"> <li>• Analysis of historical data (SI-HU, PL-DE, DE-CZ)</li> <li>• Definition of scope for hiring external expertise</li> <li>• Identification of suitable benchmarks in order to found calculation method for the AA assessment (e.g. wage schemes in public sector, Eurostat data etc.)</li> <li>• Involvement of FLC to support data collection It would be good if the interested programmes exchange their approaches to functional groups</li> </ul>

**Problems/Solutions**

- Additional explanations for the assignment to the groups needed
- Country coefficients could help programmes with significant salary differences