



Updated Guidance Note on SCOs

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Overview

- *Background*
- *Main new elements*
- *Next steps*
- *Q&A*

Background

- *Revision reflects numerous Q&A*
- *New provisions introduced by 'Omnibus Regulation'*
- *Clarifications, clearer structure, re-drafting*

2.5. SCOs and State aid rules

- *Does the support constitute State aid?*
 - **Article 107(1) TFEU**
 - **Commission Notice on the notion of State aid** (OJ C 262, 19.07.2016, p. 1)
- *Does it constitute de minimis?*
- *General Block Exemption Regulation (GBER)*
- *Agricultural Block Exemption Regulation (ABER)*

3.1. Flat rate financing

Need to "define the different categories of costs in a consistent, non-equivocal and non-discriminatory way"

➤ **Where?** *National eligibility rules or programme rules (for ETC)*

New: *Direct staff costs (partly) paid by third parties (e.g. recruitment subsidy) ?*

New: *Art. 68(a) – indirect costs calculated as a flat rate of up to 25 % of eligible direct costs – **capping !***

- *New flat rates introduced with Omnibus:*
 - **Art. 68a(1)** - flat rate to calculate direct staff costs of an operation (up to 20% of the direct costs)
 - **Art. 68b(1) CPR** – flat rate to calculate the remaining costs (up to 40% of direct staff costs)
- *No methodology required, thus no capping*
- *"up to" – **no justification** or calculation required*
 - **But: Respect the principle of equal treatment of beneficiaries**

3.2. Standard scales of unit costs

- *Article 68a(2)-(4) staff costs: latest documented annual gross employment costs divided by 1720*
- *1720 hours is a standard annual 'working time'*
- *The result constitutes (a) unit cost(s)*
- *Capping (exemption for ETC)*
- *Extrapolation and pro-rata allowed*
- *Single staff member or aggregate of employees*
- *Hours worked: only if costs are incurred by beneficiary (sick leave, maternity!)*

3.4. Flat rate for technical assistance

- *New chapter covering the flat rate for TA set in Commission Delegated Regulation (EU) 2019/1867 of 28 August 2019*
- *Entry into force of the DA: 9 November 2019*

http://data.europa.eu/eli/reg_del/2019/1867/oj

4.3. Draft budget

- *Article 67(5)(aa) CPR - use of a draft budget to establish unit costs, lump sums or flat rates*
- *case-by-case basis and agreed in advance by the managing authority for operations where the public support does not exceed 100.000*

Source: Former Article 14(3) of the ESF Regulation

4.4. SCOs from other areas

- *Article 67(5) (c) CPR – national schemes:
“The national methods used will not be subject to audits; audits will only assess whether the chosen method is well justified and how it is applied.”*
- *Clarification if national schemes are modified or discontinued – changes apply to new calls*

5. Consequences for audit & control

"When SCOs are applied, controls and audits will not check ex post the invoices and amounts paid by beneficiaries; they will check that the methodology setting up the SCO ex ante is in line with applicable rules and that it is correctly applied."

5.2. AA´s role in SCO design

- *COM highly recommends involvement of AA ex-ante*
- *AA can use the result of its work during future audits*
- *Helps preventing systemic errors*

5.3. General management verifications and audit approach

- *Article 125(4)(a)(ii) CPR states that the managing authority shall verify that the co-financed products and services have been delivered, that the operation complies with applicable law, the operational programme and the conditions for support of the operation.*
- *For SCOs, management verifications (and, as a consequence, audits) shall aim at verifying that the conditions for reimbursement of expenditure to the beneficiary have been met.*

Scope of management verifications and audits:

"Management verifications and audits will not cover the individual invoices and specific public procurement procedures underlying the expenditure reimbursed on the basis of simplified cost options.

As a consequence, these underlying financial or procurement documents shall not be requested with a view to check the amounts (expenditure) incurred and paid by the beneficiary."

5.3.1 Verification of the calculation method:

Done at the level of the MA or IB:

- *proper documentation*
- *costs included in the calculations are relevant and eligible*
- *all categories of costs which are covered by the SCO exist*

"The choice of method remains the sole responsibility of the Managing Authority."

"There is no legal basis to ask for underlying documents for SCOs established in the CPR" (e.g. flat rates for indirect costs etc.)

5.3.2 Verification of the application

Done at the level of the beneficiary

"(...) no need to justify the real costs of the categories of expenditure covered by the simplified cost options (...)"

- *Flat rates: basis cost*
- *Unit costs: units delivered, unit cost x delivered units; other conditions set if applicable*
- *Lump sums: steps/milestones completed and outputs/results delivered*
- *No double declaration*

Process

- *Presentation at EGESIF (done)*
- *Translation into all official EU languages (done)*
- *Formal adoption by the Commission (ongoing)*
- *Publication in the Official Journal of the EU*



Q & A ?

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Further info on SCOs :

<https://ec.europa.eu/esf/main.jsp?catId=1434&langId=en>