



NetZeroCities

Financial Guidelines for Applicants to the Call for Pilot Cities

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Introduction

The purpose of this document is to enable applicants to prepare their grant applications for the NetZeroCities (NZC) Call for Pilot Cities. The document provides a summary to help preparing the application budget and contains the main legal and financial rules for the NZC Call for Pilot Cities. The NZC project is funded under Horizon 2020, and the rules for the NZC applications reflect those of the H2020 Programme.

The information given is not exhaustive and applicants are therefore asked to carefully read the NZC call for proposals. The award agreement – signed with the awarded organisations – will include the legal and financial rules contained in this document.

1 General Principles

NZC Call for Pilot Cities grants are subject to the principles laid down below, in particular the principles of prohibition of double financing and non-profit.

Non cumulative award

A given project activity may only receive one grant from the NZC budget. Under no circumstances shall the same costs be financed twice. To ensure this, applicants shall indicate in the grant application any funding received or applied for, (and the source(s)) for the project, specifying the relevant activities or for the applicant's functioning during a relevant financial year(s).

No-profit principle

The NZC grant may not have the purpose or effect of producing a profit. Profit is defined as a surplus of the receipts over the eligible costs incurred, when the request is made for payment of the balance. If this calculation results in a profit, the granting organisation (EIT Climate-KIC) will reduce the final amount of the grant proportionally to the profit made. The verification of the no-profit principle does not apply for beneficiaries which are a non-profit organisation.

2 Definitions

Applicant/s - Beneficiary/ies

"Applicants" are organisations, which submit a project proposal; "beneficiaries" are applicant entities which then sign the award agreement with the granting organisation (EIT Climate-KIC). They are actively involved in the implementation of the project and are financially engaged, be it by hiring staff or incurring other costs.

The text of the NZC Call for Pilot Cities specifies, inter alia, the eligibility criteria for applicants. The proposals can be submitted by a group of several applicants (consortium).

In the proposals submitted by a consortium, one applicant must take the role of lead applicant and is called the "coordinator". The other organisations involved in the application are called "co-applicants" at application stage and "co-beneficiaries" in the award agreement. The coordinator is responsible for



submitting the proposal on behalf of the consortium, acting as the contact point for the consortium during the application and subsequent grant agreement processes, and for coordinating the signing of the award agreement, with the co-beneficiaries.

The award agreement will detail the specific obligations of the coordinator and the co-beneficiaries.

3 Estimated Budget of the Project

3.1 Balanced Budget

The applications to the NZC Call for Pilot Cities must include a detailed estimated budget presented in Euros. Applicants established in countries outside the Euro zone must use the conversion rates published in the C series of the Official Journal of the European Union (OJ) available at https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/index.en.html

Applicants should be aware that they fully carry the exchange rate risk. The budget estimate must be properly balanced: the two totals (income and expenditure) must be the same since the available income (the grant requested from the NZC Call for Pilot Cities) will have to finance the planned expenditure.

Expenditure must include the estimated costs for the implementation of the project exclusively.

3.2 Maximum Grant Amount and Reimbursement Rate

The total funding available for the NZC Call for Pilot Cities is €32 million, and the estimated number of grants will be: 12 grants for a maximum grant amount of €1.5 million; 10 grants for a maximum grant amount of €1.0 million; 8 grants for a maximum grant amount of €0.5 million.

The reimbursement rate is 100% of the total eligible costs. The maximum grant amount can NOT be exceeded.

3.3 Form of Grant and Eligibility of Costs

Financial support is provided in the form of grants based on, and reimbursed against, actual costs incurred and submitted in interim and final reporting. Only indirect costs are calculated on the basis of a flat rate (25% - as per H2020 rules).

In order to be eligible for funding, eligible costs must meet the following criteria:

- a) be incurred by the beneficiary during the duration of the project, with the exception of costs relating to final reports and audit certificates;
- b) be indicated in the estimated overall budget of the action attached to the award agreement;
- c) be necessary for the implementation of the project which is the subject of the grant;
- d) be identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is/are established and according to the usual cost-accounting practices of the beneficiary;



- e) comply with the requirements of applicable tax and social legislation;
- f) be reasonable, justified and comply with the principle of sound financial management, in particular regarding economy and efficiency.

Value added tax (VAT) is considered as eligible where it is not recoverable under the applicable national VAT legislation and is paid by a beneficiary other than a non-taxable person as defined in Article 13(1) of Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax.

The successful applicant/s must take care to avoid any unnecessary or unnecessarily high expenditure.

The beneficiary's internal accounting and auditing procedures must permit a direct reconciliation of the costs and revenue declared in respect of the project with the corresponding accounting statements and supporting documents.

Documentation justifying costs must be kept by the beneficiary for five years following the closure of the NetZeroCities project.

Eligible costs may be direct or indirect.

3.3.1 Eligible Costs

The eligible direct costs for the project are those costs which, provided that they satisfy the criteria of eligibility set out above, are identifiable as specific costs directly linked to the performance of the project and which can therefore be attributed to it directly.

Extra costs associated with the participation of people with disabilities are also eligible. These costs may be required to cover the use, for example, of special means of transport, personal assistants, or sign language interpreters.

The following categories of direct costs are considered eligible: Personnel, Subcontracting and Purchase Costs. Indirect Costs are also eligible.

Cost Category	
A. Personnel Costs	
B. Subcontracting Costs (no indirect costs)	
C. Purchase Costs	C.1 Travel and subsistence
	C.2 Equipment
	C.3 Other goods, works and services (e.g. consumables, dissemination, audit costs)
D. Indirect Costs (= 25% * (A + C.1 + C.2 + C.3))	
Eligible Costs (A + B + C + D)	

a) *Personnel Costs* - This category covers costs for personnel working under an employment contract for the beneficiary, including in-house consultants having a contract directly with the beneficiary, and personnel seconded to the beneficiary by a third party against payment. The personnel have to be assigned to the grant and their time working on the grant needs to be documented through a time-

recording system (e.g. timesheets), in order to claim the costs. Daily rates will apply and will be based on a fixed number of 215 working days per calendar year:

$$\text{Daily Rate} = \text{Actual annual personnel costs for the person divided by } (\div) 215$$

$$\text{Personnel Costs} = \text{Daily rate} \times \text{days worked on the NZC grant}$$

The actual annual salary includes social security contributions, taxes and other mandatory costs linked to the remuneration.

b) *Subcontracting Costs* - This cost category covers subcontracts for the implementation of certain action tasks described in the project. To be eligible, the nature and estimated costs must be foreseen in the estimated budget. Subcontracting may only cover a limited part of the project action. Subcontracts must be awarded ensuring competitive selection procedures on a “best value for money” basis and avoiding potential conflicts of interest. Subcontracting may not cover tasks of the project such as project management and coordination. Subcontracting is not allowed between members of the consortium.

c) *Purchase costs* - This category covers costs for goods, work, or services necessary to support the implementation of the project, and it is divided in three sub-categories: Travel and Subsistence; Equipment; Other goods, works and services. c1) *Travel and Subsistence* cover all the project related travels costs during the duration of the project (e.g. to project meetings, events, etc.). Costs generally should be for travel and subsistence for personnel of the awarded organisation. However, travel and subsistence costs for experts participating in the project are eligible provided this is explicitly foreseen in the budget. c2) *Equipment* covers depreciation costs or costs for renting or leasing equipment. Equipment is normally capitalised over its useful life, but only the portion of costs related to the project and for the duration of the project can be depreciated and is eligible. Costs should be calculated according to national/institutional accounting practices. c3) *Other goods, works and services* covers any additional cost needed to implement the project (e.g. dissemination and communication activities, audit certificates, etc.).

d) *Indirect costs* - Those are costs that cannot be identified as specific costs directly linked to the project but are necessary to run, manage and administrate the beneficiary’s organisation. They are limited to a flat-rate of 25% of the total eligible direct costs for the project (Personnel Costs + Purchase Costs; Subcontracting costs do not attract the overheads). These can include the expenditure – such as heating, electricity or other forms of energy, water – necessary for the successful completion of the project. As indirect costs are a flat rate, no supporting evidence is needed to verify them.

3.3.2 Ineligible Costs

Costs are not eligible when they do not comply with the conditions set out above, in particular:

- costs related to return on capital;
- debt and debt service charges;
- provisions for future losses or debts;
- interest owed;
- doubtful debts;
- currency exchange losses;
- excessive or reckless expenditure;
- deductible VAT;
- costs incurred in case of suspension of the project implementation.



3.3.3 Out of scope Costs

The following costs are out of scope for the NZC Pilot Cities Programme:

- infrastructure costs;
- sub-grants or prizes;
- large research infrastructure.

4 Reporting and Payment Procedures

4.1 Reporting

The project will be divided into the following reporting periods:

- RP1 from month 1 to month 12;
- RP2 from month 13 to month 24.

The coordinator of the project will be required to submit the interim (RP1) and final (RP2) reports on behalf of the consortium within 60 days following the end of each reporting period.

The interim and the final reports must include the following:

- The Technical Report with an explanation of the work carried out by the beneficiaries and the use of resources;
- The Financial Report containing the individual financial statement from each beneficiary detailing the eligible costs (actual costs for the direct costs and the flat rate of 25% for the indirect costs).

4.2 Payment Procedures

Payment of the grant will be made in three instalments: pre-financing instalment, interim payment, and a final payment (the balance). The aim of the pre-financing is to provide the beneficiaries with a float. The pre-financing remains the property of the granting organisation (EIT Climate-KIC) until the payment of the balance.

The payment will be made as follows:

1. A pre-financing of 40% of the grant within 30 calendar days from the entry into force of the award agreement;
2. An interim payment of 50% within 30 calendar days from the approval of the technical report and financial statement submitted for the first reporting period covering months 1-12;
3. The balance within 30 calendar days from the approval of the technical report and financial statement submitted for the second and final reporting period covering months 13-24, including any adjustment required for the first reporting period. If required, a certificate on the financial statement must be also provided.

5 Certificate on Financial Statement

In case of award, the granting organisation (EIT Climate-KIC), the European Commission, the European anti-fraud office (OLAF) and the European Court of Auditor have the right to run checks and audits on



any aspect relating to the NZC grant, as required by Article 15 of the Grant Agreement signed by the NZC Consortium with the European Commission.

3. Additional cost eligibility condition: Controls on the recipients (by the Commission/Agency, ECA and OLAF) — Evaluation of the impact of the action

The beneficiaries must ensure that the Commission/Agency, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) have the right to carry out checks, reviews, audits and investigations on the recipients (see [Article 22](#)).

They must also ensure that the Commission/Agency has the right to make an evaluation of the impact of the action under [Article 23](#).

It is the beneficiaries' responsibility to ensure that these obligations are accepted by the recipients (for example, if they refuse access and the Commission/Agency cannot verify the eligibility of the costs, it will reject them).

Source: [Annotated Model Grant Agreement](#), page 160-846

The awarded organisations will be required to provide a report by an independent auditor (Certificate on Financial Statements – CFS) with their final report (RP2). The CFS's aim is to enable the granting organisation (EIT Climate-KIC), the European Commission, the European anti-fraud office (OLAF) and the European Court of Auditor to check whether costs declared in the financial statements are eligible.

The costs for producing the CFS are eligible in the last reporting period only (RP2) and go under the cost category *c3 Other good, works and services*. It is recommended that each applicant includes the CFS costs in the budget estimated for the project.

This document is aiming to help applicants prepare a sound budget. More information will be provided in the NZC Award Agreement and in the Financial Guidelines for Reporting, which will be shared with the awarded organisations.

