

NET ZERO CITIES



EU MISSION PLATFORM

CLIMATE NEUTRAL AND SMART CITIES



Funded by
the European Union



Cost Reporting Pilot Cities

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- Legal framework of PCP.
- Performance & Cost Reporting Basics
- Financial guidelines and Reference Reminders
- Grant management Timeline Reporting

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- How to submit final reports?
- Important reminders
- Check list



Section 1 - Introduction Reporting for Pilot Cities

IMPORTANT

Share the information internally to your operation services and externally to your partners

- Legal framework of Reporting.
- Performance & Cost Reporting Basics
- Financial guidelines and Reference Reminders
- Grant management Timeline
- Reporting





Against What Legal framework Pilot Cities Report?

Pilot City Award agreement

- The Pilot City Award agreement is the contract between Climate-KIC Holding B.V and the Selected Pilot City recipient of the grant.
- The Pilot City Award agreement cascades the original obligations from the Net Zero City agreement 101121530 signed between Climate-KIC and the European agency CINEA for delivering a specific selected project part of a portfolio under the Pilot Cities Programme.

Consortium Agreement – Recommended

- The consortium agreement is the contract between the Selected Pilot City and the organisation partners for delivering a specific selected project part of a portfolio under the Pilot Cities Programme.
- We recommend that you use the:
- [20221118_DESCA_HorizonEurope_Version_1.1_Word_final.docx \(live.com\)](#)





Performance & Cost Reporting Basics

The reporting documents will be use:

- To honour the contract HORIZON-RIA-SGA-NZC-101121530 between CINEA and Climate-KIC.
- For Climate-KIC to report in turn to our main funder CINEA accordingly.
- It is the responsibility of the Lead City to produce a satisfactory level of reporting.
- Reporting will allow to capture and record progress on the project selected and ensure an audit trail for future.
- Track record of costs and activities performed is a legal obligation.
- During the assessment by CINEA and the controllers, such as OLAF, if the reported information is not deemed acceptable, a proportion of the costs may not be reimbursed.





Pilot city – Grant management Role

Lead city role and responsibilities

The Awarded City is the recipient of the grant and only signatory of the award agreement .

The Awarded City is responsible of the grant management and activities implementation.

The Awarded City is the lead of the consortium and responsible of the behalf of the consortium partners.

It is the Lead city' responsibility to cascade all the reporting information and reporting expectations to its consortium partners.

It is to the Lead city to consolidate partners reports in due time and according to HE financial rules.





What financial guidelines for references?

Cost reporting is based on Horizon Europe (HE) programme reporting guidelines

It is strongly recommended that Partners become familiar with the following document prior to proceeding with Cost Reporting:

Model Grant agreement version of Horizon Europe:

[general-mga_horizon-euratom_en.pdf \(europa.eu\)](#)

AGA (Annotated Grant Agreement) :

[aga_en.pdf \(europa.eu\)](#)

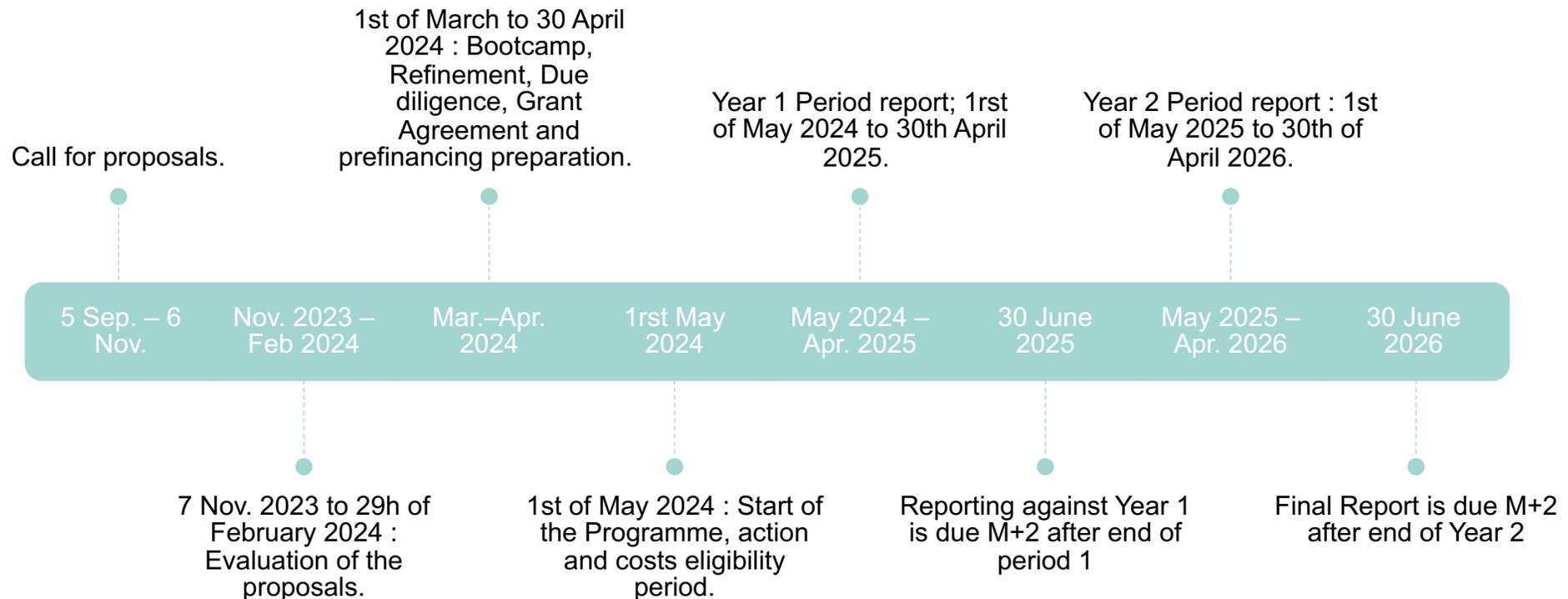
And finally, the Pilot Cities financial guidelines as published in the Net Zero Cities website: [\(netzerocities.eu\)](#)





Grant Management REPORTING CALENDAR

Important Dates





Section 2 – Cost reporting expectations

IMPORTANT

Share the information internally to your operation services and externally to your partners

- Avoid common mistakes
- All Cost Categories Eligibility
- CFS Audit Requirements
- Reporting vs Budget





Cost Reporting

Avoid Common Mistakes

Personnel Costs: Wrong calculation of personnel costs

Be aware that Daily Rate applies with basis of 215 working days a year

Timesheets not properly filled in or not signed regularly

Missing employment contracts or proof of payments

Subcontracting between partner of a consortium is forbidden.

Procurement was not in line with Internal procurement policy

Subcontract not awarded according to best-value-for-money principle

Missing contracts & Lack of evidence of services provided





Cost Reporting

Avoid Common Mistakes

Costs reported in wrong cost categories =>
Purchase vs
Subcontract.

If contracts to purchase goods, works or services do imply the implementation of 'action tasks' which are part of the Project

i.e. project tasks that have been outsourced), they should be budgeted and reported under subcontracting cost category

All costs for meals and accommodation for coaches need to go under "C- Travel and subsistence"

Cost rejection due to excessive expenses, such as high hotels costs

1st class tickets and taxis can be questioned and considered ineligible unless evidenced not other possible way of transport





Cost Reporting

All Cost Categories Eligibility

- Costs reported but not paid are considered ineligible: All reported costs must be actual (have been paid) by the submission of the Signed Cost Report
- Costs must have been incurred within the reporting period: 1st of May 2024 to 30th of April 2025 for Reporting on Year 1 and 1st of May 2025 to 30th of April 2026 for Year 2, final reporting.
- Deductible or refundable VAT is not eligible
- Correct use of exchange rates (Partners reporting in costs other than euros we will supply the **exchange rates** to use on Exchange rate (InforEuro) (europa.eu))
- In-kind contribution free of charge provided for the action and claimed (Auditor must be able to verify that the claimed costs were subject **cannot be estimated** to a paid invoice).
- Cost should **be recorded in the accounting system** and calculated in accordance with the accounting standards applicable in the country and **tracked under the Award revenue**.
- Costs incurred not in line with the travel policy usual practices.
- No cost can be claimed under various funding, co-funded should be declared and no double funding is ever allowed.
- All reporting must be done in English





Cost Reporting

CFS Audit Requirements

- Awarded Lead Pilot City claiming more than €430,000 of Cost for funding are required to have an audit
- The CFS Audit is an EU process, Climate-KIC only cascades this process.
- An external auditor will be carrying out these audits and using the CFS methodology and template accordingly.
- CFS Audits will cover all costs reported, including co-funding, to verify that no double funding rule is strictly applied.





Cost Reporting

Reporting vs Budget

- Project workplans and budget should have been updated during Boot Camp refinement.
- After the Bootcamp period and signature of the award contract, no addition of partner is permissible.
- The Bootcamp is a refinement period allowing selected Cities to update and correct budget.
- Nevertheless, budget is estimated and reported is actual.
- If a project is considering to report budget deviations, please keep in mind the following:
- The real situation on costs must be reported, and can deviate from the foreseen budget.
- If overspent or underspent significantly within cost categories (less/more than a 10% variance) a brief explanation of the deviation must be provided.
- Deviations at cost category level do not automatically mean deviation at project level
- Any high deviation is at the Partner's and City's risk and may be questioned by CINEA.
- Spending money without a direct link to deliverables can create a disallowance risk
- All costs must be in line with the HE MGA





Section 3 - Cost Categories & What to Consider when reporting

**A: Personnel Cost
& Personnel Cost Calculation**

B: Direct costs of Subcontracting

C: Purchase Costs

C.1 Travel & Subsistence

C.2 Equipment

C.3 Other goods, works or services

D: Other Cost Categories

Internally Invoiced Goods & Services

E: Indirect Costs





A - Personnel costs

Refer to : HE AGA: Pages 45-56 & HE AGA: Pages 56-60

- **A1: Employees under direct contract, actual costs**
 - Actual costs of employees working under an employment contract. Costs must be calculated based on actual time spent working on the action.
 - When calculating these costs, may consider the gross cost of employee including salary, social security, taxes, pension and other benefits. 2024 Daily rate applies from May 2024 to December 2024 and daily rate 2025 from January 2025 to April 2025.
- **A2: Natural Persons working under direct contract**
 - Self-employed natural persons (some types of in-house consultants) who work on the action for the City or its partners under conditions like those of an employee, but under a contract that is legally not an employment contract
- **A3: Personnel seconded**
 - 'Seconded' means the temporary transfer of an employee from a 3rd party (the employer) to the Partner
 - Seconded persons are still paid and employed by the 3rd party but work for the Partner
 - They are at the disposal of the beneficiary and work under its control and instructions
 - A secondment normally requires the seconded person to work at the premises, although in specific cases it may be agreed otherwise in the secondment agreement





A - Personnel costs

Personnel Cost Calculation: Daily Rate Calculation

- When: Per calendar year (from January to December)
- Except for the months running from the end of the last calendar year until the end of the reporting period
- For those months, must calculate a separate partial daily rate as follows:
 - actual personnel costs of the person incurred over those months /
 - divided by {215 / 12 (months) x number of months from January until the end of the reporting period.



Daily Rate Calculation:

Daily rate = $\frac{\text{actual annual personnel costs for the person}}{215^*}$





A - Personnel costs

Personnel Cost Calculation: Daily Rate Calculation

- Use reliable time records (i.e. time-sheets) either on paper or in a computer-based time recording system.
- Or Sign a monthly declaration on days spent for the action

If your time record management system is set up by hours basis

- Day-equivalent' = > 3 conversion rules methods:
- 1. A conversion based on the average number of hours that the person must work per working day according to her/his contract
 - Example: If the contract says that the person must work 37,5 hours per week distributed in 5 working days, a day equivalent for the person is 7,5 hours (37,5 / 5).
- 2. A conversion based on the usual standard annual productive hours of the beneficiary, if it is at least 90% of the workable time (i.e. continuity with H2020)
 - Example: Standard annual productive hours of the beneficiary = 1600 Standard annual workable hours of the beneficiary
 - = 1720
 - $1720 \times 90\% = 1548 < 1600$
 - $1600 / 215 \Rightarrow 7.44 \text{ hours} = 1 \text{ day-equivalent}$





B: Direct Costs of Subcontracting

Refer to HE AGA: Pages 70-73

This budget category covers subcontracted action tasks, i.e. service contracts for parts of the project that are not implemented by the Partner, but by a subcontractor:

- Subcontracts may be awarded to cover implementation of specific task
- Must be foreseen in the budget otherwise may be considered ineligible
- Subcontracting must only cover a limited part of the action
- Subcontracts must be awarded ensuring best value for money
- Procurement should follow the usual procurement practice policy.

Evidence Required:

- Demonstration that foreseen in the accepted budget.
- Supporting procurement documentation.
- Fully signed contracts, Invoice and Proof of payment.
- Evidence contract delivered, e.g. report, presentation by supplier, and that it relates to the project.





C: Purchase Costs

Refer to HE AGA: Pages 77-81

This budget category covers, the following sub-categories:

- C1- Travel, accommodation and subsistence
- C2 - Equipment
- C3 - Other goods, works or services





C1- Travel, accommodation and subsistence

Refer to HE AGA: Pages 77-81

This budget category covers travels needed for the action, broken down in the following subcategories:

- Travel
- Accommodation
- Subsistence

Evidence Required:

- Demonstration that foreseen in Budget.
- Receipt/Invoice and Proof of payment.
- Evidence that the travel took place and that it is related to the project (Boarding pass, agenda, attendants list to the meeting, meeting photos)
- Travel may also be reviewed against timesheets.





C.2 Equipment

Refer to HE AGA: Pages 82-89

This budget category covers the depreciation costs of equipment used for the action:

- The depreciable amount (purchase price) of the equipment must be allocated on a systematic basis over its useful life (i.e. the period during which the equipment is expected to be usable).
- If the equipment's useful life is more than 2 years, the beneficiary can NOT charge the total cost of the item under the Award.
- The depreciation costs must be calculated for each reporting period.
- Depreciated equipment costs can NOT exceed the equipment's purchase price.
- If the Partner does not use the equipment exclusively for the action, only the portion used on the action may be charged; the amount of use must be auditable.

Evidence Required:

- Demonstration that foreseen in Budget & Evidence that equipment relates to project
- Supporting procurement documentation
- Fixed Asset Policy
- Receipt/Invoice and Proof of payment
- Physical verification





C.3 Costs of Other Goods, Works or Services

Refer to HE AGA: Pages 90-92

This budget category covers the costs for goods and services that were purchased for the action :

- Costs for consumables and supplies (e.g. raw materials)
- Communication and dissemination costs (e.g. Translation and printing costs or graphic designer fees for printed products such as leaflets or other promotional items in relation to communication activities; conference fees; costs for speakers and interpreters)
- Costs related to intellectual property rights (IPR) (e.g. Costs related to protecting the results such as consulting fees or fees paid to patent offices)
- Costs for certificates on financial statements (CFS) and certificates on methodology (CoMUC; where necessary)
- For specific cases of Costs of Other goods, works or services please refer to page 70 of HE AGA

Evidence Required:

- Demonstration that foreseen in Budget & Evidence that purchase relates to project
- Supporting procurement documentation
- Receipt/Invoice and Proof of payment.





D: Other Cost Categories: Internal invoices

Refer to HE AGA: Pages 94-97

- If foreseen under the budget annexed to the Award Pilot city Agreement, Lead City and Partners may charge internal invoicing under 'D - Other cost categories' - **not to confuse with purchase/subcontract between consortium which is strictly forbidden**. Internally invoiced goods and services: "Internally invoiced goods and services" means goods or services, which are provided within the Partner directly for the action and which the Partner values based on its usual cost accounting practices (for example renting (booking and using) internal vehicles or meeting rooms/ access to facilities).
- Costs for internally invoiced goods and services directly used for the action may be declared:
- Using the actual costs for the good or service recorded in the partner's accounts, attributed either by direct measurement or based on cost drivers, and excluding any cost which are ineligible or already included in other budget categories; the actual costs may be adjusted to accept actual indirect costs. **The internal invoices do not generate 25% indirect costs.**
- According to usual cost accounting practices which are applied in a consistent manner, based on objective criteria, regardless of the source of funding





E: Indirect Costs

Refer to HE AGA: Pages 117-119

- This cost category covers the costs that are not directly linked to the action implementation
- Indirect Costs are calculated on a flat rate basis of 25% of eligible Direct Costs

A- Personnel and C-Purchase categories only.

IMPORTANT:

- B - Subcontracting and D- Other Cost Categories (Internally invoiced goods and services) are excluded of applying indirect cost.

Be aware of the **INELIGIBLE COSTS** (HE AGA pages 121-125)





Section 4 - Guidance & Support

- How to submit final reports?
- Important reminders
- Check list





Section 4: Guidance & Support

How to submit financial report?

All Selected Mission Pilot Cities participating in Call activities must report their consortium costs in the reporting Excel template provided.

Awarded Lead Cities report costs on a Partner-by-Partner, WP and Cost categories breakdown.

Costs reported must include ALL eligible direct costs associated with delivering the project. This will include direct costs fully paid description per category, WP and partners and the Indirect cost associated on a flat rate of 25% calculated in relations of direct cost category A and C.

All direct costs are subject to the same eligibility requirements and must be supported by appropriate evidence, as set out in the HE MGA

If Lead Mission City has not satisfactorily met the finance conditions, some of the costs may not be reimbursed.





Section 4: Guidance & Support

Deviation explanation

Explain any deviations of more than 10% to the use of the budget in the “Brief explanation of deviations to the budget” column.

Brief explanation of deviations to the budget. Please refer to the information text on the right for details.

Max. 10,000 characters (incl. spaces)

Please use this section to explain any deviations to the use of your budget. For example, if you are reporting an overspend or an underspend, across the total project or activity, then please explain the reasons for the this. If you underspent, it may be that you have been efficient with budget use or you were unable to carry out an activity.





Section 4: Guidance & Support

Finalising the Cost Statement

- The Cost Report summarises total costs and funding requested. Review it carefully to ensure all is correct and that there is budget line, agreement and support documents in front of all reported costs.
- Partner must sign and upload a good quality scanned/digital version.
- Good quality scan (pages cannot be folded or unreadable).
- The Cost Reporting will be reported and submitted for Period 1 and Period 2, within the 2 months after the end of the respective period to be evaluated by EIT Climate-KIC within the timeline mentioned in the Award Agreement.
- Drop-in sessions for all cities will be available to enable asking questions throughout the length of the project. Additional guidelines and support around reporting will be presented prior the reporting periods.
- The transfers are made within 30 days after the approval of the Periodic and Final reports.





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