NetZeroCities

Financial Guidelines for Applicants to the Call for Pilot Cities

Cohort 3

This document covers proposals for funding under Horizon Europe, Grant Agreement number: HORIZON-RIA-SGA-NZC-101121530

Call Opens: 16 January 2024, 12.00 CET

Deadline: 18 March 2024, 17.00 CET

Call ID: NZC-SGA-HE-202401

Publication Date: 16 January 2024

netzerocities.eu

NZC Pilot Cities Programme Financial Guidelines - Version N°A1.0

Authors: NZC Consortium coordinated by EIT Climate-KIC

Funded by
the European Union

Disclaimer

The content of this deliverable reflects only the author's view. The European Commission is not responsible for any use that may be made of the information it contains.

Funded by
the European Union

History of reviews

Version	Date	Item
A1.0	10 January 2024	First version published

All amendments to these Financial Guidelines, as well as any additional guidance and Frequently Asked Questions (FAQ), will be made available at the NetZeroCities Platform, NetZeroCities website, and EU Funding and Tenders Portal.

To stay informed on the latest developments, we encourage proponents to check the website regularly. Changes to these guidelines will be detailed in the above table.

Funded by
the European Union

Table of contents

Funded by
the European Union

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 Europe (HE), and the rules for the NZC applications reflect those of the HE 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, the principles of prohibition of double financing and non-profit.

Non-cumulative award

A given project activity may only receive one grant from the European Union funds. 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

Mission Cities - *Applicant/s - Beneficiary/ies*

“Mission Cities” are local authorities or city administrations selected to be part of EU Mission for climate-neutral and smart cities following the call for expression of interest.

"Applicants" are Mission Cities, which submit a project proposal; The text of the NZC Call for Pilot Cities specifies, inter alia, the eligibility criteria for applicants.

"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.

In the proposals submitted by a consortium of various mission cities, one Mission City must take the role of lead applicant in the application stage, and “lead beneficiary” in the award agreement. The other organisations and Mission Cities involved in the application are called "co-applicants" at the application stage and "partners" 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

Funded by
the European Union

subsequent grant agreement processes, and coordinating the signing of the award agreement, with the partners.

The award agreement will detail the specific obligations of the lead beneficiary and cascading to the partners of the consortium.

3 Estimated Budget of the Project

3.1 Budget preparations

Please note that the funds are awarded from EU public budget, therefore the successful applicant/s must take care to avoid any unnecessary or unnecessarily high expenditure following the practice of best value for money (or if appropriate the lowest price) and ensuring that there is no conflict of interests.

3.2 Maximum Grant Amount and Reimbursement Rate

The total available budget under this call is between a minimum of 18 million and a maximum 26 million Euros (EUR). The funding will be allocated across three subgrant envelopes as follows:

- **500,000-600,000 EUR:** proposals with a minimum of one city/district plus at least one additional consortium partner (NB: the additional consortium partner may be a city/district).
- **1,000,000 EUR**: proposals with a minimum of two cities/districts, plus any additional consortium partners.
- **1,500,000 EUR**: proposals with a minimum of three cities/districts plus any additional consortium partners.

The reimbursement rate is 100% of the total eligible costs. The maximum grant amount can NOT be exceeded. Applicants are allowed to submit a higher budget project than the requested amount applicable under this call by self or co-funding the foreseen expenses beyond the awardable funding by pilot city programme. Strictly note that double financing is prohibited. The expenses cannot be funded or claimed to different funders.

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. Expenditure must include the estimated costs for the implementation of the project exclusively. Only indirect costs are calculated based on a flat rate (25% - as per Horizon Europe rules).

In order to be eligible for funding, budgeted 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.

Funded by
the European Union

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 non-deductible and non-refundable 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/EC13 of 28 November 2006[1] on the common system of value added tax.

The beneficiary's internal accounting and auditing procedures must permit direct reconciliation of the costs and revenue declared in respect of the project with the corresponding accounting statements and supporting documents. The lead beneficiary is responsible for the management of the project's budget and passing the obligations on to the partners of its lead-consortium, as well as its documentation and alignment with the financial rules.

The detailed estimated budget must be presented in Euro. Applicants established in countries outside the Eurozone must use the conversion rates published in the C series of the Official Journal of the European Union (OJ) available here.

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. Documentation justifying costs must be kept by the beneficiary for five years following the closure of the NetZeroCities Horizon Europe contract "**101121530 - SGA1-NZC", from where the award fund cascade from, and which indicatively ends on 31/05/2026. Please note that this end date is subject to extension.**

3.3.1 Eligible Costs

The eligible direct costs for the project are those costs which satisfy the criteria of eligibility set out below and are identifiable as specific costs directly linked to the performance of the awarded activities.

The following categories of costs are considered eligible: Personnel, Subcontracting, Purchase Costs, internally invoiced goods and services and Indirect Costs:

Cost Category	
A. Personnel Costs	
B. Subcontracting Costs (no subject to 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. Other cost categories (internally invoices goods & services) – (no subject to indirect costs)	
E. Indirect Costs (= 25% * (A + C.1 + C.2 + C.3))	
Eligible Costs (A + B + C + D + E)	

[1] https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A52017PC0783

Funded by
the European Union

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.

a) Personnel Costs - This category covers costs for personnel working under an employment contract for the beneficiary (or equivalent appointing act) including in-house consultants having a contract directly with the beneficiary, and personnel seconded to the beneficiary by a third party against payment.

The actual annual salary includes social security contributions, taxes and other mandatory costs linked to the remuneration (incl. net payment during parental leave).

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 maximum number of 215 working days per calendar year for a Full Time Equivalent so that you can follow the calculation example:

Daily Rate = Actual annual personnel costs for the person divided by (÷) 215

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

Personnel Costs = Daily rate x days worked on the NZC grant

$$\text{Personnel costs} = \text{Daily rate} \times \text{Days worked in the project}$$

The personnel costs daily rate is updated per calendar year during the course of the project, so that months running from the end of the last calendar year until the end of the reporting period are calculated based on a separate partial daily rate:

Daily rate = Actual personnel costs incurred in the calendar year divided by (÷) 215 x number of days from January until the end of the reporting period).

Example: For a full time contract staff working the 1rst year on the project from 1st of September 2024 to 31st of August 2025 see below:

*Total salary costs in 2024 is 43 000EUR annual / 215, the daily cost is 200 EUR, multiplied by the days dedicated to the project from September to December 2024 (tracked by time-sheets). In 2025, the salary of the staff raises of 5%, now being 45150 EUR annual, divided by 215, the daily rate is 210EUR. The actual costs for reporting are the number of days worked on the project (Time-sheets) * 210 EUR from January 2025 until the end of the first reporting period, RP1, 31st of August 2025.*

Funded by
the European Union

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, but the subcontractors are not named as they will be chosen via a competitive selection. Subcontracting may only cover a limited part of the project action. If otherwise, the provider must be included in the consortium based on the non-profit principle. Subcontracts must be awarded ensuring competitive selection procedures on a "best value for money" basis (or if appropriate the lowest price) and that there is no conflict of interests (see Article 12). Subcontracting may not cover tasks of the project such as project management and coordination. Subcontracting is not allowed between members of the consortium. Beneficiaries that are 'contracting authorities' or contracting entities'[2] shall comply with the applicable national law on public procurement when choosing a subcontractor.

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, but also temporary staff hired via a work agency etc.).

d) Other cost categories (internally invoices goods and services) – This cost category includes internally invoiced goods and services provided within the beneficiary's organisation for the action. These costs should be valued based on the beneficiary's usual cost accounting practices. They can be declared as unit costs if they meet the general eligibility conditions and are calculated as follows: 1) Actual costs recorded in the beneficiary's accounts, determined through direct measurement or cost drivers, are used; 2) Ineligible or already included costs in other budget categories are excluded; 3) The actual costs may be adjusted based on budgeted or estimated elements that are relevant, reasonable, and supported by objective and verifiable information. 4) The calculation of eligible costs should follow consistent cost accounting practices based on objective criteria, regardless of the funding source.

e) *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 and other cost categories, such as internal invoices, are excluded from the calculation. The 25% indirect costs generated by the personnel and purchase eligible direct costs aim to cover general organisation expenditures that could not be attached to the project while are necessary to perform activities – such as heating, electricity or other forms of energy, water – necessary for the successful completion of the project or human resources/accounting department operational support. As indirect costs are a flat rate, no supporting evidence is needed to verify them.

[2] Contracting authorities within the meaning of EU Public Directives are the state, regional or local authorities, bodies governed by public law, or associations formed by one or more such authorities, or one or more such bodies governed by public law. For more information, please refer to Directives 2014/24/EU, 2014/25/EU12 and 2009/81/EC.

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;
- bank costs charged by the beneficiary's bank for transfers from the granting authority;
- excessive or reckless expenditure;
- deductible or refundable VAT (including VAT paid by public bodies acting as public authority);
- costs or contributions for staff of a national (or regional/local) administration, for activities that are part of the administration's normal activities (i.e. not undertaken only because of the grant) (d) costs or contributions (especially travel and subsistence) for staff or representatives of EU institutions, bodies or agencies;
- costs or contributions declared under other grants (EU or grants awarded by an EU Member State, non-EU country or other body implementing the EU budget);
- 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 (RP):

- RP1 from month 1 to month 12; from 1st of September 2024 to 31st of August 2025.
- RP2 from month 13 to month 24, from 1st of September 2025 to 31st of August 2026.

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.

Funded by
the European Union

- 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 50% of the grant within 30 calendar days from the entry into force of the award agreement.
2. An interim payment of 40% 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 payment 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. This final report should be submitted together with a compulsory Certificate on the Financial Statement (see below).

5 Certificate on Financial Statement

The awarded Mission Cities selected/Mission cities led consortia are responsible for tracking and recording the expenses needed to implement the action. The consortium lead must submit together with the final reporting, the financial statements verified by an independent or external auditor with a Certificate on Financial Statements (CFS).

The certificates will not affect the granting authority's right to carry out its own checks, reviews or audits, nor preclude the European Court of Auditors (ECA), the European Public Prosecutor's Office (EPPO) or the European Anti-Fraud Office (OLAF) from using their prerogatives for audits and investigations under the Agreement. If the costs (or a part of them) were already audited by the European Commission, these costs do not need to be covered by the certificate and will not be counted for calculating the threshold of 430 000 EUR of EU contribution, from which the CFS is mandatory.

The certificates must be drawn up using the template provided in the grant management pack by EIT-Climate KIC and cover the costs declared on the basis of actual costs and costs according to usual cost accounting practices (if any), and fulfil the following conditions:

(a) be provided by a qualified, approved external auditor who is independent and complies with Directive 2006/43/EC (or for public bodies: by a competent, independent public officer)

(b) the verification must be carried out according to the highest professional standards to ensure that the financial statements comply with the provisions under the Agreement and that the costs declared are eligible.

The costs for producing the CFS are eligible in the final financial report under the cost category *c3 Other good, works and services*. It is recommended that the Mission Cities applicant foresees the CFS costs in the budget estimation at the application stage.

Consequences of non-compliance; If a beneficiary does not submit a certificate on the financial statements (CFS) or the certificate is rejected, the accepted EU contribution to costs will be capped to reflect the CFS threshold.

Funded by
the European Union

This document aims to help applicants prepare a sound budget. More information will be provided in the PCP (Pilot Cities Programme) Award Agreement and the Financial Guidelines for Reporting, which will be shared with the awarded organisations.

Funded by the European Union