

# **Applying for project overheads**

**Guidance notes for the full cost recovery  
budget spreadsheet**

## Glossary

### Full Cost recovery

The term 'full cost recovery' means securing funding for – or 'recovering' – all your organisation's costs, including the direct costs of your project and all your overheads. In full cost recovery your organisation's overheads are shared among your organisation's different projects. The full costs of your project are all the costs directly relating to the project plus the project's share of the overheads.

### Direct Project Costs

The direct costs of your project are all the costs that are clearly and directly incurred as a result of the project. For example, the salaries of project staff, their travel and subsistence, project materials, and all other costs easily identifiable as part of the project.

### Overheads

Overheads are the costs which are necessary for the organisation to operate, but do not relate specifically to one project. Typically, they include overall management, administration and support and premises costs that relate to the whole organisation. These costs are often also called indirect, core, central or support costs.

## Full cost recovery spreadsheet

The spreadsheet has six steps. Follow each step, in order. After completing one step scroll down to get to the next step. The steps are:

- Enter details about the project and the period in which the project will run.
- Enter the project's direct costs
- Describe the different types of overhead in your organisation and how each type will be shared amongst your organisation's projects.
- Specify how the overheads will be shared among your organisation's projects.
- Enter your organisation's estimated overheads.
- The full costs of your project are calculated.

Each step is explained in more detail in the following pages.

### Entering numbers

- Do not type in a £ sign, do not type in commas. For example: to enter £1,250 type in 1250  
**NOT** £1250 or 1,250 or £1,250

## Step 1: Information about your project

### Organisation name

Enter the name of your organisation.

### Project name

Enter the name of the project you are asking us to fund.

## Step 2: Enter your project's direct costs

In this step you enter the direct costs of your project. Your project's direct costs are the costs that are clearly and directly attributable to your project.

- Enter amounts in whole pounds only, do not enter pence
- You do not need to enter the £ sign
- Enter the anticipated costs for each year of the project
- Explain how you have derived the costs for Year 1 and, explain any changes in costs in later years

## Step 3: Describe how your organisation's overheads are to be shared

Here you describe how your organisation's overheads are to be shared amongst your organisation's projects. Common methods for sharing overheads are:

- using the number of staff working on each project
- using the number of users in each project
- using the floor area occupied by each project
- using the opening hours of each project.

You must choose a method that is fair and reasonable. The method should reflect the way in which overheads are generated. For example, if a manager spends most of their time managing staff, staff numbers may be an appropriate method for sharing the manager's costs.

If it is appropriate to share all overheads in the same way, fill in the first column (Overhead Type 1) and leave the other two columns blank.

Sometimes it is not appropriate to share all overheads in the same way. If different types of overhead arise in different ways, and the amounts involved are significant, you should share each type of overhead separately.

The spreadsheet allows you to share overheads in up to three different ways.

### Type of overhead

Describe the type of overhead. For example: administration and support, overall management, premises costs. If all overheads are to be shared in the same way, just enter "All Overheads" in the first column ("Overhead Type 1") and leave the other columns blank.

## How the overheads are to be shared

Describe how each type of overhead is to be shared among your organisation's projects. For example: number of staff, floor area occupied, number of users. If all overheads are to be shared in the same way, describe how all overheads will be shared in the first column ("Overhead Type 1") and leave the other columns blank.

## Step 4: Share the overheads

Now calculate your project's share of the overheads.

### The proposed London Councils project

The project being costed must be in the first row.

### Other projects

Describe the other projects in your organisation. You must include all projects in the organisation, though the other projects do not need to be listed separately; for example, you could just enter "All Other Projects" in the second row or you could list each project separately.

### Overheads

The overheads rows allow you to share overhead costs between different types.

For each project, enter the numbers used to share out the overheads in the other columns. For example, if you are basing the sharing of overheads on the number of staff, enter the number of project staff against each project. If you are basing the sharing of overheads on the number of project users, enter the number of users against each project. If you are sharing different types of overhead in different ways, you will need to provide numbers for each type of overhead.

Numbers should be the levels anticipated in the project for Year 1.

- *Increase in activity due to your project:* the spreadsheet calculates the extra activity generated by your project.
- *Percentage due to your project:* the spreadsheet calculates your project's share of each type of overhead.

## Step 5: Enter your organisation's overheads

Now enter all overheads for your entire organisation. List the different overheads in your organisation. If you created several different types of overhead in step 3, decide which type each overhead belongs to and enter the amount in the corresponding column.

Enter predicted future overheads for the whole of the Year 1.

## Step 6: Full costs of your project

Once you have completed the first five steps the spreadsheet calculates the full costs of your project in Step 6.

To provide a total project cost, the spreadsheet calculates an inflationary increase of two percent for overheads for years 2 to 4. London Councils will review overheads with successful organisations as part of the annual budget review process.

## Example

### Example organisation: SJCC

This example illustrates a method for sharing overheads. It also illustrates the use of the full cost recovery spreadsheet.

### Background

SJCC currently has four projects:

- an after-school club
- a playgroup
- a senior citizens' social club
- an outreach project, which aids the housebound.

SJCC is applying for funding towards a new youth project.

### Step 1: Information about the project

SJCC enters details about the proposed project.

Step 1: Information about the project	
Organisation name	SJCC
Project name	The Youth Project

## Example

### Step 2: Enter the project's direct costs

SJCC enters the provisional direct project costs for the four years of the project.

Step 2: Enter the project's direct costs							
STAFF COSTS							
Organisation	Cost description	Year 1 projected	Year 2 projected	Year 3 projected	Year 4 projected	Total projected	How have you calculated each cost heading? Please explain Year 1 costings, and any cost changes in later years
SJCC	Senior youth worker (salary, emp NI, emp pension)	25,115	25,460	25,810	26,165	102,550	Current salary and on-costs, yrs 2/3/4 assumed 1.5% salary increase
SJCC	Assistant youth worker 1 (salary, emp NI, emp pension)	19,365	19,635	19,909	20,187	79,096	Current salary and on-costs, yrs 2/3/4 assumed 1.5% salary increase
SJCC	Assistant youth worker 2 (salary, emp NI, emp pension)	19,365	19,635	19,909	20,187	79,096	Current salary and on-costs, yrs 2/3/4 assumed 1.5% salary increase
Total staff costs		63,845	64,730	65,628	66,539	260,742	
BENEFICIARY COSTS							
Organisation	Cost description	Year 1 projected	Year 2 projected	Year 3 projected	Year 4 projected	Total projected	How have you calculated each cost heading? Please explain Year 1 costings, and any cost changes in later years
SJCC	Expenses (10 x £10)	100	100	110	110	420	Ave cost per person (current costs), yrs 3/4 assumed 10% increase
SJCC	Assessments (10 x £20)	200	200	220	220	840	Ave cost per person (current costs), yrs 3/4 assumed 10% increase
Total beneficiary costs		300	300	330	330	1,260	
OTHER DIRECT PROJECT COSTS							
Organisation	Cost description	Year 1 projected	Year 2 projected	Year 3 projected	Year 4 projected	Total projected	How have you calculated each cost heading? Please explain Year 1 costings, and any cost changes in later years
SJCC	Other staff costs - recruitment	2,000	2,000	2,050	2,050	8,100	Current costs, yrs 3/4 assume 2.5% cost increase
SJCC	Other staff costs - training	750	750	769	769	3,038	Current costs, yrs 3/4 assume 2.5% cost increase
SJCC	Other staff costs - expenses	250	250	256	256	1,013	Current costs, yrs 3/4 assume 2.5% cost increase
SJCC	Volunteer costs - recruitment and training	500	500	513	513	2,025	Current costs, yrs 3/4 assume 2.5% cost increase
SJCC	Volunteer costs - expenses	500	500	513	513	2,025	Current costs, yrs 3/4 assume 2.5% cost increase
SJCC	Materials and equipment	2,000	2,000	2,050	2,050	8,100	Current costs, yrs 3/4 assume 2.5% cost increase
SJCC	Outings	2,000	2,000	2,050	2,050	8,100	Current costs, yrs 3/4 assume 2.5% cost increase
SJCC	Minibus hire	1,000	1,000	1,025	1,025	4,050	Current costs, yrs 3/4 assume 2.5% cost increase
SJCC	Music workshop tutor	1,000	1,000	1,025	1,025	4,050	Current costs, yrs 3/4 assume 2.5% cost increase
Total other direct project costs		10,000	10,000	10,250	10,250	40,500	
Total direct project costs		74,145	75,030	76,208	77,119	302,502	

## Example

### Step 3: Describe how the organisation's overheads are to be shared

SJCC examines the community centre's overheads using the current annual budget. The costs of heating, lighting and maintaining the community centre are premises related. Most other overheads relate specifically to the office and to running the centre's projects.

SJCC splits the overheads into:

- premises costs
- administration and support costs.

SJCC shares both premises and administration costs based on the number of staff and volunteers working directly on each project, using hours per year. The hours per year for premises for the outreach project are lower than for administration and support as staff and volunteers are not based at, but do occasionally use, the centre.

Step 3: Describe how the organisation's overheads are to be shared				
		Overhead type 1	Overhead type 2	Overhead type 3
Type of overhead	Describe the type of overhead, for example: <ul style="list-style-type: none"><li>- Administration</li><li>- Premises</li><li>- Management and support</li></ul>	Premises	Administration and support costs	
How the overheads are to be shared	Describe how each type will be shared for example: <ul style="list-style-type: none"><li>- Number of staff</li><li>- Floor area occupied</li><li>- Staff hours</li></ul>	Staff and volunteer hours per year	Staff and volunteer hours per year	

## Example

### Step 4: Share the overheads

SJCC enters other projects and enters staff and volunteer hours.

Step 4: Share the overheads		Enter projects' shares below		
		Premises	Administration and support costs	
		Staff and volunteer hours per year	Staff and volunteer hours per year	
	List projects below:			
	Proposed London Councils project	2,700.00	2,700.00	
Other projects	After school club	3,870.00	3,870.00	
	Playgroup	14,000.00	14,000.00	
	Social Club	1,350.00	1,350.00	
	Outreach project	1,000.00	4,000.00	
Overheads				
	Administration and support costs	25,000.00		
Totals		47,920.00	25,920.00	-
Increase in activity due to the project		6%	12%	0%
Percentage due to the project		11%	10%	0%

The full cost recovery spreadsheet calculates:

- increase in activity: this is the extra activity as a result of the youth project.
- percentage due to your project: this is the share of each type of overhead that will be given to the youth project.



## Example

### Step 5: Enter the organisation's overheads

SJCC enters its overhead costs.

Step 5: Enter the organisation's overheads			
	Premises	Administration and support costs	
	£	£	£
Gas and electricity	5,238		
Rent, rates and water rates	1,545		
insurance	4,635		
Maintenance and repairs	2,328		
Security system contract	515		
Cleaning equipment and materials	1,746		
Licences	515		
Premises costs	582		
Centre Administrator		5,880	
Caretaker	7,219		
Finance assistant		1,389	
Staff expenses and training		515	
Printing and stationary		1,154	
Phones, internet, website		1,154	
Office equipment and contracts		1,154	
Bank charges		288	
Accountant's fees		1,730	
Office costs		577	
<b>Totals</b>	<b>24,323</b>	<b>13,841</b>	<b>-</b>

## Example

### Step 6: Full costs of the project

The spreadsheet automatically calculates the full costs of the youth project, applying a two per cent inflationary increase to overhead costs for years 2, 3 and 4.

Step 6: Full costs of the project						
These are the full costs of the project		Year 1 £	Year 2 £	Year 3 £	Year 4 £	Total £
Total direct project costs		74,145	75,030	76,208	77,119	302,502
The project's share of the overheads	Premises	2,692				
	Administration and support costs	1,442				
		-				
Total share of the overheads		4,134	4,217	4,301	4,387	17,039
Full project costs		78,279	79,247	80,509	81,506	319,540