

Applying for your project overheads

Guidance for The National Lottery Community Fund applicants



Visit our website at tnlcommunityfund.org.uk

Further copies available from: general.enquiries@tnlcommunityfund.org.uk

Phone: 0345 4 10 20 30

Text Relay: 18001 plus 0345 4 10 20 30

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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 projects 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.

Project

Your projects are the services and facilities that your organisation provides. Ask the question: what do we do? Look through your newsletters, annual report, publications and website to identify your projects. Most of the activities described will be your projects. Projects can be ongoing or may run for a limited period of time.

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.

Capital costs

Capital costs are the costs of buying equipment, furnishings, premises or other items that cost substantial amounts and will last for several years. For example, costs incurred in purchasing computers, a minibus or new premises are all capital costs. All other costs are revenue costs.

Revenue costs

Revenue costs are the costs incurred in the day-to-day running of the organisation and its projects. Revenue costs can be overheads or direct project costs. These include items such as stationery, rent, heat and lighting, phone bills and materials.

Depreciation

When you buy capital items such as equipment, furniture or premises that last for several years the cost of that item can be spread over the length of time that item will be in use. This is called depreciation. For example you purchase a computer that cost £900 and you expect it to last for three years, the depreciation on the computer would be
 $£900 \times 3 = £300$ for each year.

1. This guide

On the application form, we ask you to tell us how much you want us to contribute to your overheads. When we assess your application, we may ask you to explain the amount of overheads you are asking us to contribute. We are providing two resources to help you do this.

1. **This guidance to applicants** explains how to calculate the full cost of your projects, including the project overheads.
2. **A full cost recovery spreadsheet** helps you calculate the full costs of your project and how much you would like us to contribute to your project.

If you already have a way of calculating the full costs of your projects, you will not need to use this booklet to fill in our application form or answer our questions. You should simply check sections 5 and 7.1, which explain the overhead costs we cannot fund and the methods of sharing them between projects that we will not accept.

(You can also find this information in our application materials.)

If you do not have a way of calculating the full costs of your projects, we will expect you either to use this booklet or some other widely used method such as those we list at the end of the booklet.

1.1 The guidance to applicants

The guidance to applicants can be used on its own or in conjunction with the full cost recovery spreadsheet. The guidance to applicants includes two examples to illustrate the full cost recovery approach:

- Anytown Children's Project illustrates full cost recovery in a simple situation. It illustrates how to calculate full costs without the use of the full cost recovery spreadsheet
- St John's Community Centre illustrates full cost recovery in a more complex situation. It also illustrates the use of the full cost recovery spreadsheet.

All numbers used in the examples are for illustrative purposes only and are rounded to the nearest whole number.

1.2 The full cost recovery spreadsheet

If you decide to use the full cost recovery spreadsheet you can print out the completed spreadsheet and enclose it with your application to show us how you have calculated your project's costs. The spreadsheet comes with:

- spreadsheet guidance notes, explaining how to enter numbers into the full cost recovery spreadsheet
- a salary spreadsheet, to help you calculate the full costs of employing staff.

2. Background

The National Lottery Community Fund (“we”) can pay for all the direct costs of the project you want us to fund. We can also make a reasonable contribution towards the overheads of running your organisation as a whole. You will be asked to give us information about your overheads whether we are funding them or not. We expect our contribution towards the overheads to be calculated on a full cost recovery basis.

Using percentages

Throughout this guide we use percentages to calculate:

- how costs are shared
- increases in costs due to inflation and changes in activity levels.

Calculating percentages

One per cent (1%) means 1 divided by 100 ($1 \div 100$) – that is, one hundredth.

1% is $1/100$ expressed as a fraction, or 0.01 as a decimal

3% is $3/100$ expressed as a fraction, or 0.03 as a decimal.

To calculate a percentage of a number you multiply the number by the percentage expressed as a decimal:

1% of £1,000 is $0.01 \times £1,000 = £10$

3% of £1,000 is $0.03 \times £1,000 = £30$

50% of £1,000 is $0.50 \times £1,000 = £500$.

Allowing for inflation

Inflation means how much costs go up by year on year. Inflation is usually expressed as a percentage. If you spent £1,000 on your telephone bill last year and you think that it will go up by 3% due to inflation, the telephone bill will go up by:

3% of £1,000 = $0.03 \times £1,000 = £30$.

So the telephone bill this year will be: $£1,000 + £30 = £1,030$. This is the same as multiplying by 1.03: $£1,000 \times 1.03 = £1,030$.

The quick way to calculate an inflated cost is to multiply the cost by one plus the rate of inflation expressed as a decimal number. This is how we will illustrate cost increases due to inflation in this guide. A 3% increase in a £1,000 cost will be shown as:

$£1,000 \times 1.03 = £1,030$.

Allowing for inflation and a change in activity

Sometimes costs may also rise due to a change in activity levels. For example, adding a new project may mean that you will make more phone calls. If you estimate that you will make 25% more calls next year, and that inflation will be 3%, the phone bill next year will be:

$£1,000 \times 1.25 \times 1.03 = £1,287.50$.

This is how we will illustrate cost increases due to increases in activity and inflation.

3. Full cost recovery

Full cost recovery means ensuring that all your costs, including overheads, are covered by income, from whatever source. Failure to properly fund overheads can lead to instability and poor service delivery. Some advantages of the full cost recovery approach are:

- Improved management of your costs: You will know the full costs of your projects. You will be able to identify which projects are making surpluses or losses after allowing for overheads.
- Improved costing of projects: You will be able to assess the impact on your organisation of introducing new projects and the funds you need to cover the project's full costs.
- Comparing full costs with available funding: If you have already secured some funding for a project, you will be able to see if this funding is enough. This may help you decide whether or not to proceed with a project.

4. Expressions used in this guide

To explain full cost recovery we need to use words and phrases that have specific meanings, for example: “projects”, “direct costs” and “overheads”. We will use an organisation called InWork to help explain these expressions.

Illustration: InWork

The main objective of InWork is to “assist adults returning to work after long-term unemployment”. InWork’s annual report explains that it:

- offers careers advice and support to adults returning to work
- runs courses in developing work related skills
- carries out research into the effects of long-term unemployment.

4.1 Project

Your projects are the services and facilities that your organisation provides. Ask the question: what do we do? Look through your newsletters, annual report, publications and website to identify your projects. Most of the activities described will be your projects.

Projects can be ongoing or may run for a limited period of time.

Illustration: Projects

InWork’s projects are:

- an advice service: providing careers advice and support
- a training project: providing training courses in developing work related skills
- a research project: researching the effects of long-term unemployment.

Each of these may be sub-divided into more projects, for example the training project may have separate projects for each type of course or course location.

4.2 Direct project costs

The direct costs of a project are all the costs that clearly and directly come from the project. Generally, a direct project cost only occurs because of the project.

Illustration: Direct project costs

The direct costs of InWork's Training Project might include:

- the fees or salaries of the course tutors, their expenses and recruitment costs
- costs of hiring venues for the courses
- costs of publicising the courses
- costs of the teaching materials and equipment used to provide the training
- travel and subsistence costs paid to adults attending
- the courses.

4.3 Overheads

By "overheads" (sometimes called "core costs") we mean the costs of employees, volunteers, equipment, space and activities that partly support the project you want us to fund, but also support your other projects.

In most organisations it makes sense for projects to share some costs. For example, projects may share the same premises. The costs of renting and running the premises are overheads. It is important to note that in different circumstances, particular costs may be direct project costs or overheads. For example, if a project rents its own premises, the rent will be a direct cost of the project.

Illustration: Overheads and project costs

Overheads

InWork operates from a rented office and employs a manager, an admin assistant and an office cleaner. All InWork's projects operate from the same office. The costs of renting and running the office and employing the manager, admin assistant and cleaner are all overheads.

Project costs

The training project rents a room at a local college to run a 10 week training course. The room is only used for the training course. The cost of renting the room is a direct cost of the training project.

4.4 Capital costs and revenue costs

Sometimes you need to buy equipment, furnishings, premises and other items that cost substantial amounts of money but that will last for several years. These are capital costs. For example, costs incurred in buying computers, a minibus or new premises are all capital costs. All other costs are called revenue costs.

Illustration: Capital costs and revenue costs

Capital costs

InWork's training project purchases an overhead projector and laptop computer for the course tutors. These items are expected to last for several years. They are capital costs.

Revenue costs

The costs of employing the tutors, of hiring the venues and of publicising individual courses are revenue costs.

5. What we can and cannot fund

The National Lottery Community Fund cannot fund:

1. Any project costs or overheads you incur before we make you a grant, including costs incurred in the application for this grant and any strategic costs incurred before you apply.
2. Any project costs or overheads that someone else is specifically paying for, whether in cash or in kind.
3. Any costs not related to specific project outcomes such as a contribution to reserves.
4. Notional costs and costs that will never be incurred. For example, if you are provided with premises free of charge, we will not contribute towards a notional rent.

You should exclude such costs from your application.

We cannot fund depreciation costs, because this would involve contributing to a cost that your organisation has already incurred.

Each of our programmes will also have a list of costs which that programme will not fund (called 'ineligible costs') and a maximum grant size.

Illustration: costs that we can and cannot fund

- InWork receives an annual grant of £10,000. This grant must be used to pay the office rent. The cost of renting the office is £15,000 per year.

We can only contribute towards the un-funded part of the rent: £15,000 minus £10,000 = £5,000. InWork should use £5,000 as the rent cost when calculating its overheads.

- InWork lets out part of the office to another charity. It uses the proceeds to support its overheads. InWork does not need to deduct the letting income when calculating its overheads.
- InWork received a grant of £5,000 to buy computer equipment for the office. We cannot contribute towards the depreciation cost of this equipment.

6. Identifying your costs

It is important that you identify all your project costs and overheads. Your project may be under funded if you fail to do this. We will only fund you if you can demonstrate that your project and your organisation are financially viable. You must show us that you have identified all your direct project costs and all your overheads.

6.1 Identifying the direct costs of your project

We recommend that you:

- make a list of all the things you will need to do to get your project up and running. Think about the entire life of your project. Projects often have three phases, the start-up phase; an active phase, when the project is running; and a close down phase, when the project is wound down. Use the lists below to help identify typical costs incurred in each of these phases
- look at the costs of your existing projects. They will give you an idea of the types of cost that may be incurred and the amounts (for example salary rates)
- Speak to other organisations that run similar projects. Projects can sometimes have unexpected costs. Organisations running similar projects may be able to help you identify these.

Typical project start-up costs

- advertising for, recruiting and training staff and volunteers
- buying equipment, furniture and vehicles
- finding premises and preparing them for use
- promoting the project
- legal costs involved in negotiating and drawing up contracts
- obtaining licences and permits.

Typical project revenue costs

- salaries of project workers, including employers' National Insurance contributions and any employers' pension contributions. You can use the Salary Spreadsheet to help you calculate these
- expenses of project staff and volunteers, including travel, accommodation and phone bills
- rent, heating, lighting, maintenance and insurance for office space and buildings only used for the project
- training of staff and volunteers working on the project
- materials and the day to day running costs of the project
- items with a short life such as stationery or light bulbs
- monitoring and evaluation of the project
- raising funds for continuing the project after its current funding is over
- marketing and publicity
- professional and legal fees incurred specifically for the project.

Typical project close-down costs

- staff redundancy or re-deployment costs
- disposal of any premises or equipment used specifically for the project including any dilapidation costs
- final project evaluation and reporting.

Example: Anytown Children's Project

Anytown Children's Project runs a playgroup for children aged up to five years. The centre is run by a management committee and employs a centre manager, administrator and cleaner. The management committee has decided to open a parents and toddlers club. The parents and toddlers project will employ a parents and toddlers organiser and refurbish part of the centre for use by the project. The estimated direct costs of the parents and toddlers project in its first year of operation are:

	Revenue costs (£)	Capital costs (£)
Organiser's salary	11,000	
Recruitment costs	500	
Organiser's expenses and training	500	
Materials, books and literature	1,000	
Outings and events	1,000	
Refurbishment costs		8,000
Computer and software		800
Furnishings, furniture and equipment		4,500
Total direct project costs	14,000	13,300

6.2 Identifying your overheads

Use your organisation's last annual accounts, budgets and forecasts to help identify your overheads.

Typical overheads

- salaries of core staff such as managers, administrators, finance staff, cleaners and caretakers
- salaries of staff, including managers working on this project and a number of other projects
- meetings of the trustees or management committee and their expenses
- audit, accountancy and legal fees associated with running your whole organisation
- rent, heating, lighting, maintenance and insurance for premises your project shares with other projects
- administration and office costs that support several projects including your project. For example: stationery, phone bills, postage, photocopying and computers
- professional fees associated with strategic planning
- fundraising for the costs of supporting the organisation as a whole
- training of support staff and senior staff
- networking and attendance at conferences or partnership work that benefits the project you want us to fund.

6.3 Staff salaries

Remember to include employer's National Insurance contributions and any employer's pension contributions when calculating staff salaries. The full salary cost of an employee is:

- the employee's gross pay plus
- the employer's national insurance contribution plus
- any employer's pension contribution.

Use the Salary Spreadsheet to help you calculate your full salary costs.

6.4 VAT

Find out if your organisation is registered for VAT. If you are not registered for VAT, remember to include VAT in your estimates where appropriate. If you are registered for VAT seek advice from the person who prepares your organisation's VAT returns.

6.5 Allowing for inflation

Some costs are likely to rise year on year due to inflation. If you base your direct project costs and overheads on current prices you should allow for inflation where appropriate. We will allow you to use an inflation rate of up to 3%.

Illustration: Inflation

InWork is applying for three years' funding for a new series of training courses. This project will start next year. InWork's accounts show that its phone bill last year was £1,200. To estimate the phone bill for this year InWork assume an inflation rate of 3%. To calculate an increase of 3% multiply by 1.03.

The estimated telephone bills will be: In the current year

$$£1,200 \times 1.03 = £1,236.$$

In the first year of the training courses

$$£1,236 \times 1.03 = £1,273.$$

In the second year of the training courses

$$£1,273 \times 1.03 = £1,311.$$

In the third year of the training courses

$$£1,311 \times 1.03 = £1,351.$$

6.6 Allowing for increases in activity

Adding new projects may increase overheads due to the increased level of activity. For example adding new projects may increase your phone bills, your stationery costs and fuel costs.

Illustration: Allowing for an increase in activity and inflation

InWork currently employs eight staff. The new training courses will add two more staff. Assuming that all staff use the phone equally, InWork estimates that the phone bill will increase by $2 \div 8 = 0.25$ (25%) as a result of the extra calls generated by the new project.

The rate of inflation is 3% each year and the current bill is £1,200.

The estimated telephone bills are: In the current year

$$£1,200 \times 1.03 = £1,236.$$

In the first year of the training courses

$$£1,236 \times 1.03 \times 1.25 = £1,591.$$

In the second year of the training courses

$$£1,591 \times 1.03 = £1,639.$$

In the third year of the training courses

$$£1,639 \times 1.03 = £1,688.$$

Example of calculating overheads: Anytown Children's Project

Here is an example of calculating overhead costs for an entire organisation. The example is the overhead costs for the whole of Anytown Children's Project in the year its new parents toddlers group starts.

Office and premises revenue costs are estimated to increase by 8% due to the increased level of activity, except rent, water and insurance, which will not change.

Staff costs are not affected by the increase in activity.

Inflation is set at 3%. All costs are expected to increase in line with inflation. To allow for an 8% increase in activity multiply by 1.08 and to allow for a 3% inflation multiply by 1.03.

	Overheads last year	Change in activity	Allowance for Inflation	Expected overheads this year
	£			£
	A	B	C	= A x B x C
Staff costs				
Centre manager	24,100	1.00	1.03	24,823
Administrator	8,070	1.00	1.03	8,312
Cleaner	4,016	1.00	1.03	4,136
Staff training and expenses	500	1.00	1.03	515
Office and premises revenue costs				
Stationery, postage and printing	550	1.08	1.03	612
Gas and electricity	2,500	1.08	1.03	2,781
Telephone	1,000	1.08	1.03	1,112
Office equipment	500	1.08	1.03	556
Rent, water rates and insurance	15,000	1.00	1.03	15,450
Cleaning materials	2,500	1.08	1.03	2,781
Maintenance and repairs	2,500	1.08	1.03	2,781
Miscellaneous costs	500	1.08	1.03	556
Totals	61,736			64,416
Total expected overheads for Anytown Children's Project are therefore £64,416				

7. Sharing overheads

In full cost recovery each project is allocated its fair share of the overheads. The full costs of a project are:

- the project's direct costs plus
- the project's fair share of the organisation's overheads.

Section 6 above explains how to estimate your project's direct costs and your organisation's total overheads. This section explains how to share the overheads among your projects on a fair and reasonable basis.

7.1 Fair and reasonable

It is important that the overheads are shared between projects on a fair and reasonable basis.

This means:

- each project's share of the overheads is appropriate given the nature and extent of its activities (in other words, a project does not receive a share of overheads that it does

not incur)

- there is a rational basis for the method used to share overheads that can be justified and supported.

We do not regard the addition of a management fee calculated as a standard percentage of project costs as a fair or reasonable way of sharing overheads. This is because this method is not based on an understanding of what your overheads are.

7.2 Identifying an appropriate basis for sharing overhead costs

You must decide how to share your organisation's overheads among the different projects in your organisation.

- If your organisation already has an established way of sharing all of its overheads, and this method is fair and reasonable, we will expect you to use this method.
- If your organisation does not have an established method you must choose a method that is fair and reasonable. You may decide to share all your overheads in the same way or you may decide that some overheads should be shared in one way and other overheads in another.

Common ways of sharing overheads are:

7.3 Number of staff

Sharing overheads based on the number of direct project staff is quite common. If the number of direct project staff fairly reflects the relative sizes of your projects this method may be appropriate. It is usually appropriate to adjust your estimate for part time staff. If there are many volunteers working on projects it may be appropriate to include volunteer time in the calculations.

Example of sharing overheads using staff numbers: Anytown Children's Project

The Anytown Children's Project manager observes that the time she spends on each project is roughly in proportion to the number of staff working on each project. Project staff numbers is also identified as an appropriate basis to share other administration and premises costs among the projects. The basis used to share all overheads will be the number of staff hours worked per week.

The staff at Anytown Children's Project when the parents and toddlers club starts will be:

- the centre manager
- four playgroup staff, who each work 35 hours per week
- the parents and toddlers worker, who works 21 hours per week
- administrator and cleaner.

The centre manager, administrator and cleaner are non-project staff. All other staff work directly on projects. The overheads are shared as follows:

Project	Project staff hours per week	Percentage of total hours per week	Share of overheads
Playgroup	140	$140 \div 161 = 87\%$	$\text{£}64,416 \times 0.87 = \text{£}56,014$
Parents and toddlers	21	$21 \div 161 = 13\%$	$\text{£}64,416 \times 0.13 = \text{£}8,402$
Totals	161	100%	£64,416

The Parents and Toddlers club's share of overheads is £8,402. If project staff worked different numbers of weeks per year the number of hours worked per year would be used to calculate the percentages.

7.4 Premises usage

Where premises costs are substantial, it may be appropriate to share costs based on the length of time each project uses the premises or the floor area occupied by each project.

Illustration: sharing overheads based on premises use

Oneville Hall is a village hall with two halls, the main hall and the small hall. The main hall has a floor area of 50 square metres and the small hall a floor area of 25 square metres. Estimated overheads for the whole organisation are £24,000. Three projects will use these halls as follows.

- girl guides: the main hall for 12 hours per week
- over 60s club: the main hall for 20 hours per week
- amateur theatre group: the small hall for 12 hours per week.

The overheads are shared as follows:

Project	Level of use (area x hours per week)	Percentage of total use	Share of overheads
Girl Guides	$50 \times 12 = 600$	$600 \div 1,900 = 31\%$	$\text{£}24,000 \times 0.31 = \text{£}7,579$
Over 60s	$50 \times 20 = 1,000$	$1,000 \div 1,900 = 53\%$	$\text{£}24,000 \times 0.53 = \text{£}12,632$
Theatre group	$25 \times 12 = 300$	$300 \div 1,900 = 16\%$	$\text{£}24,000 \times 0.16 = \text{£}3,789$
Totals	1,900	100%	£24,000

So the theatre group's share of the premises overheads is £3,789. Note that if the projects used the rooms for different numbers of weeks in the year the percentages would be based on: floor area x hours occupied per week x weeks occupied per year.

7.5 Direct project expenditure

One of the simplest methods for sharing overheads is based on direct project expenditure. This method is only appropriate if the overheads are small compared to the total direct project costs and the direct project costs in each project are of a similar type. For example, if one project is staffed entirely by volunteers and another by paid staff, the apportionment to the volunteer led project may be too low if this method is used.

7.6 Number of users or beneficiaries

The number of service users or beneficiaries may be an appropriate basis for sharing overheads if each beneficiary incurs a similar level of costs or if you will receive funding based on the number of beneficiaries.

7.7 Staff time based methods

If you have one or more managers who each manage several projects, and the management costs are substantial, it may be appropriate to share these costs based on the managers' time spent on each project. Projects sometimes require more management time in the start up and close down phases, so this can be an effective way of allowing for this.

7.8 Sharing overheads in different ways

Sharing different types of overhead in different ways is often unnecessary and may not improve the accuracy of your estimates. However there are times when using more than one basis is appropriate. If some projects do not incur one category of overhead then it may be necessary to use a different basis for sharing the different overheads. The St John's Community Centre case study on page 17 provides an example of this.

Accuracy

The allocation of overheads to the project is only an estimate. It does not have to be too detailed or time consuming. Just make sure the allocation method is fair and reasonable based on the information you have.

7.9 Checking your results

After calculating your project's share of the overheads you should consider if the results make sense. Ask yourself:

- do the results appear reasonable from your knowledge of the project?
- are the projects' overhead costs compared to the project's direct costs fair and how does this compare to other projects?
- is the project's share of the organisation's entire overheads fair and how does this compare to other projects' shares?

8. Other project income

We can fund all of your project's direct revenue and capital costs, subject to the limitations set out in section 5. If you intend raising income for the project from other sources, we expect those sources to cover their fair share of the project's overheads. We will only fund our share of the project's overheads.

We would not expect to fund a greater share of your overheads than the share of your direct project costs you are asking us to fund.

The spreadsheet accompanying this booklet can calculate the maximum contribution you can ask us to make towards your project overheads.

Example: Anytown Children's Project		
The full costs of the parents and toddlers club are:		
Direct costs	Revenue costs	£14,000
	Capital costs	£13,300
Share of overheads		£8,402
Full project costs		£35,702
Anytown Children's Project will raise £6,000 towards the project from other sources. All of these sources will contribute to overheads as well as project costs. Anytown Children's Project is asking The National Lottery Community Fund for the remaining £29,702 (£35,702 - £6,000)		
The National Lottery Community Fund's share of the full project costs is		
$£29,702 \times £35,702 = 83\%$		
The contribution we can make is:		
Towards overheads		$£8,402 \times 0.83 = £6,990$
Towards the direct project costs		$£29,702 - £6,990 = £22,712$
Total contribution		$£6,990 + £22,712 = £29,702$

9. Summary

1. Estimate your project's direct costs
See section 6
2. Estimate what your organisation's overheads will be in the period in which the project will run.
See section 6
3. Make sure any costs that we cannot fund have been excluded.
See section 5
4. Calculate your project's fair share of these overheads.
See section 7
5. The full costs of your project are its direct costs plus its share of the overheads.
6. If you will be raising project income from other sources, calculate our share of the overheads.
See section 8

7. Sources of information

The following resources may be useful to you if you need more information on The National Lottery Community Fund, full cost recovery or costing projects:

Our website

tnlcommunityfund.org.uk

Other organisations

Your local council for voluntary service (or similar)

Your local authority

Rural community council (in England)

Information on full cost recovery

Full Cost Recovery: a guide and toolkit on cost allocation published by ACEVO and New Philanthropy Capital. An interactive CD ROM is provided with the book. See the ACEVO website at acevo.org.uk/ for further details or contact ACEVO on 0845 345 8481

New Philanthropy Capital provide a set of resources related to full cost recovery on their website at: philanthropycapital.org/html/full_cost_recovery.php

CASH – Online provide a free spreadsheet and brief set of guidance notes for calculating your full costs. This can be downloaded from their website at: cash-online.org.uk/content/1/56/.

Case study: St John's Community Centre

This example illustrates the use of two different methods for sharing overheads. It also illustrates the use of the full cost recovery spreadsheet and the salary spreadsheet.

Background

St John's Community Centre (SJCC) currently has four projects:

1. an after school club
2. a playgroup
3. a senior citizens' social club
4. an outreach project providing assistance to the housebound.

SJCC is applying to The National Lottery Community Fund for funding towards a new youth project. Anita, the centre administrator, decides to use the full cost recovery spreadsheet to calculate how much funding to ask for.

Step 1: Project information

Anita enters details about the proposed project. SJCC aim to start the project on 1 April 2007 and are seeking funding for the first three years. Anita will use the spreadsheet to calculate the costs for the first year then inflate these figures to calculate costs for the next two years.

1.1	Organisation Name	St John's Community Centre
1.2	ProjectName	Youth Project
1.3	Fundingyear	2007/2008
1.4	Project duration (weeks) in the funding year	52

Step 2: Direct project costs

Next Anita estimates the direct project costs for the first year. She estimates the project's salary costs using the salary spreadsheet. She uses the latest National Insurance rates available and makes an allowance for holiday and sickness cover.

Post	Pay Rate	Post hours per week	Weeks in project period	Employer Pension Rate	Gross Pay	Employers' National Insurance	Total cost of post
	£/hour	hours/week	weeks	%	£	£	£
Senior youth worker	11.75	16.00	52.00	0.00%	9,776	626	10,402
Assistant youth worker 1	9.50	12.00	52.00	0.00%	5,928	133	6,061
Assistant youth worker 2	9.50	12.00	52.00	0.00%	5,928	133	6,061
Cover staff	9.50	12.00	12.00	0.00%	1,368	31	1,399

She enters the staff costs and the other estimated project direct costs into the grid in step 2 of the spreadsheet.

Step 2: Enter your project's direct costs			
List cost descriptions and amounts below		Revenue costs	Capital costs
		£	£
Staff costs	Senior youth worker	10,402	
	Assistant youth worker 1	6,061	
	Assistant youth worker 2	6,061	
	Cover staff	1,399	
Other staff costs	Recruitment	2,000	
	Training	750	
	Expenses	250	
Volunteer costs	Recruitment & training	500	
	Expenses	500	
Running costs	Materials and equipment	2,000	
	Outings	2,000	
	Minibus hire	1,000	
	Tutors and workshops	1,000	
	Music workshop tutor	1,500	
	Miscellaneous	500	
Equipment	Pool table		1,000
	Table tennis tables x 2		1,000
	Music equipment		6,000
Total direct project costs		35,923	8,000

Step 3: Sharing overheads

Anita examines the community centre's overheads using the current annual budget. The costs of heating, lighting and maintaining the community centre are substantial. Most other overheads relate specifically to the office and to running the centre's projects. The outreach project uses the office but does not make use of the rest of the centre.

Anita decides to split the overheads into:

- premises costs
- administration and support costs.

Sharing premises costs

Anita considers that premises costs such as cleaning, maintenance, gas and electricity all go up the more the centre is used. She decides to share premises costs based on each project's use of the centre. The centre has several halls and an office.

The halls: Each project's use of the halls will be calculated by looking at the area each project occupies and the length of time that it occupies it for.

The office: All projects use the office. Anita will calculate the office's share of premises costs on the same basis, then add these into the administration and support costs. Anita creates a spreadsheet to calculate how to share premises costs. She lists each activity that takes place in the centre. She makes a rough estimate of the area occupied by each activity and of the period of time each activity runs. She decides to ignore communal areas such as the kitchen, toilets, lobby and storage rooms.

Activity	Area occupied (square metres)	Hours per week	Weeks per year	Occupancy
	A	B	C	=A x B x C
Youth project	225	9	50	101,250
After school club	225	15	43	145,125
Playgroup	250	40	50	500,000
Social club	50	9	50	22,500
Office (outreach & support)	50	35	50	87,500

Sharing administration and support costs

Anita considers that the more staff and volunteers a project has, the more it incurs administration and support costs. She decides to share the administration and support costs on the basis of the number of staff and volunteers working directly on each project.

Some of the staff and volunteers work part-time and therefore need less administration and support than the full-time staff. To allow for this, Anita decides to use the project opening hours to calculate how much administration and support a project needs. Anita creates a spreadsheet for this. She lists the projects and enters the number of staff and volunteers and the opening hours of each project. (Staff and volunteers on each project all work all the project opening hours.)

From this she calculates the total number of staff and volunteer hours incurred by each project in a year.

Project	Number of staff and volunteers	Hours per week	Weeks per year	Total project staff & volunteer hours
	A	B	C	=A x B x C
Youth project	6	9	50	2,700
After school club	6	15	43	3,870
Playgroup	7	40	50	14,000
Social club	3	9	50	1,350
Outreach project	4	20	50	4,000

Anita enters the overhead types and the bases for sharing costs into step 3 of the full cost recovery spreadsheet.

Step 3: Describe how your organisation's overheads are to be shared				
		Overhead type 1	Overhead type 2	Overhead type 3
3.1 Type of overhead	Describe the type of overhead, for example, administration, premises, management & support	Premises costs	Admin and support costs	
3.2 How the overheads are to be shared	Describe how each type will be shared, for example, number of staff, floor area occupied	Level of premises use (area occupied and have used each year)	Staff and volunteer hours each year	

Step 4: Sharing the overheads

In step 4 Anita lists all SJCC's other projects and enters the level of premises use and staff and volunteer hours calculated in her spreadsheets.

Step 4: Share the overheads			
		Enter projects' shares below	
		Premises costs	Admin and support costs
	List projects below	Level of premises use	Staff and volunteer hours
4.1 Your project	Youth project	101,250	2,700
4.2 Other projects:	After school club	145,125	3,870
	Playgroup	500,000	14,000
	Social club	22,500	1,350
	Outreach project		4,000
4.3 Overheads	Admin and support costs	87,500	
Totals		856,375	25,920
Increase in activity due to your project		13%	12%
Percentage due to your project		12%	10%

The full cost recovery spreadsheet calculates:

- **increase in activity:** this is the extra activity as a result of the youth project. The premises will be used 13% more and the project staff and volunteer hours will increase by 12%.
- **percentage due to your project:** this is the share of each type of overhead that will be given to the youth project. 12% of premises costs and 10% of administration and support costs will be given to the youth project.

Step 5: calculating the overheads

Next Anita sets up a spreadsheet to calculate the predicted overheads in the youth project's first year.

- **Current costs:** She enters figures from the current year budget into the current cost column
- **Change in activity level:** In the next column she estimates how much the activity will change as a result of introducing the youth project. She uses the increase in activity calculated in Step 4 (13% for premises costs and 12% for admin costs) except for specific items (such as rent) where she knows that there will be no change. It has been agreed that the caretaker's hours will increase from 15 per week to 18 per week when the youth project starts, an increase of 20%.

- Inflation: Anita decides to use a 3% inflation rate for all costs.
- Predicted costs: these are calculated as current cost x change in activity x change due to inflation.

	Current cost (£)	Change in activity	Inflation (3%)	Predicted cost (£)
	A	B	C	= A x B x C
Gas and electricity	4,500	1.13	1.03	5,238
Rent, rates and water rates	1,500	1.00	1.03	1,545
Insurance	4,500	1.00	1.03	4,635
Maintenance and repairs	2,000	1.13	1.03	2,328
Security system contract	500	1.00	1.03	515
Cleaning equipment and materials	1,500	1.13	1.03	1,746
Licences, inspections etc	500	1.00	1.03	515
Various premises costs	500	1.13	1.03	582
Centre administrator	5,709	1.00	1.03	5,880
Caretaker	5,841	1.20	1.03	7,219
Cover caretakers	786	1.20	1.03	971
Finance assistant	1,349	1.00	1.03	1,389
Staff expenses and training	500	1.00	1.03	515
Postage	500	1.12	1.03	577
Printing and stationery	1,000	1.12	1.03	1,154
Phones and internet	1,000	1.12	1.03	1,154
Office equipment and contracts	1,000	1.12	1.03	1,154
Bank charges	250	1.12	1.03	288
Accountant's fees	1,500	1.12	1.03	1,730
Various office costs	500	1.12	1.03	577
	35,435			39,712

Anita transfers these figures into Step 5 of the full cost recovery spreadsheet, placing each cost in the appropriate column.

Step 5: Enter your organisation's overheads			
	Premises costs	Admin and support costs	
List overheads and amounts	£	£	£
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, inspections etc	515		
Various premises costs	582		
Centre administrator		5,880	
Caretaker	7,219		
Cover caretakers	971		
Finance assistant		1,389	
Staff expenses and training		515	
Postage		577	
Printing and stationery		1,154	
Phones and internet		1,154	
Office equipment and contracts		1,154	
Bank charges		288	
Accountant's fees		1,730	
various office costs		577	
Totals	25,294	14,418	–

Step 6: Full project costs

In step 6 the spreadsheet automatically calculates the full costs of the youth project.

Step 6: Full costs of your project			
These are the full costs of your project		£	£
Direct costs	Revenue costs	35,923	
	Capital costs	8,000	
Total direct project costs			43,923
The project's share of the overheads	Premises costs	2,991	
	Admin and support costs	1,502	
Total share of the overheads			4,493
Full project costs			48,416

Step 7: Other project income

The project will be part funded by a grant. The grant is for the project's capital costs and some running costs only. Anita enters details of the grant in step 7.

Step 7: Funding from other sources		
	£	£
	Amount anticipated for the whole organisation from this source	Amount anticipated for this project
1. List sources of income that can only be used for overheads		
		0
		0
		0
2. List Sources of income that can only be used for direct project costs for this project		
		10,000

	£	£
	Amount anticipated for the whole organisation from this source	Amount anticipated for this project
3. List other sources of income for this project that can contribute both to direct project costs and overheads		
Total funding from other sources		10,000
£ of direct costs to be shared between funders supporting both overheads and direct project costs		£33,923
% of direct costs supported by funders that support both direct costs and overheads		77.23%
£ of overheads to be shared between funders supporting both overheads and direct project costs		£3,678
% of overheads contributed by other funders supporting both overheads and direct project costs		0%

Step 8: The National Lottery Community Fund contribution

The contribution that The National Lottery Community Fund could make to the project is calculated in step 8.

Step 8: The contribution you can ask us to make	
These are the maximum contributions we can make towards your project:	£
towards the direct costs of your project	33,923
towards your project's share of the overheads	3,678
Total contribution towards your project	37,601

Get in touch

general.enquiries@tnlcommunityfund.org.uk

tnlcommunityfund.org.uk

T 0345 4 10 20 30 📞 18001 plus 0345 4 10 20 30

