FINANCIAL GUIDELINES

#2 Budget classification and budget management: February 2021

TO BE USED ONLY BY OPPORTUNITY APPLICANTS AND GRANTEES

1. INTRODUCTION

This guidance explains AmplifyChange budgets, and the methodologies grantees should use to calculate the expenditure of grants.

The guidance is intended for AmplifyChange applicants to use when they are budgeting at application stage; if applicants are successful, the guidance should also be used by grantees to re-budget and to report financially. Throughout the document, ‘you’ refers to applicants/grantees, and ‘we’ refers to AmplifyChange.

AmplifyChange budgets are split between the five following standard budget headings:

- Project Activities
- Staff Costs
- Monitoring and Evaluation
- Strengthening / Capacity Building / Sustainability
- Indirect Costs

Within each of these headings, applicants/grantees must define their own activity numbers and budget lines which are specific to the project.

A clear understanding of these budget headings and budget lines is essential, as there are firm controls over the amount of flexibility allowed within the budget – so applicants/grantees must keep to the agreed budget headings and lines.
2. STRUCTURE OF THE BUDGET

To avoid confusion over the difference between budget headings, budget lines and sub-totals, the table below shows the basic reporting structure of an AmplifyChange budget. The five budget headings are standard and cannot be changed. Budget lines should be defined by applicants/grantees based on their specific project. Below, we give examples of some budget lines:

<table>
<thead>
<tr>
<th>Budget Heading (standard, cannot be changed)</th>
<th>Activity</th>
<th>Budget Lines (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Activities</td>
<td>Activity 1</td>
<td>Venue hire &amp; refreshments</td>
</tr>
<tr>
<td></td>
<td>Activity 1</td>
<td>Travel reimbursements</td>
</tr>
<tr>
<td></td>
<td>Activity 2</td>
<td>Printing costs</td>
</tr>
<tr>
<td></td>
<td>Etc.</td>
<td>Etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Sub-total</strong></td>
</tr>
<tr>
<td>Staff Costs</td>
<td>n/a</td>
<td>Project Manager</td>
</tr>
<tr>
<td></td>
<td></td>
<td>M&amp;E Officer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Finance Officer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Sub-total</strong></td>
</tr>
<tr>
<td>Monitoring and Evaluation</td>
<td>n/a</td>
<td>Baseline survey</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Travel</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Technical assistance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Sub-total</strong></td>
</tr>
<tr>
<td>Strengthening / Capacity Building / Sustainability</td>
<td>n/a</td>
<td>Strategic planning workshop</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Staff skills training</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Technical assistance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Sub-total</strong></td>
</tr>
<tr>
<td>Indirect Costs</td>
<td>n/a</td>
<td>Facilities / equipment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rent</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Communications</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Sub-total</strong></td>
</tr>
</tbody>
</table>
3. **AMPLIFYCHANGE BUDGET HEADINGS**

This section covers basic guidance on how expenditure is classified under the standard budget headings.

3.1 **PROJECT ACTIVITIES**

The **Project Activities** budget heading is expected to cover all expenditure directly attributable to the AmplifyChange project; but it excludes **Staff Costs**.

Please use as many budget lines as you need, as long as they match the activities you propose/agree under your project workplan. For project activity costs please include the activity number in the Activity column. Please give more details for each budget line in the budget notes column to help us understand what is included in each budget line and how you have calculated it.

3.2 **STAFF COSTS**

Staff costs that can be charged to AmplifyChange can be related to direct Project Activities, to Monitoring and Evaluation, to Strengthening / Capacity Building / Sustainability or they can be Indirect Costs such as an apportionment of the CEO and Finance Director's salaries. You do not need to include the activity number for staff costs.

Please include the total salary and the percentage charged to AmplifyChange in the budget notes column. Where staff are not working exclusively on the AmplifyChange project, we strongly recommend that you regularly fill in and keep a record of timesheets; this allows for a comparison of actual staff time against the budget.

3.3 **MONITORING AND EVALUATION**

An end of project evaluation is an important aspect of any project, and we expect to see the Monitoring and Evaluation budget heading used for this. There is no specific ceiling for the cost of the evaluation, but as above, we will consider whether the allocation is appropriate for the proposed project.

3.4 **STRENGTHENING / CAPACITY BUILDING / SUSTAINABILITY**
Costs of this type are not directly related to the everyday project activities of the organisation but are specifically to be used to develop and improve the capacity of your organisation itself.

Examples of this type of cost can include:

- Formal training courses for staff
- Support for staff working towards academic qualifications
- Technical advice including specialised consultancy services
- Organisational development (e.g. drafting staff handbooks)
- Infrastructure development (e.g. purchasing computers or accounting software for use by the organisation)

This classification should only be used where the capacity building effort relates to you – the applicant/grantee organisation. In many cases the purpose of the grant includes raising the capacity of a beneficiary population, where this is the case the associated expenses should be treated as part of the ‘Project Activities’ classification rather than relating to Strengthening / Capacity Building / Sustainability of the organisation.

If you are successful in your application, the classification of costs as Strengthening / Capacity Building / Sustainability will be agreed at the pre-contracting stage in discussions with your AmplifyChange colleague in the Grant Support Team. You may need to adjust your budget to cover the costs of strengthening measures recommended during the due diligence and financial management assessment. Then, any subsequent reports should follow these agreed arrangements.

3.5 INDIRECT COSTS

We recognise the need to support organisational administrative costs for you to be able to successfully deliver project activities. Please include such support costs under the heading of ‘Indirect Costs’.

‘Indirect Costs’ is intended to cover an appropriate and justifiable amount of your administrative costs. These indirect costs would be expended in support of the grant and are not covered by the other budget classifications.

These costs should be minimised to ensure value for money, and you should consider where cost savings could be made through sharing administrative costs across projects.
AmplifyChange recognises good practice principles and recommended methodologies which we would like you to adhere to:

- Reported expenditure must be based on actual expenditure
- Any costs charged to AmplifyChange must be evidenced by supporting documentation
- Indirect costs should follow the standard reporting principles of AmplifyChange which uses cash-based accounting
- Calculation based on the actual levels of effort of the project such as based on proportion of staff time or total expenditure

We are aware that you may already have your own internal guidance on the apportionment of indirect costs to grants. As far as is appropriate, we are happy for this to be used in the calculation of indirect costs for the budget agreed with AmplifyChange. Please describe this methodology in the budget notes column.

However, please note that the good practice principles above do not allow certain methodologies for the charging of administrative costs. It is not acceptable for grantees to charge a fixed rate for administration (for example, a fixed figure of EUR10,000) or to charge a flat rate based on the size of the grant or direct project costs (for example, 10% of the total grant or 5% of direct project costs).

Examples of indirect costs which may be included in the budget:

- Mobile phones and top-ups for staff and volunteers for organisational use
- Internet access for organisational use
- Transport costs for staff and volunteers to attend meetings/events
- A contribution to the rental of office or meeting spaces
- Costs incurred to fulfil AmplifyChange reporting requirements such as internet access, mobile phone top-ups and transport

4. ITEMS WHICH MAY NOT BE CLAIMED

We have included a list below to highlight what is NOT allowed. We hope this helps to avoid uncertainty over the application of the rules regarding specific items of expenditure. This list is non-exhaustive but covers some of the common points of confusion:

- Severance pay (payments when a worker’s contract/period of work is completed)
- Land purchase
- Cars
- Major capital expenditure
- Contingency / unforeseen costs (if these arise during the project implementation they should not be included in the analysis as a separate item in the budget)
- Inflation must not be included as a stand-alone cost in a separate budget line
- Depreciation (this is an accruals accounting concept and should not be included)
- Debt repayment

5. BUDGET MANAGEMENT

This section covers basic guidelines for good practice on budget management and financial control.

5.1 GOOD PRACTICE

All grantees are expected to closely monitor their budget against the project workplan. AmplifyChange allows some degree of flexibility within budgets – but we do expect that accurate planning and forecasting should occur from the start, and that the need for revisions to the budget will be by exception only and will in most cases be anticipated in advance by you.

You will understand that we, as AmplifyChange, have our own budgetary restrictions, so the quality of forecasting on all grants is of prime importance.

AmplifyChange does not enforce a specific planning system on grantees. However, you should consider the following points of best practice when designing your systems:

- **Collaborative**: management of the budget is only effective when it is a collaboration between the finance and technical delivery sections. Financial forecasts should be activity based and consider the real-world actions taking place, and should be aware of the local context (e.g. Ramadan or school holidays), rather than a simple apportionment of budget across months
- **Forward looking**: AmplifyChange should be made aware of the need to adjust budgets as far in advance as possible.
- **Regularly updated**: we recommend that forecasts and plans are reviewed at least once a month
- **Realistic**: there is an inevitable tendency to over-promise on the delivery of projects; effective planning should attempt to control this. Set a budget linked to the project workplan which is ambitious, but achievable

### 5.2 BUDGET FLEXIBILITY

In most cases grantees are expected to operate within the constraints of their project budget. Where you might require adjustments to the agreed budget, please seek approval from AmplifyChange in advance.

However, to avoid the need for approval of many small changes there is some flexibility in budgets for adjustments which can be made without approval from AmplifyChange. The degree of variance in budgets which is allowable without specific approval from AmplifyChange is set out below:

- During the course of the grant, up to 20% of the value of a budget heading can be transferred between individual budget lines (within that heading)
- During the course of the grant, up to 20% of the value of a budget heading can be transferred between budget headings as long as the overall total for the grant is not breached

The paragraphs above are best read alongside the structure of the budget set out in Section 2 of this document above (Structure of the Budget). These flexibilities reflect the only circumstances where grantees may make changes to the values in budgets **without AmplifyChange’s approval**. Circumstances where specific approval should be sought are outlined below in Section 5.3.

### 5.3 BUDGET REVISION

Where budget variance is required which is **greater than** the flexibility permitted above, **grantees must formally request prior approval and budget revision** (and if necessary **submit a revised workplan**). This will be the case when any one of the following flexibilities is required:

- Budget lines change by more than the flexibilities outlined in Section 5.2
- Budget line being removed / set to zero

• New budget line added

**What to do if this happens:**

• You should inform your regular AmplifyChange point of contact (Grant Support Team member) as soon as it appears likely that there will be a variance to the budget and that this will require a Budget Revision
• You must submit a Budget Revision according to the standard template provided by AmplifyChange. Please see Section 5 of #4 Reporting requirements and templates for further details
• You are also required to provide an explanation of any budget lines which are being revised and justify the reasons for the change. Where the requested budget changes have an impact on project outputs and activities, you must also submit a revised workplan
• If AmplifyChange approves the revised budget, then you may be issued with a revised grant agreement if this has caused a significant change to the project
• If a revised grant agreement is issued, you as the **grantee are responsible for signing and returning it within 30 days of receipt**. Until the signed revised grant agreement has been received by AmplifyChange, you are not permitted to report or claim against the revised budget

### 5.4 CARRYOVER OF UNSPENT FUNDS

It is expected that grantees should plan to spend all funds during the grant period as defined in the grant agreement.

AmplifyChange uses the cash-basis of accounting so project expenditure must be paid for before the end date of the grant agreement and cannot be accrued.

However, we recognise that some costs such as Monitoring and Evaluation or project audits must take place after project activities have completed and, especially in projects that have experienced delays, may sometimes fall after the end date of the grant agreement.

Therefore, when **agreed in advance with AmplifyChange** and **up to one month after the end date of your agreement**, some costs may be spent after the end date of the grant agreement. These costs will need to be included in the financial reporting template you submit at the end of your grant.

### 5.5 NO-COST EXTENSIONS
If the project is underspending and behind schedule, grantees can contact their Grant Support Team member to request a no-cost extension (NCE). This should be done as early as possible. The grantee will be asked to complete an NCE Request Form. If we approve the request, we will issue an addendum to the project’s duration in the grant agreement. **Grantees are responsible for signing and returning the addendum within 30 days of receipt.** Until the signed addendum has been received by AmplifyChange, grantees are not permitted to report or claim expenditure under the extension period.