



FINANCIAL GUIDELINES

#2 Budget classification and budget management (May 2021)

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; and, 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
- Organisational and Strengthening
- Indirect Costs

Within each of these headings, applicants/grantees must define their own budget lines which are specific and unique to your 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 and applicants/grantees must keep expenditure within the agreed budget headings and lines.

2. STRUCTURE OF THE BUDGET

To avoid confusion over the difference between budget headings, activity names, 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. For items under the Project Activities budget heading, you need to include an activity name to give more detail. This will help identify all the costs associated with your different types of activities. Budget lines should be defined by applicants/grantees based on their specific project. Below, we give examples of some budget lines:

Budget Heading (standard, cannot be changed)	Activity Name (Project Activities only)	Budget Lines (examples)
Project Activities	Activity 1	Press conference
	Activity 2	Venue hire
	Activity 3	Printing costs
	Activity 4	Accommodation etc.
		Sub-total
Staff Costs	n/a	Project Manager
		M&E Officer
		Finance Officer
		Admin assistant etc.
		Sub-total
Monitoring and Evaluation	n/a	Baseline survey
		Travel
		Technical assistance
		Final evaluation etc.
		Sub-total
Organisational and strengthening	n/a	Strategic planning workshop
		Staff skills training
		Technical assistance

		Office and/or IT equipment (laptop, projector...)
		Sub-total
Indirect Costs	n/a	Rent and utilities
		Communications
		Audit fees etc.
		Sub-total

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 delivering the AmplifyChange project; but it excludes **Staff Costs**.

Costs for stationery, mobile airtime, travel costs, premises costs and consultant fees (for this specific project) and other similar items can be included under Project Activities. You should aggregate (gather together) all project activities from your workplan and ensure that they are included under the Project Activities budget heading. As you can see from the table above, you should give more detail in the activity name column. We should be able to match the activity name column to the activities in your project workplan, but we recommend that in the budget you name them Activity 1, Activity 2 etc for simplicity. Please use as many as you need, as long as they match the activities you propose/agree under your project workplan. Please give more details to help us understand what is included in each budget line, and how you have calculated it, in the budget notes column.

How you allocate costs to each activity depends on your workplan. If your application has been successful and you are a grantee, you can discuss a reasonable methodology for the allocation of costs with your AmplifyChange Grants Manager. This should reflect what percentage of a transaction relates to a specific project activity.

During discussions, we would expect you (when you are grantees) to provide reasonable evidence to support your method used to allocate costs between activities – for example, are you spending more time and therefore more money on Activity 1 for a specific reason?

We do not expect you to attribute or allocate Staff Costs, Monitoring and Evaluation, Organisational and Strengthening and Indirect Costs in the same way to different activities as they either cut across all project activities or are not direct project costs.

3.2 STAFF COSTS

Staff costs that can be charged to AmplifyChange can be related to direct Project Activities, to Monitoring and Evaluation, to Organisational and Strengthening or they can be Indirect Costs such as an apportionment of the CEO and Finance Director's salaries.

Where staff are not working exclusively on the AmplifyChange project, we strongly recommend that they regularly fill in timesheets to keep a record of the amount of time spent working on each project; this allows for a comparison of actual staff time against the budget and allows you to calculate the correct staff costs for the AmplifyChange project based on the actual amount of time spent working on the project.

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 these costs. There is no specific ceiling for the cost of the evaluation, but we will consider whether the amount charged is appropriate for the proposed project during the grant pre-contracting stage.

3.4 INTERNAL ORGANISATIONAL STRENGTHENING / CAPACITY BUILDING / SUSTAINABILITY

Costs of this type are not directly related to the day-to-day project activity 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 – yourself.**

In many cases, grants have been awarded to work on projects which are solely or partly devoted to raising 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 Organisational and Strengthening will be agreed at the pre-contracting stage in discussions with your AmplifyChange Grants Manager. You may need to adjust your budget to cover the costs of strengthening measures that were recommended during the due diligence and financial management assessment.

3.5 INDIRECT COSTS

Indirect costs, also called support costs or overhead costs are defined as costs **that relate to the overall management and support that an organisation needs to function rather than to the delivery of a specific project.**

Indirect costs are those that are necessary for projects to be delivered but cannot be clearly linked to any one specific project. Typically, they include costs for the overall management, administration and support, governance, and compliance costs, that **relate to the whole organisation and partly support your AmplifyChange project as well as supporting your other projects.**

A specific guidance has been developed and introduced by AmplifyChange to ensure that there is a fair and consistent way of allowing all grantees to include an element of these indirect costs within their AmplifyChange funded grant.

Please refer to **Financial Guidance #6 Indirect costs – Calculation and Reporting** for more information.

4. ITEMS WHICH MAY NOT BE CLAIMED

We have included a list below to highlight what costs are 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 (additional payments when a worker's contract/period of work is completed)
- Land purchase
- Vehicles
- Major capital expenditure
- Contingency / unforeseen costs (if unexpected costs arise during the project implementation, you may need to submit a budget revision as detailed in section 5.4 below)
- 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
- Fines or penalty charges

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 spend against the budget and 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. If there is repeated high variance against forecast, we will see this as being due to weak financial management on your part.

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. If grantees report budget variances only during project reporting, then they are at risk of AmplifyChange rejecting the budget adjustment and denying any disbursement of funds not in the agreed budget.
- **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 CONSTRUCTING YOUR BUDGET - STEP BY STEP GUIDANCE

When first forming your budget, you will need to insert additional lines as required under each of the five budget heading sections in your budget template. To ensure that the formulas/calculations are copied into the new rows, **please copy a row and click 'insert copied cells'** (it will NOT work if you just insert a new blank row).

Budget heading name

The budget heading name in Column B must conform to the five standard budgeting headings (Project Activities etc). **Please ensure that they are in the exact same format e.g. no space between the words 'Project' and 'Activities' (see format below), as we use this for data analysis.** The budget headings names/formats are:

- ProjectActivities
- StaffCosts
- MonitoringAndEvaluation
- OrganisationalStrengthening
- IndirectCosts

Activity name

This is found in Column C and should be used for entries within the Project Activities budget heading. Here, please choose the appropriate name for your project's activities. We suggest you keep this simple such as 'Activity 1', 'Activity 2'. The items in the activity name column should match the activities agreed in your project workplan. For all other budget heading sections, the activity name should be 'n/a' as these costs do not relate to a specific project activity. Please see section 2 for an example of the budget structure.

Budget line

In Column D, please include the budget line name. This is free text, and you must define your own budget lines which are specific to your project. Some examples can be found in section 2 of this guidance.

Organisation and country

If you, as the grantee, are working with a downstream partner, then Column E should be used to indicate the name of the downstream partner using this budget line, otherwise this should just be your own organisation's name. Column F should be used to indicate the country in which the budget line is being spent.

Period

Columns G, H, J and K are for the actual budget figures. **Please ensure these are in British Pounds Sterling (GBP).** Columns I, L and N contain formulas to add up the figures entered - **please do not amend or type over these formulas.**

Budget notes

Column O is a free text column for you to add notes about each budget line. Please include sufficient detail to fully explain and justify each cost. For example, a 'Finance officer' budget line under the staff costs heading should include details such as the job title/grade, percentage of Full Time Equivalent (FTE) being charged to the project and annual salary.

Each budget heading has a sub-total line and there is an overall total at the bottom of the tab. **Please do not amend or type over these formulas.**

5.3 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 authorisation from AmplifyChange. The degree of changes which is allowable without specific approval from AmplifyChange is set out below:

1. During the course of any 6-month reporting period, up to 20% of the value of a budget heading can be transferred between individual budget lines (within that heading).
2. During the course of any 6-month reporting period, the total of a budget heading may vary by up to 20%, as long as the overall amount of the budget for the 6 months period is not breached.
3. You also have the flexibility to move 20% of budgeted spending between periods. Grantees should be aware that in the case of an overspend in the

period, disbursement will still only be made for the following period if agreed by AmplifyChange.

Please find below an example which will be used to illustrate the three bullet points mentioned above. The examples given focus on period1:

1) PROJECT ACTIVITIES	Activity	BUDGET LINE	ORGANISATION	COUNTRY	Period 1	Period 2	TOTAL BUDGET
ProjectActivities	Activity 1	Conference package	ORG A	UGANDA	£100.00		£100.00
ProjectActivities	Activity 1	Printing	ORG A	UGANDA	£200.00	£100.00	£300.00
ProjectActivities	Activity 2	Radio Airtime	ORG A	UGANDA	£150.00	£150.00	£300.00
ProjectActivities	Activity 3	Travel allowance	ORG A	UGANDA	£200.00		£200.00
ProjectActivities	Activity 3	Consultant fees	ORG A	UGANDA	£100.00	£200.00	£300.00
Sub-total					£750.00	£450.00	£1,200.00
2) STAFF COSTS							
StaffCosts	n/a	Project Manager	ORG A	UGANDA	£200.00	£200.00	€ 400.00
StaffCosts	n/a	Finance Manager	ORG A	UGANDA	£100.00	£100.00	€ 200.00
StaffCosts	n/a	Project Officer	ORG A	UGANDA	£100.00	£100.00	€ 200.00
<Insert new rows as required>							€ 0.00
Sub-total					£400.00	£400.00	£800.00
TOTAL					£1,150.00	£850.00	£2,000.00

- Example Scenario 1:** You can transfer up to 20% of the total Project Activities budget i.e., £150 (£750*20%) between the different budget lines under this heading (conference package/printing/radio airtime etc) as long as the total of all the “Project Activities” remains the same (£750). As an example, instead of spending £200 in printing as originally budgeted, you may need to spend only £50 but have to spend £300 for radio airtime or £350 in travel allowance.
- Example Scenario 2:** The spend reported under your budget headings can vary up to +/- 20% of the total of that budget heading, as long as the overall total budget for the 6months period remains the same (£1,150). As an example, instead of spending £750 in project activities, you can spend only £600 and spend £550 for staff costs.
- Example Scenario 3:** You can transfer between period1 to period2 up to 20% of the total budget for the period i.e., £230 (£1,150*20%) as long as the overall total budget remains the same (£2,000). Therefore, instead of spending £1,150 in period 1 you can decide to spend £920 or £1,280 and adjust period2 spending accordingly to ensure the total overall budget remains the same (£2,000).

These flexibilities reflect the only circumstances where grantees can report expenditure with variances to the budget **without AmplifyChange’s approval**. All other changes must be authorised by us as outlined below in section 04.

5.4. BUDGET REVISION

Where a budget variance is reported 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 changes are required:

- Budget lines change by more than the tolerance thresholds outlined in section **0**
- A Budget line needs to be removed / set to zero
- A new budget line needs to be 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 which needs a budget revision to be agreed.
- You must submit a Budget Revision according to the standard template which will be provided by AmplifyChange. Please see **Financial Guidance #4 Reporting requirements and templates** for further details.
- When completing the new version of the budget, please ensure that you show the amount of spend for previous periods that have already been reported to AmplifyChange exactly matching what has been submitted to and approved by us. The funds that are unspent and have not been reported to AmplifyChange in previous periods can be changed in your revised budget. Once the new 'AgreedBudget' tab has been inserted into the Financial Template there should be no variance between your new approved budget revision and what has been reported for past periods.
- You are also required to provide an explanation of any budget lines which are being changed and justify the reasons for this. If 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.

5.5. CARRYOVER OF UNSPENT FUNDS

AmplifyChange has a 6-monthly period for the reporting and disbursement of funding.

It is expected that you will keep to your originally agreed budget profile across periods; however, in some circumstances there may be a need to move unspent funds into later periods. This is expected to occur mostly where unforeseeable external environmental factors have caused significant delays in implementation.

As we describe above, you have the flexibility to move 20% of budgeted spending between periods without AmplifyChange's approval, so that underspending over a 6-month period will not cause the project to lose funding. But please note that funding will only continue if you can demonstrate in your technical reporting that the project can still deliver on its aims. As such, where projects have been significantly underspending over a number of periods, we may have to consider whether continued funding is justified.

It is expected that grantees should plan to spend all funds during the grant lifetime as defined in the grant agreement. AmplifyChange uses the cash-basis of accounting so expenditure must be paid for *before* the end date of the grant agreement and cannot be accrued. However, we recognise that some undertakings such as the project evaluation or project audit must take place after project activities have completed and, the costs for these may not be due to be paid until after your project has ended. Therefore, when **agreed in advance with AmplifyChange**, and up to one month after the end date of your agreement, some specific costs may be paid for after the end date of the grant agreement. These costs will need to be included in the financial reporting template you submit for your last period.

5.6. NO-COST EXTENSIONS

If the project is underspending and behind schedule, you can contact your regular AmplifyChange Grants Manager to request a **no-cost extension (NCE)**. This should be done as early as possible.

You must complete an NCE Request Form and revised budget, workplan and milestones and indicators (where necessary and agreed by your AmplifyChange Grants Manager). If we approve the request, we will issue an addendum to the project's duration in the grant agreement. **You are responsible for signing and returning the addendum within 30 days of receipt.**

Until the signed addendum has been received by AmplifyChange, you are not permitted to report or claim expenditure under the extension period.