



FINANCIAL GUIDELINES

#6 Indirect costs – Calculation and Reporting (July 2021)

1. INTRODUCTION

This document outlines guidelines for the **calculation** and **reporting** of indirect costs that can be included within the budgeted expenditure and financial reporting for projects delivered with AmplifyChange funds.

Throughout this document, 'you/your' refers to grantees, and 'we/our' refers to AmplifyChange.

2. DEFINITION

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.

This 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.

Indirect costs are those that are necessary for projects to be delivered but cannot be clearly linked to any one specific project. Typically, indirect costs can be found in organisations that have the capacity to manage more than one project at a time and will incur expenditure for their overall management, administration and support, governance, and compliance costs, which **relate to the whole**

organisation and partly support the AmplifyChange project as well as supporting all the other projects.

In short, Indirect costs can be defined as the **overhead support costs** that are incurred by an organisation to support all its overall activities and examples of these types of costs can be found at section 5 of this guidance.

It should be noted that if your organisation only implements one single project, nearly all your costs are likely to be direct costs i.e., they are clearly incurred to support your only project.

3. HOW WILL THE AMOUNT OF INDIRECT COSTS BE CALCULATED?

All AmplifyChange funded projects can include an 'appropriate and reasonable apportioned amount' in the budget for indirect costs, and the method for calculating the amount of indirect costs will be consistently applied to all grant types.

All grants will be allowed to include an amount for indirect costs in the budget, amounting to **up to 7%** of the total budgeted project direct costs (i.e., the sum of project activities + staff costs + M&E costs + organisational and strengthening costs). It is important that you ensure that all the costs which directly support your project are included as direct costs in your project budget, and Section 5 provides guidance and examples of the types of costs that can be included as direct costs.

The amount of indirect costs to include in your budget will be calculated based on your total direct costs, for example, if your total project direct costs are budgeted at £140,000 you may also include up to £9,800 in your budget for indirect costs (calculated as £140,000 x 7%) as long as including this amount does not lead to your total grant amount being exceeded.

The amount should be disclosed on a single line under the budget heading "indirect costs" in your proposed budget and you should provide in the budget notes the detail of the costs that will be partly financed through this funding.

It should be noted that the **funding for indirect costs will need to be absorbed within the overall proposed budget limit for the grant and will not be reimbursed separately with additional funding.**

Funding for indirect costs in this way is only available for grantees and cannot be applied to downstream partner organisations. **Grantees are therefore strongly encouraged to pass on an element of the indirect cost funding to their partners, where applicable.**

To note: For partnership grants, the % of indirect costs available to the grantee will be calculated based on the direct costs **excluding the on-granting element**, therefore allowing on-grantees to include an indirect costs allocation of up to 7% to their own project budgets.

4. HOW DO I INCLUDE INDIRECT COSTS IN THE FINANCIAL REPORTS?

The amount claimed for indirect costs in each of your financial reports should be calculated based on the actual direct costs incurred during the 6-month reporting period **irrespective of the amount included in your budget or the amount of indirect costs paid during the reporting period.**

For example, if the total direct costs for the project during the 6 months period are £77,458 then indirect costs amounting to £5,422.06 ($£77,458 \times 7\%$) can be included as a single line in your transaction listing and financial report for the period.

No supporting evidence is required to be retained in support of this funding, and indirect cost funding will not be included in any audit sample.

The amounts included in the financial reports will be checked and reconciled by the Fiduciary Risk Team and adjusted, if necessary, to ensure that the correct percentage has been applied to the costs incurred.

Section 6 of this guidance gives an example of how to include indirect costs in your project budget and shows how the amount of indirect costs should be included in your transaction listing when completing your financial report.

5. DIRECT COSTS v INDIRECT COSTS EXAMPLES

DIRECT COSTS are the costs of all necessary activity required to deliver a specific project and can include project management and technical delivery costs; communication costs; human resources; security; procurement, project payroll; IT costs and project administration.

INDIRECT COSTS are the costs of all functions, which are required to manage the organisation, provide oversight over all its activities, and provide the governance and systems that enable it to operate.

Below are some typical project and organisational costs to help you determine what can be classed as a direct or indirect costs.

As a reminder if your organisation only implements one project you are likely to have no indirect costs as all your costs will likely be specifically supporting your project.

| Cost type | What will be covered by indirect costs funding? | What should be included as a direct cost in your budget? |
|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Premises costs (i.e., rent, utilities, services charges, maintenance & security) | All premises costs that are not project specific, but are used for support staff or as the base to deliver all your projects are indirect costs | All costs for the premises that are used just for delivering the AmplifyChange project should be included as a direct cost |
| Finance and administrations costs (i.e. finance staff, administrators) | Costs that relate to the administration and accounting of the organisation itself (i.e., not related to project activities) are indirect costs | Costs for project specific financial reporting and accounting tasks should be included as a direct cost. These will generally be supported by time sheet recording |
| Conferences and meetings | Costs related to Annual conferences and general meetings that are not project specific related are indirect costs | Costs for project specific meetings and conferences should be included as a direct cost. |
| Bank charges | All non-project bank charges are covered by indirect costs funding | Costs incurred related to the transfer of funds to the project should be included as a direct cost. |

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|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Communication charges (telephone/Wi-Fi) | Costs for support staff phones and communications are indirect costs | Costs for phone and internet connection for the project or its staff should be included as a direct cost. |
| Transportation costs | Costs related to transportation for support staff or general stakeholders of the organisation are indirect costs | Transportation costs for direct project staff or beneficiaries should be included as a direct cost. |
| Recruitment / HR | HR management and support costs for non-project specific staff are indirect costs | The costs related to the recruitment of project specific staff should be included as a direct cost. |
| External audit | The cost of the routine annual financial audit for the organisation, as a whole, is an indirect cost. | Costs for project specific audits should be included as a direct cost. In addition , if AmplifyChange have requested that you have annual external audits as a due diligence recommendation, the costs for these can be included as a direct cost |
| General governance and compliance | All costs for producing and implementing organisational policies and processes, oversight and management of the whole organisation, general compliance and statutory reporting can be included in indirect costs | Project specific support from senior leaders / board members, which can be documented by time sheet recording, should be included as a direct cost In addition , if AmplifyChange have requested that you implement policies or processes as a due diligence recommendation, the costs for these can be included as a direct cost in the organisational strengthening budget heading for example |
| Legal and professional fees | The cost of legal or other professional advice related to the organisation as a whole is an indirect cost. | Legal and other professional fees that are directly related to the delivery of the project |

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| | | should be included as a direct cost. |
| IT Maintenance costs | Costs incurred to develop and maintain the systems required to ensure the organisation can operate effectively and efficiently i.e., website costs, communications network, security, data storage) are indirect costs. | Costs for maintenance and repair for equipment used directly on your project should be included as a direct cost. |

6. EXAMPLES

Example A: Organisation A is a small CSO only implementing the AmplifyChange funding project in Nigeria. They are entitled to an opportunity grant of an amount of £30,000 over a 12-month period. As the organisation only has one project all their staff and activity will be directly linked to delivering this project, and as such will be classed as direct costs and reflected as such in the budget template below.

Whilst the organisation has one project, some costs might still be not be related to delivering the project such as activities related to fundraising, networking, organisation strengthening or governance.

Budget stage:

| 1) PROJECT ACTIVITIES | ACTIVITY NAME | BUDGET LINE | ORGANISATION | COUNTRY | Period 1 | Period 2 | TOTAL funds Year 1 | TOTAL BUDGET | BUDGET NOTES |
|----------------------------------------|---------------|---------------------|--------------|---------|-------------------|-------------------|--------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ProjectActivities | Activity 1 | Training | ORG A | Nigeria | £8,500.00 | | £8,500.00 | £8,500.00 | Transportation costs for participant for £1,000 Costs to rent a hall to organise the training for £2,000 Printing costs for training material £3,000 Facilitators fees for the training for £2,500 |
| ProjectActivities | Activity 2 | Workshop | ORG A | Nigeria | | £4,500.00 | £4,500.00 | £4,500.00 | Communication costs to prepare and organise the workshop : £2,000 Costs for the perdiem of the facilitators for £500 Costs to rent a hall to organise the workshop for £2,000 |
| ProjectActivities | Activity 3 | Project admin costs | ORG A | Nigeria | £750.00 | £750.00 | £1,500.00 | £1,500.00 | Rent £1,000 Utilities bills £500 |
| Sub-total | | | | | £9,250.00 | £5,250.00 | £14,500.00 | £14,500.00 | |
| 2) STAFF COSTS | | | | | | | | | |
| StaffCosts | n/a | Finance Manager | ORG A | Nigeria | £1,500.00 | £1,500.00 | £3,000.00 | £3,000.00 | Finance Manager 100% salary |
| StaffCosts | n/a | Project Manager | ORG A | Nigeria | £1,500.00 | £1,500.00 | £3,000.00 | £3,000.00 | Project Manager 100% salary |
| StaffCosts | n/a | Project Assistant | ORG A | Nigeria | £1,000.00 | £1,000.00 | £2,000.00 | £2,000.00 | Project Assistant 100% salary |
| StaffCosts | n/a | Office Assistant | ORG A | Nigeria | £700.00 | £700.00 | £1,400.00 | £1,400.00 | Office Assistant 80% salary |
| Sub-total | | | | | £4,700.00 | £4,700.00 | £9,400.00 | £9,400.00 | |
| 3) MONITORING AND EVALUATION | | | | | | | | | |
| MonitoringAndEvaluation | n/a | Consultant fees | ORG A | Nigeria | | £2,000.00 | £2,000.00 | £2,000.00 | Consultant involved for final evaluation |
| Sub-total | | | | | £0.00 | £2,000.00 | £2,000.00 | £2,000.00 | |
| 4) ORGANISATIONAL STRENGTHENING | | | | | | | | | |
| OrganisationalStrengthening | n/a | IT equipment | ORG A | Nigeria | £1,000.00 | | £1,000.00 | £1,000.00 | Purchase of one laptop and one printer |
| OrganisationalStrengthening | n/a | Audit fees | ORG A | Nigeria | | £1,200.00 | £1,200.00 | £1,200.00 | External auditors fees |
| Sub-total | | | | | £1,000.00 | £1,200.00 | £2,200.00 | £2,200.00 | |
| 5) INDIRECT COSTS | | | | | | | | | |
| Indirectcosts | n/a | 7% fixed rate | ORG A | Nigeria | £1,046.50 | £920.50 | £1,967.00 | £1,967.00 | funding towards rent, utilities bills and 20% salary of the office assistant working |
| Sub-total | | | | | £1,046.50 | £920.50 | £1,967.00 | £1,967.00 | |
| TOTAL | | | | | £15,996.50 | £14,070.50 | £30,067.00 | £30,067.00 | |

Financial reporting stage (scenarios)

- **During the first 6-month (period1)**, the actual amount of direct costs amounted to £14,800. The indirect costs that can be claimed in the first financial report (period1) is an amount of £1,036 based on 7% of the actual direct costs expenditure (£14,800 x7%). This amount is calculated irrespective of the amount included in the initial budget.
- **In the second 6-months period (period2)**, the actual amount of direct costs amounted to £14,000. The amount of indirect costs that the grantee can claim in the second financial reporting (period2) is an amount of £980 (14,000 x7%).

Example B: Organisation B is a regional office of a global NGO implementing several projects in Kenya. They are entitled to a Network grant of a provisional amount of £300,000 over a period of 18 months and are planning to work with two downstream partners (Organisation C and D).

Budget stage:

| 1) PROJECT ACTIVITIES | ACTIVITY NAME | BUDGET LINE | ORGANISATION | COUNTRY | Period 1 | Period 2 | TOTAL funds Year 1 | Period 3 | TOTAL funds Year 2 | TOTAL BUDGET | BUDGET NOTES |
|----------------------------------------|---------------|-----------------------------------|--------------|---------|-------------------|-------------------|-----------------------|--------------------|-----------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------|
| ProjectActivities | Activity 1 | Training | ORG B | Kenya | £15,000.00 | £15,000.00 | £30,000.00 | £15,000.00 | £15,000.00 | £45,000.00 | Costs to organise the training (hire a hall, facilitators per diem, printing of materials, daily allowance participants) |
| ProjectActivities | Activity 2 | Meeting with local communities | ORG B | Kenya | £15,000.00 | £15,000.00 | £30,000.00 | £15,000.00 | £15,000.00 | £45,000.00 | Costs to organise the meeting (hire a hall, printing of materials, daily allowance participants) |
| ProjectActivities | Activity 3 | Workshop | ORG C | Kenya | £20,000.00 | £20,000.00 | £40,000.00 | £10,000.00 | £10,000.00 | £50,000.00 | Costs to organise the workshop (hire a hall, facilitators per diem, printing of materials, daily allowance participants) |
| ProjectActivities | Activity 4 | Baseline survey | ORG D | Kenya | | £10,000.00 | £10,000.00 | £15,000.00 | £15,000.00 | £25,000.00 | Costs for the different investigators + creation of the tool |
| Sub-total | | | | | £50,000.00 | £60,000.00 | £110,000.00 | £55,000.00 | £55,000.00 | £165,000.00 | |
| 2) STAFF COSTS | | | | | | | | | | | |
| StaffCosts | n/a | Finance Manager | ORG B | Kenya | £6,000.00 | £6,000.00 | £12,000.00 | £6,000.00 | £6,000.00 | £18,000.00 | Finance Manager 80% salary |
| StaffCosts | n/a | Project Manager | ORG B | Kenya | £5,000.00 | £5,000.00 | £10,000.00 | £5,000.00 | £5,000.00 | £15,000.00 | Project Manager 100% salary |
| StaffCosts | n/a | Project Manager | ORG C | Kenya | £5,000.00 | £5,000.00 | £10,000.00 | £5,000.00 | £5,000.00 | £15,000.00 | Project Manager 100% salary |
| StaffCosts | n/a | Project Manager | ORG D | Kenya | £5,000.00 | £5,000.00 | £10,000.00 | £5,000.00 | £5,000.00 | £15,000.00 | Project Assistant 100% salary |
| Sub-total | | | | | £21,000.00 | £21,000.00 | £42,000.00 | £21,000.00 | £21,000.00 | £63,000.00 | |
| 3) MONITORING AND EVALUATION | | | | | | | | | | | |
| MonitoringAndEvaluation | n/a | Evaluation costs | ORG B | Kenya | | | £0.00 | £30,000.00 | £30,000.00 | £30,000.00 | 3 Consultants fees |
| Sub-total | | | | | £0.00 | £0.00 | £0.00 | £30,000.00 | £30,000.00 | £30,000.00 | |
| 4) ORGANISATIONAL STRENGTHENING | | | | | | | | | | | |
| OrganisationalStrengthening | n/a | Training for staff | ORG B | Kenya | £5,000.00 | £5,000.00 | £10,000.00 | £5,000.00 | £5,000.00 | £15,000.00 | Costs to organise the training |
| OrganisationalStrengthening | n/a | Office furniture and IT equipment | ORG C | Kenya | £5,000.00 | | £5,000.00 | £2,400.00 | £2,400.00 | £7,400.00 | Purchase of laptops, printers and tables and chairs |
| Sub-total | | | | | £10,000.00 | £5,000.00 | £15,000.00 | £7,400.00 | £7,400.00 | £22,400.00 | |
| 5) INDIRECT COSTS | | | | | | | | | | | |
| Indirectcosts | n/a | 7% rate | ORG B | Kenya | £5,670.00 | £6,020.00 | £11,690.00 | £7,938.00 | £7,938.00 | £19,628.00 | funding towards audit fees, rent, utilities bills and IT maintenance costs |
| Sub-total | | | | | £5,670.00 | £6,020.00 | £11,690.00 | £7,938.00 | £7,938.00 | £19,628.00 | |
| TOTAL | | | | | £86,670.00 | £92,020.00 | £178,690.00 | £121,338.00 | £121,338.00 | £300,028.00 | |

Financial reporting stage (scenarios)

- **During the first 6-months (period1)**, the actual amount of direct costs amounted to £42,000 which was lower than the budgeted amount of £81,000 . Due to COVID-19 most of the activities planned had not been implemented but the grantee confirmed that they would be able to catch up on the activities in period2.
The indirect costs that can be claimed in the first financial report (period1) is an amount of £2,940 based on 7% of the actual direct costs expenditure (£42,000 x7%). This amount is calculated irrespective of the amount included in the initial budget.
- **In the second 6-month period (period2)**, the actual amount of direct costs amounted to £135,000 which was higher than the budget due to the grantee being able to implement the activities postponed from period1.
The amount of indirect costs that the grantee can claim in the second financial reporting (period2) is an amount of £9,450 (135,000 x7%).
- **In the last 6-months period (period3)**, the grantee should be reporting the spend of the remaining amount of direct costs (£103,400) and, if fully spent, would be able to claim an amount of £7,238 (£103,400 x7%) as indirect costs.

