

EMERGENCE FOUNDATION

OVERHEADS AND FULL COST RECOVERY GUIDANCE SHEET

DEFINITIONS

Generally, organisations are faced with 2 sorts of costs: **'project'** costs and **'overhead'** costs.

Overhead costs within organisations are known variously as 'core costs', 'running costs', or 'indirect costs'.

Examples of these costs might include such things as:

- Office and administrative staff (salaries, HR costs etc)
- Premises costs such as rent, heat, light, rates
- IT equipment costs
- Training, fundraising and governance.

Project costs are also known as 'direct costs' – these are the precise costs based simply on running a/the project.

The reality is that organisations cannot run multiple projects without also finding funding for their 'overhead' costs.

PRINCIPLES

Emergence Foundation recognise that these 'overheads' are inescapable costs for organisations and accept the principle of Full Cost Recovery (or FCR) which enables applicants to incorporate a proportion of these overheads into their grant application to reflect the 'real' costs (the full costs) that the organisation faces.

So, Emergence Foundation has established 2 options/methods for applicants to apply for a contribution to overheads, within their application:

1. Simple method

This option is offered as a simple method to facilitate/ expedite the recovery of overheads without requiring the applicant to undergo a detailed calculation method. It is therefore necessarily brief/simple:

- You can apply for up to 10% of your project costs as a contribution to overheads – simply calculate the total cost of your project and then take 10% of this sum and add it to your application 'expenditure' costs, identifying them on the form as 'FCR' or 'Contribution to Overheads'
- You will need to justify this figure by providing some simple information* that defines your overheads as at least the figure that you are requesting.

** This information will be a simple list of your annual overhead costs, provided on a Word or Excel spreadsheet, and sent as attachment with your application.*

2. Detailed method

This option provides you with the potential opportunity to request more than 10% in your application – a truer application of the concept of Full Cost Recovery. However, the methodology may actually define a lesser amount as it calculates the FCR amount through a precise, defined calculation. In essence the method will include these steps:

1. Identify the projects that are run by the organisation
2. Identify the direct project costs for each project
3. Identify overheads (indirect costs) for your whole organisation
4. Allocate the overheads (indirect costs) to each project, based on their % £ value
5. Calculate the unit cost of the overheads (dividing the allocated overhead by the project cost)
6. Apply the unit cost to the value of your project
7. Request that figure in your application

The above is a simplified version of more complex methodologies. We can help you with some further advice on applying the above or, if experienced in this field, you can provide your own calculation method as an attachment to your application, justifying your request.

NB Please note that in both methods, the addition of your FCR/ overhead contribution cannot take your application request above the maximum grant request. This may mean the scope of your project may need to be adjusted accordingly.

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