

Why ensuring your services are costed accurately is the most important thing you'll do this year



**Ampacc**

# What you'll get from today's workshop

- An understanding of the challenges for small voluntary sector organisations
- An opportunity to share and hear from others' experiences
- Knowledge of what full cost recovery is and how to apply it
  - To produce charge out rates
  - That can be used to calculate project and service delivery costs accurately
  - Whilst building up your reserves intentionally
- A better understanding of how to calculate your actual service costs
- Know how to access more support for this area of work



# Overview of the session

- Challenges for small VCOs: what the research says
- Your experiences
- Full cost recovery theory
  - Calculating staff costs
  - Calculating and apportioning overheads
  - Producing charge out rates
- QUIZ!
- Accessing more support
- Next steps

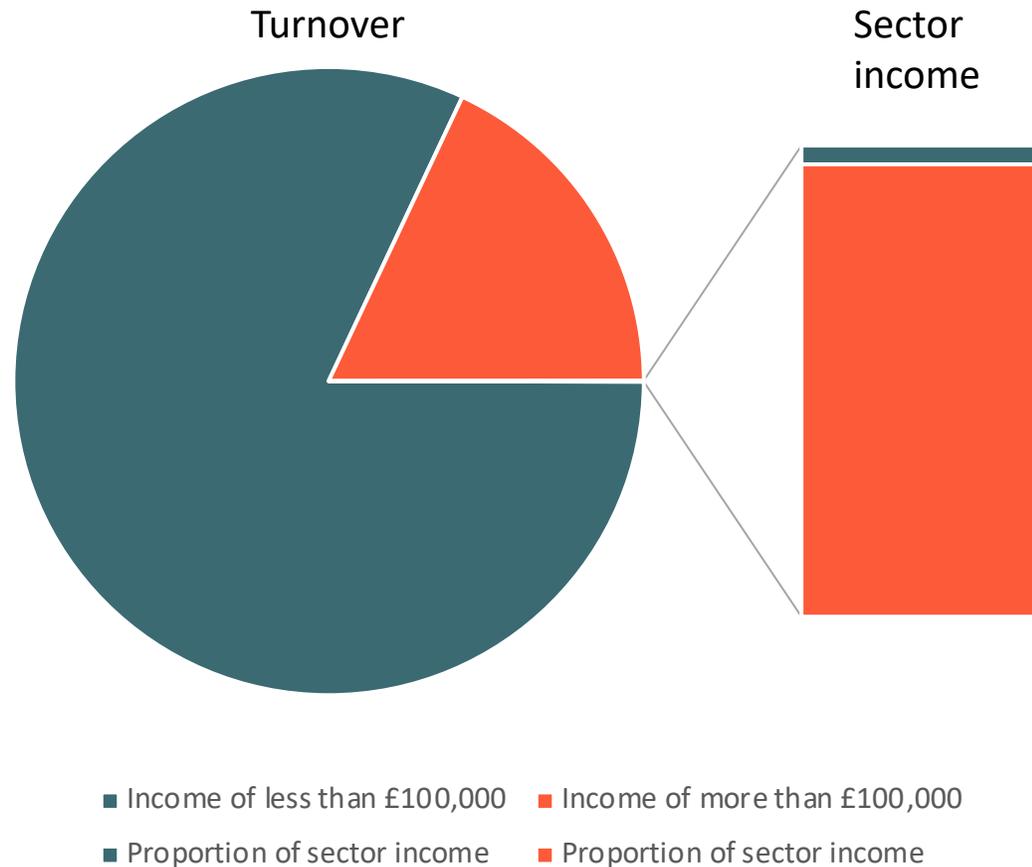
# Rules of engagement

- Chatham House Rule
- Timekeeping
- Zoomed out?
- Your contributions



# Challenges for small VCOs: what the research says...

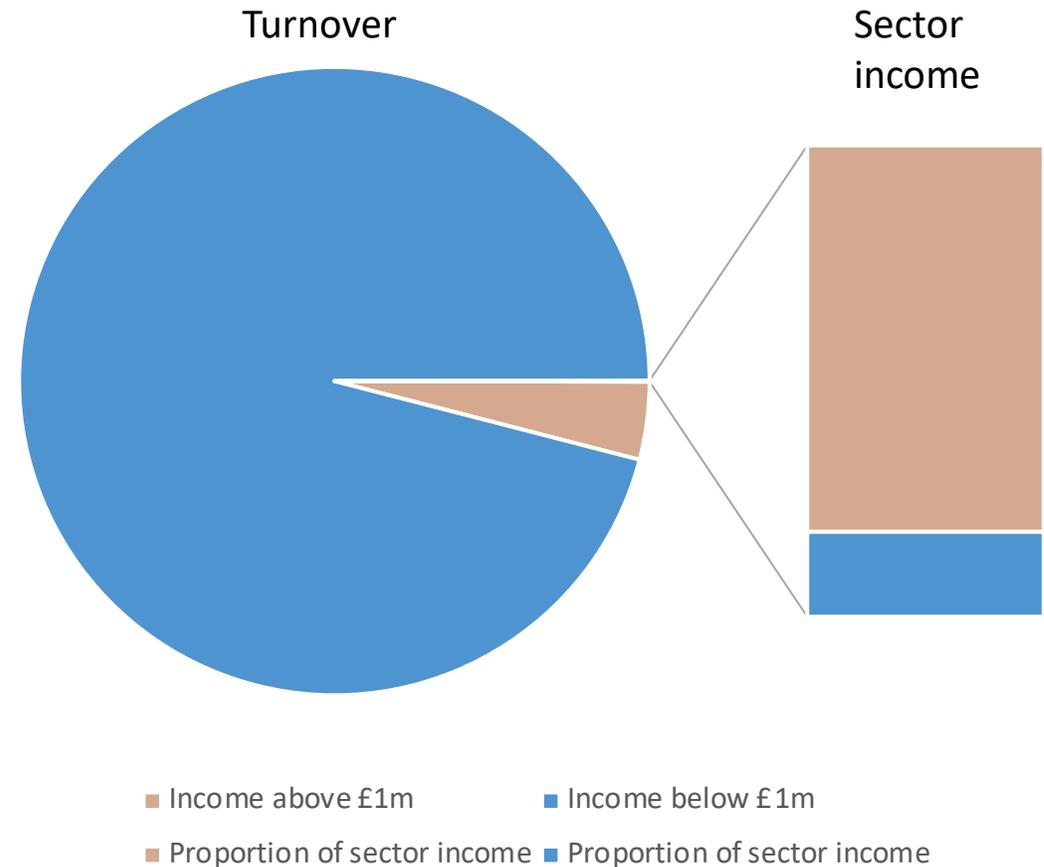
# Disproportionate levels of income according to size (i)



- In 2017/18 there were 166,592 voluntary organisations in the UK, 82% of which are considered by NCVO to be “micro” or “small”
- Their combined income accounts for around 4% of the sector’s total income.

# Disproportionate levels of income according to size (ii)

Although voluntary organisations with income above £1m account for less than 4% of the total number of organisations, their income accounts for 82% of the sector's total income. (UK Civil Society Almanac 2020 produced by NCVO (England)).



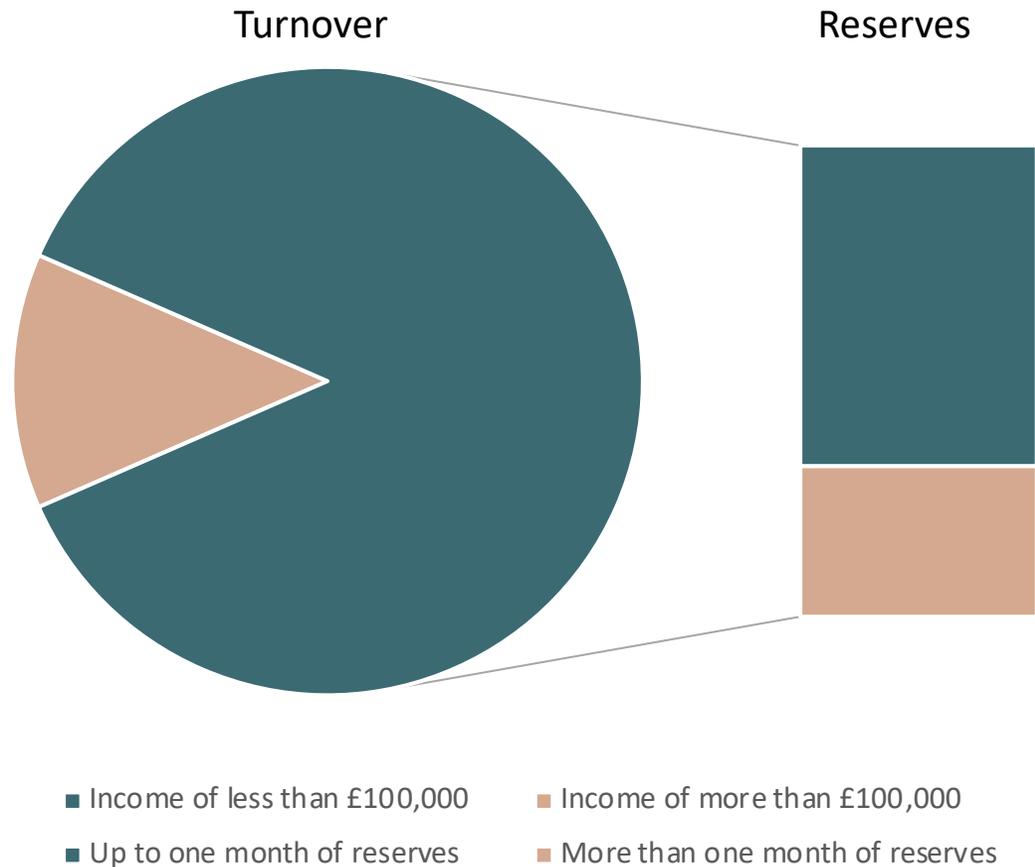
# Disproportionate levels of income according to size (iii)

- Micro and small VCOs are more likely to be **under-funded** than their larger counterparts.
- In 2017/18, the majority of micro and small VCOs were being funded between 24% - 41% of their actual costs
- Most had no idea of the extent to which they were being underfunded

This means that in a typical 9 to 5 of 35 hours per week

- Between 8.5 and 14.5 hours were funded
- Equivalent of minimum 85-hour week to meet a full time equivalent role
- That's at least 2.4 FTE work per member of staff

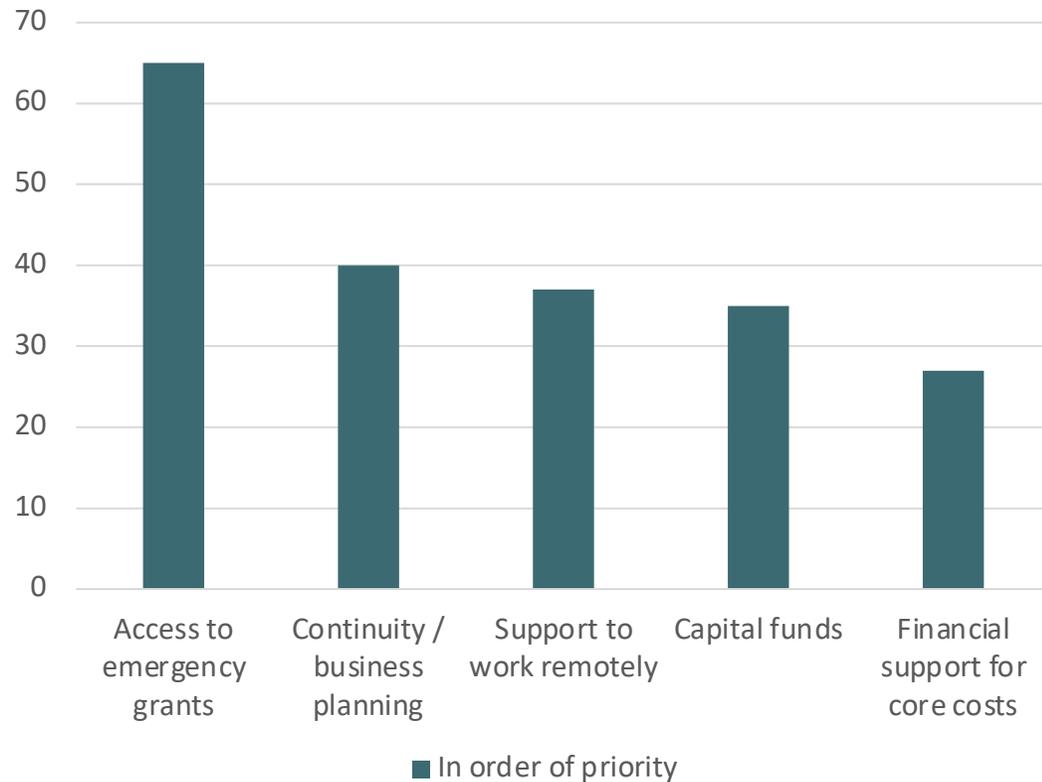
# Additional challenges for Black, Asian and Minority Ethnic (BAME) led organisations



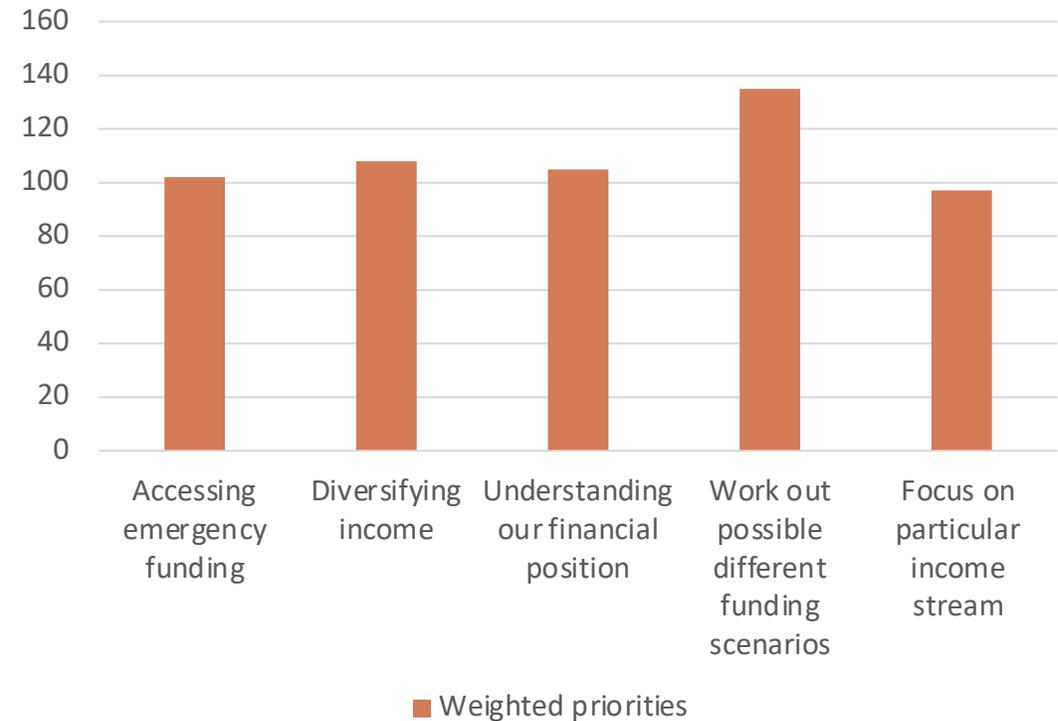
- BAME-led organisations are more likely to be classed as “micro” or “small” (The Ubele Initiative, 2020)
- Most have less than one month of running costs in reserves
- 62% have witnessed a significant decrease in financial support since the onset of the global pandemic
- In Ealing, the voluntary sector has lost 20% of its workforce whilst needs have continued to increase (Young Ealing Foundation and Ealing Community Network, 2020)

# Support needs identified

## The Ubele Initiative



## Young Ealing Foundation / Ealing Community Network



# Discussion

- What are the current financial challenges that your organisation is experiencing and what impact is that having?

# What are the current financial challenges and what impact is that having?

## Current financial challenges

- All applying for the same pots of funding
- Smaller dept within larger organization – too larger to apply for smaller relevant groups
- Lots of partnerships?
- How to cost the people cost when applying for grants: how to apportion costs and what contingency
- How to do it properly – presenting our financial case. Want to grow to the next level, anchor grants.
- Balance between developing existing and building up fixed resource, and developing new and new activity
- It's not all exciting and glamorous and fun. Innovative. Can you fund what works.

## Impact that they are having

- Full of passion and energy (and naivety) but in terms of the road ahead, we have a short timeline, we need to find resilience for another ten years.
- Move into a social enterprise mindset, not just a few trusts and foundations and a couple of donations.
- Not struggling financially – financially secure, so many partners in the voluntary and comms sector who face these challenges. Go at it with curiosity and positively. Look at consultancy model. And create new financial models and not dependent on grant funding. How can we cost these services.
- It's limited (IN) our growth because we go for the low hanging fruit as restricted by funding. How can we grow as a result of costing properly.
- Frustration at end of funding at December. I am not funded come Jan 2022. I don't have the time to go for bidding as I do all the work from delivery, M & E, reporting and safeguarding.
- Unsure of funding model and intended funding mix, as can't rely on the funding. Don't want to get tied into or comfortable with 3 year funding.

# Full cost recovery – a definition

*Full cost recovery means securing funding for all the costs involved in running a project. This means ... direct project costs and ... a proportionate share of your organisation's overheads*

The National Lottery Community Fund

# Excellent Youth Organisation (EYO)



# Meet the team



Tessa founded EYO in 2014 and has been its CEO ever since. She still carries out some service delivery



Saffiyah has a background in Media and is EYO's Marketing and Communications' Officer working two days / week



Malcolm joined EYO as its Bookkeeper in 2020. He is a contractor on a day rate working one day / week



Chima has worked with Tessa since EYO's first started and is now a full time Senior Youth Worker

# Meet the team



Oliver is employed as a full time youth work along with Miriam (not pictured)



Elena is a sessional worker, working two days per week



Karl is also a sessional worker, working three days per week.



Emma is a volunteer on a gap year supporting service delivery. Matt (not pictured) also volunteers.

# Calculating staff costs

# Chima Njoku



Chima started at EYO as a youth worker and is now a full time Senior Youth Worker.

His salary is £30,000 per annum and EYO pays a contribution to his pension at 3%



**£30,000**

If you want a funder to pay for Chima's post, his salary is not all you need to take into consideration



# £34,140

Employers pay Class 1 NICs of 13.8% on all earnings above the secondary threshold of £737.1 per month for almost all employees.



**£35,040**

His pension contribution is 3%, so this is the real cost  
to EYO of Chima's role.

# Calculating staff costs

- Salaried or PAYE staff cost you more than you pay them
- On costs include
  - Class 1 National Insurance Contributions of 13.8% on all earning above the secondary threshold of £737.10 per month for almost all employees
  - Employer minimum pension contribution applies to basic pay of 3%
- A £30,000 full time equivalent (FTE) costs you £35,040



**3 6 5**

Number of days

261



**236**



**228**



**222**



**220**

# Calculating staff costs

- A £30,000 full time equivalent (FTE) member of staff (Chima) costs EYO £35,040 each year
- He is available for 220 days
- $\text{£}35,040 / 220 = \text{£}159.27$
- He costs EYO £160 per day that he is available to the organisation



# Calculating and apportioning overheads

# Calculating and apportioning overheads

- Overheads are costs that support the running of the whole organisation.
  - Fixed costs, e.g. rent and insurance
  - Variable costs, such as your telephone bill
  - Capital costs, include assets such as computer and furniture
- Also people!
  - Finance and IT support
  - Leadership
  - Buildings management / cleaning services
  - Some people deliver services AND support the overall organisation



# Allocating vs apportioning overheads

Allocating overheads refers to allocating the whole item of cost to a specific “cost centre”, department or service area.

Apportioning overheads refers to allocating a proportion of the item on a fair and reasonable basis.

Apportion – “to divide up and share out”

Staff hours method requires you to share out the overheads across the total number of staff hours or days that you have available to deliver.

# Calculating overheads

- Fixed, variable and capital costs
- Finance, IT, premises and leadership
- Some workers carry out service delivery AND support the overall running of the organisation

# Calculating overheads

## Fixed

£4,800	Rent and service charges
£800	Legal expenses
£480	Insurance
£2,000	Consultancy fees
£2,000	IT and software
£2,000	Staff development
<b>£12,080</b>	<b>SUBTOTAL FOR FIXED OVERHEADS</b>

**£20,280** **TOTAL DIRECT OVERHEADS**

## Variable

£2,000	Communications
£2,400	General marketing and promotion
£900	Recruitment
£1,400	Travel and vehicles
<b>£6,700</b>	<b>SUBTOTAL FOR VARIABLE OVERHEADS</b>

## Capital expenditure

£1,500	Office equipment
<b>£1,500</b>	<b>SUBTOTAL FOR ASSETS</b>

# People overheads!



Tessa still spends approx. 1 day / week delivering services. So 80% of her time goes on overheads.



All of Saffiyah's time is spent supporting the running of the organisation.



All of Malcolm's time is spent supporting the running of the organisation.



As a Senior Youth Worker, Chima has management responsibility of approx. 2 days / week.

# People overheads!



Oliver and Miriam (not pictured) both spend all their time on service delivery



Elena also solely delivers services



Karl helps Chima with monitoring and reporting. This makes up approx. 1/5<sup>th</sup> of his role.



Emma and Matt (not pictured) spend all their time supporting service delivery.

# Calculating overheads

Staff member	Position	Time	Worker type	Pay	Total cost	% of time overheads	Amount in overheads
Tessa	CEO / Director	F/T	PAYE	£45k salary	£52,560	80%	£42,048
Saffiyah	Marketing and Comms	P/T (14)	PAYE	£24k pro rata	£11,213	100%	£11,213
Malcolm	Bookkeeper	P/T (7)	Contractor	£200 per day	£10,000	100%	£10,000
Chima	Senior Youth Worker	F/T	PAYE	£30k salary	£35,040	40%	£14,016
Oliver	Youth Worker	F/T	PAYE	£18k salary	£21,024	0%	£0
Miriam	Youth Worker	F/T	PAYE	£18k salary	£21,024	0%	£0
Elena	Youth Worker	P/T (14)	Sessional	£12 per hour	£7,392	0%	£0
Karl	Youth Worker	P/T (21)	Sessional	£12 per hour	£11,088	20%	£2,218
Emma	Volunteer	P/T	Volunteer	£10 per day	£600	0%	£0
Matt	Volunteer	P/T	Volunteer	£10 per day	£600	0%	£0
					<b>£170,541</b>		<b>£79,495</b>

# Apportioning overheads

Staff member	Position	Time (hrs)	No of days	% of time overheads	No of days projects
Tessa	CEO / Director	F/T	220	80%	44
Saffiyah	Marketing and Comms	P/T (14)	88	100%	0
Malcolm	Bookkeeper	P/T (7)	50	100%	0
Chima	Senior Youth Worker	F/T	220	40%	132
Oliver	Youth Worker	F/T	220	0%	220
Miriam	Youth Worker	F/T	220	0%	220
Elena	Youth Worker	P/T (14)	88	0%	88
Karl	Youth Worker	P/T (21)	132	20%	106
Emma	Volunteer	P/T	60	0%	60
Matt	Volunteer	P/T	60	0%	60
			<b>1,358</b>		<b>930</b>

# Apportioning overheads

- Total overheads of £99,775 (£20,280 + £79,495)
- To be shared out across 930 service delivery days
- A per day overhead figure of £107.28 to be added to your workers' day rates
- Even if they are volunteers....



# Producing charge out rates

# Producing charge out rates

Staff member(s)	Position	Worker type	Pay	Total cost	No of days	Cost per day	Charge out rate
Tessa	CEO / Director	PAYE	£45k salary	£52,560	220	£239	£346
Saffiyah	Marketing and Comms	PAYE	£24k pro rata	£11,213	88	£127	£235
Malcolm	Bookkeeper	Contractor	£200 per day	£10,000	50	£200	£307
Chima	Senior Youth Worker	PAYE	£30k salary	£35,040	220	£159	£267
Oliver and Miriam	Youth Worker	PAYE	£18k salary	£21,024	220	£96	£203
Elena and Karl	Youth Worker	Sessional	£12 per hour	£7,392	88	£84	£191
Emma and Matt	Volunteer	Volunteer	£10 per day	£600	60	£10	£117

# Producing charge out rates



Tessa costs £239 per day but should be charged out at £346 per day



Chima costs £159 per day but should be charged out at £267 per day



Oliver and Miriam are PAYE staff on the same salary. They could £96 per day but should be charged out at £203 per day



Elena is a sessional worker and costs £84 per day but should be charged out at £191



Karl's charge out rate is the same as Elena's even though his role is slightly different



Even those Emma and Matt are volunteers and cost £10 per day, overheads still apply so £117 per day

# Producing charge out rates

<b>Staff member(s)</b>	<b>Position</b>	<b>Worker type</b>	<b>Cost per day</b>	<b>Charge out rate</b>
Tessa	CEO / Director	PAYE	£239	£346
Chima	Senior Youth Worker	PAYE	£159	£267
Oliver and Miriam	Youth Worker	PAYE	£96	£203
Elena and Karl	Youth Worker	Sessional	£84	£191
Emma and Matt	Volunteer	Volunteer	£10	£117

# Be proactive about your reserves

- Recommended 3 – 6 months' running costs
- What is your current level of reserves and how long will that last?
- Setting a target for the year (Reserves policy)
- Put the balance into your overheads

For example

- The running costs for this organisation is £190k;
- Three months is £48k. You may set a target for an additional £10,000
- This would increase overheads to £109,775 resulting in an daily overhead figure of £118.04 (from £107.28)

# Quiz: higher or lower?

What effect do the following factors have on the size of an organisation's per person per day overheads' figure?

1. Securing core funding
2. Securing restricted funding
3. Recruiting a finance support worker
4. Recruiting a youth worker
5. Taking on volunteers

# Remember these important to-dos

- Include staffing on-costs.
- Remember that staff members are not physically available to the employer every day.
- Calculate the amount of staffing costs to go into overheads, include staff whose time is split between service delivery and overheads.
- Apportion or share out overheads should across the number of service delivery days available to an organisation.
- Add overheads to volunteer day rates.
- Update the calculation frequently to ensure the figures you use are accurate.



What now?

**About the types of contracts your workers have**

To prepare your bespoke templates, please enter the following information relating to the types of contracts that your workers have

**What type of contracts do workers have? (Please select yes or no from the list)**

<input checked="" type="checkbox"/> <b>Yes</b>	<b>Full time and part-time (permanent or fixed term).</b>	How many workers does this apply to?	<input type="text" value="3"/>
<input type="checkbox"/> <b>No</b>	<b>Term time only but paid for 52 weeks of the year.</b>		<input type="text"/>
<input checked="" type="checkbox"/> <b>Yes</b>	<b>Sessional and zero hour contracts.</b>	How many workers does this apply to?	<input type="text" value="6"/>
<input checked="" type="checkbox"/> <b>Yes</b>	<b>Freelancers, consultants and contractors.</b>	How many workers does this apply to?	<input type="text" value="3"/>
<input type="checkbox"/> <b>No</b>	<b>Intern.</b>		<input type="text"/>
<input checked="" type="checkbox"/> <b>Yes</b>	<b>Volunteer.</b>	How many staff does this apply to?	<input type="text" value="2"/>

Please enter yes or no  
Volunteer provide support for the organisation, but do not take a wage. They are usually paid a contribution to their lunch and travel costs either at a set rate or on production of receipts.

### About your staffing salaries

Please enter the following information relating to each salaried member of PAYE staff who works for your organisation on a full or part-time permanent or fixed term basis. Input EITHER for this financial year or the following but please be consistent, i.e. input all information for this year, or all for next year

				Please select either Yes, No or N/A				
Name	Post	No. of hours worked per week	Full time salary equivalent (FTE)	Is this person an apprentice aged under 25?	Is this person aged under 21?	Is this person under 21 and can defer NI because they are already paying it elsewhere?	How much of their time (%) approx is spent on activity for which you are paid?	How many months in the year will this post be employed?
Staff member 1	Director / CEO	35	£45,000	No	No	No	20%	12
Staff member 2	Youth & Community Worker	35	£24,250	No	No	No	100%	12
Staff member 3	Youth & Community Worker	35	£24,250	No	No	No	100%	12
Staff member 4	FFF Coordinator	35	£31,000	No	No	No	100%	12
Staff member 5	Apprentice	35	£20,000	Yes	Yes	No	100%	12

## About your savings and income

It is suggested that you try to have at least 3 months' running costs put aside incase your organisation falls into difficulties. These are called 'reserves'.

18,000.00 What are your current reserves levels?

115,000.00 How much income did your organisation receive in the most recent financial year?

20,000.00 How much income have you already secured for this financial year?

15,000.00 Insert here the amount that you have secured for this financial year that is core or unrestricted funding

5,000.00 How much of the income that you have secured is for services, i.e. restricted?

1,500.00 If any of the restricted income that you secured includes core, overheads or management fees, insert it here

35 For how many days of service delivery is this funding? (e.g. 2 days per week for a year is 94 days based on a full time position (2 days \* 47

# Ampacc at a glance – your running costs

Based on the information you have provided, your annual running costs (the amount it costs you to run your organisation) is £125,323

This is a monthly running cost of £10,444

You should work towards having a minimum of 3 months' running costs as reserves of £31,331

Based on the information provided, your reserves are £18,000

This is 52 days' of running costs.

This equates to approx. 1.7 month(s), which is **less** than the minimum suggested requirement of three months' reserves. **This needs to be addressed as a priority**

# Ampacc at a glance – your overheads

## Your overheads

The amount of your overheads are £42,044 which is 34% of your total running costs

This is £61 per day and £7.63 per hour

However, as you have already secured funding, this reduces the total amount of overheads to fundraise to £22,044 which is 18% of your running costs

You need to increase your reserves, so the recommended level of overheads to cover is £35,375 which is 28% of your running costs

# Ampacc at a glance – your charge out structures

Based on the information you have provided, your workers cost you the following:

		Annual	Daily	Hourly
Jurgen Klopp	Centre Manager	£44,384	£202	£25.22
Jordan Henderson	Volunteer Coordinator	£27,565	£157	£19.58
Trent Alexander Arnold	Youth worker	£6,489	£84	£10.53
James Milner	Senior Youth Worker	£15,418	£117	£14.60
Sadio Mane	Youth worker	£21,608	£98	£12.28
Volunteer	Daily pay		£10	£1.25

However, when including all of the overheads costs, the minimum you need to charge \*others\* for is the following

		Annual	Daily	Hourly	This includes overheads of
Jurgen Klopp	Centre Manager	£51,802	£235	£29.43	£7,418 per annum
Jordan Henderson	Volunteer Coordinator	£33,499	£190	£23.79	£5,934 per annum
Trent Alexander Arnold	Youth worker	£9,085	£118	£14.75	£2,596 per annum
James Milner	Senior Youth Worker	£19,868	£151	£18.81	£4,451 per annum
Sadio Mane	Youth worker	£29,026	£132	£16.49	£7,418 per annum
Volunteer	Daily pay		£44	£5.46	£34 per day

In order to build up your reserves towards a suggested 3 months, what you need to charge \*others\* for is the following

		Annual	Daily	Hourly
Jurgen Klopp	Centre Manager	£56,287	£256	£31.98
Jordan Henderson	Volunteer Coordinator	£37,088	£211	£26.34
Trent Alexander Arnold	Youth worker	£10,655	£138	£17.30
James Milner	Senior Youth Worker	£22,560	£171	£21.36
Sadio Mane	Youth worker	£33,511	£152	£19.04
Volunteer	Daily pay		£64	£8.01

# What you can expect from us

## Initial contact

- Getting to know you
- Scheduling online session

## Sharing your bespoke tool

- Providing an overview of FCR method and the information you will need to complete your workbook
- Completing the tool on a shared screen function

## Working on Ampacc

- Finalising tool and discussing the results; how does this help move you forward?
- Confirming date to share with staff / trustees

## Sharing the results

- Presenting the results
- Exploring key considerations

# For more support and information

- Contact Zoe Nation: [Zoe.Nation@cityoflondon.gov.uk](mailto:Zoe.Nation@cityoflondon.gov.uk) if you would like further 1-2-1 support to carry out a costings analysis for your organisation.
- Go to Events page on Partnership for Young London website.  
<https://www.partnershipforyounglondon.org.uk/events>
- 10am – 12.30pm, Thursday 7<sup>th</sup> October – How to increase your chance of bid-writing success before writing a word.

[www.my-ampacc.com](http://www.my-ampacc.com)



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