



GMS03-01-11 Grantee General Overheads policy

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1. Purpose:

The Charitable grant offered by Lloyd's Register Foundation (LRF) is primarily to cover directly attributable costs of the Grantee in delivering the activities of the funded programme. However, LRF recognises that organisations do need to cover the costs of their General Overheads to sustain their operations and a proportion of these costs may in some cases need to be included as part of the grant budget. This policy outlines the guidelines governing LRF's approach to funding grantees' Indirect Costs or General Overheads as part of the overall grant funded programme. The primary objective of this policy is to define LRF's approach to funding these types of indirect or general costs, as outlined in Section 4.

2. Scope:

The policy pertains to LRF grantees who submit a grant budget containing elements of Indirect Costs or General Overheads and/or employee cost rates that include an allocation for indirect costs. For the avoidance of doubt a grant from LRF for charitable activities cannot cover any profit element for the Grantee and so is not within the scope of this policy.

3. Definitions

3.1 Direct Costs in Grants:

- Direct costs in grants are expenses that can be specifically attributed to the activities or objectives outlined in the grant proposal.
- Examples of direct costs in grant-funded projects include the actual gross salary cost for project staff, supplies and materials directly used for project activities, travel expenses related to project implementation, costs for arranging external conferences / events, equipment purchases directly necessary for the project, and any other expenses directly tied to achieving the project's deliverables.
- Evidence of this type of direct expenditure can always be provided and audited (e.g. through invoices or employment agreements).

3.2 Indirect Costs (or General Overheads) in Grants:

- Indirect costs in grants, also known as overheads or indirect administrative costs, are expenses that are necessary for the general operation of the organisation but cannot be easily attributed to specific grant-funded projects.
- These costs are not typically funded directly by the grant but in some cases may need to be included in the organisation's overall budget as a separate line and covered by a portion of the grant funds allocated specifically for indirect costs.
- Examples of indirect costs in grant-funded projects include a share of administrative or support staff costs, rent or utilities for office space, depreciation of shared equipment, and other overhead expenses that support the organisation's overall operations.
- These types of costs are usually verified as reasonable via an agreed formula.

3.3 Cost Rates

- When budgeting for employee time within a grant, some organisations use a cost rate approach, which is a predetermined amount multiplied by the expected time for each full-time equivalent (FTE).
- Various cost rate methodologies exist, ranging from simply factoring in gross salary costs including employee benefit costs through to using full absorbed rates that include an allocation for indirect costs to each FTE.



4. Policy

4.1 Indirect Cost Rate Policy: LRF may fund up to a maximum of 10% of the total grant to cover a proportion of indirect costs for grantees. This limit applies to the total element of indirect costs whether included as a separate line or incorporated within employee cost rates. This limitation reflects our commitment to maximising the direct impact of grant funds on programmatic activities whilst still recognising the importance of covering essential general overhead expenses. LRF may fund indirect overhead costs up to the specified maximum limit as outlined above. However, an arbitrary 10% allowance will not be approved; calculations must detail supporting overheads and their allocation to the specific grant.

4.2 Cost Rates: If grantees use employee cost rates when submitting a grant budget, particularly for methodologies that include indirect costs or general overheads, beyond just gross salary expenses, they must provide clarity and justification for the cost rates used for each FTE.

4.3 Budgeting and Justification: If grantees do include indirect costs in their project budgets, up to the maximum allowable rate specified above. The inclusion of indirect costs must be clearly justified and based on reasonable estimates of the actual indirect expenses incurred by the organisation in relation to the project. They must be clear and not hidden within other budget lines or included or duplicated within cost rates of employees.

4.4 Non-Duplication: LRF cannot fund indirect costs that have already been covered by other sources. Grantees must be transparent and open about any instances where overhead expenses have already been covered by received funding from elsewhere. For example, University overheads may already be funded by the National government or other funding streams, in which case LRF will not provide additional funding for the same purpose.

4.5 Exceptions and Waivers: Exceptions to the 10% limitation on indirect costs may be considered on a case-by-case basis under exceptional circumstances, such as projects with unique or extraordinary overhead requirements. Grantees seeking waivers or exceptions must submit a written justification outlining the specific circumstances and reasons for the request.

4.6 Review and Compliance: LRF reserves the right to review and verify the allocation of indirect costs in grant-funded projects to ensure compliance with this policy and grant agreements. Grantees are expected to cooperate fully with any review processes initiated by LRF or its authorised representatives. This may require providing evidence such as approved policies, central finance calculations or approved industry benchmarks.