

Apportionment: Working out shared costs

This Urban II guide to apportionment gives full details on how to divide your shared costs between projects and attribute the correct amount to your European funded project.

What is apportionment?

Is your organisation only running a single European-funded project, and doing nothing else? If the answer is 'yes', you need not worry about **apportionment**. In reality, however, such organisations are very few, and most are likely to be delivering more than one project, and getting funding from a range of sources. If your European-funded project will be only part of what you do, or if all of your activity is European-funded but in more than one project, then you need to know about **apportionment**.

Apportionment really only means sharing out any relevant costs properly and fairly between European-funded and other projects, or between two or more different European-funded projects, being delivered by one organisation. Whichever situation applies to you, you must:

- choose an approved method for apportioning eligible costs
- apply the method/s you choose consistently
- have a written explanation for the method/s you choose.

Some costs will fall clearly only within the eligible costs incurred by the project, for example, beneficiary costs such as travel, dependent care, training allowances and/or subsidies, and staff costs for people employed only on the project being costed. There may also be other kinds of costs and charges that can be directly attributed to the project--for example, for the telephone where there is a separate line/number for the project and therefore a separate bill. These will not need to be apportioned, and will eventually be charged to the project at their **actual** cost, which will be fully documented and verifiable.

Other costs will be shared across the organisation and therefore will have to be apportioned, for example, staff costs where staff members are working on more than one project, or overheads such as building costs where only some of the activities taking place in the building are part of the project being costed and there is no separate billing involved. For all such costs, you will need to work out which method of **apportionment** you are going to use, and apply it consistently:

- when you work out your initial budget at project development stage
- when you fill in your application for European funding
- when you are making claims for payment.

And remember, you must:

- choose an approved method for apportioning eligible costs
- use the method/s you choose consistently
- have a written explanation for the method/s you choose

Apportionment methods you can use:

For example, the Baggins Foundation is an organisation that currently provide horticultural training to socially excluded people on three training programmes, though only one of these is European-funded.

1. Costs can be apportioned on the basis of training hours

For example:

- number of European-funded project training hours delivered per week = 200
- total number of training hours delivered per week = 600
- costs apportioned to European-funded project = $200/600$ or $1/3$ or 0.333
- 0.333 or $1/3$ of all eligible costs being apportioned by this method would be charged to the project
- e.g. small tools for training delivery (hoes, spades, rakes, springboks) = £2000
(Total cost £6000 Project = $200/600$ tr. hrs pw = $£6000/3$ or $0.333 \times £6000 = £2000$)

But remember:

- training hours for the project and for the organisation must be verifiable, with a complete audit trail
- this method can be used to cover apportionment of all shared eligible costs.

Using training hours as the method of apportionment will be appropriate for organisations that only deliver training and are not involved in any other kind of activity.

2. Costs can be apportioned on the basis of staff hours

For example:

- number of staff hours worked on European-funded project = 150 per week
- total number of staff hours worked = 450 per week
- costs apportioned to European-funded project = $150/450$ or $1/3$ or 0.333
- 0.333 or $1/3$ of all eligible costs being apportioned by this method would be charged to the project
- e.g. quarterly telephone costs for project = £120
(Total cost £360 Project cost = $150/450$ staff hours pw = $£360/3$ or $0.333 \times £360 = £120$)

But remember:

- the number of hours staff work each week on the project and on other activities must be verifiable, with a complete audit trail
- receipts and invoices must be available to verify all actual costs incurred.

Using staff hours as the method of apportionment for overheads or salaries etc. will be appropriate for organisations where staff time is spent in work related to the European-funded project being costed as well as in other work undertaken by the organisation.

3. Costs can be apportioned on the basis of space occupied

For example:

- space occupied by European-funded project = 120 sq m
- total space occupied by organisation = 600 sq m
- costs apportioned to European-funded project = $120/600$ or $1/5$
- 0.2 or $1/5$ of all eligible costs being apportioned by this method would be charged to the project
- e.g. Council tax is £2,000 (Council tax = £10,000, Project council tax = $120/600$ sqm = $£10,000/5$ or $0.2 \times £10,000 = £2,000$)

But remember:

- the records you keep must show that building use by the project is in accordance with the fraction or % you claim
- this method of apportionment is useful to share out costs incurred from rent, council tax, heating and lighting and other eligible premises related costs.

Typical methods of apportionment

- for salaries - actual hours spent working on project/total hours paid for
- for premises - actual space used by project/total space paid for
- for insurance - value of project items insured/total value of items insured
- for overheads (e.g. heating/lighting, postage/stationery) - project training hours/total training hours (for training organisations only delivering training) or actual space used by project/total space paid for.

Apportionment methods you cannot use

- any method based on the organisation's turnover
- any method based on number of project beneficiaries in relation to total beneficiaries
- any method based on total project staff costs in relation to total organisation staff costs
- any method based on a notional figure i.e. one not based on specified and actual numeric relationships between project and organisational activity.

And finally, to avoid problems, make sure that

- apportionment methods are based on the activity/ies of the project in relation to the activity/ies of the whole organisation
- all costs are properly broken down in both applications and claims
- all costs for which you claim are verifiable, with a complete audit trail
- if you want to use a method of apportionment that is particularly complex or unusual, discuss this in advance with WEFO.