**ADMINISTRATION COSTS GUIDANCE**

The combined total of management fees, overheads and administration should not exceed 10% of the overall project costs (although UN agency admin costs may be higher, up to around 15%). Note that 10% is not a target, but a limit.

It is important to understand what is included in a project budget and whether the costs stated are reasonable. Understanding what is included will also help avoid double counting, i.e. you should check the Activity Based Budget carefully to ensure that the same items do not appear elsewhere in a different budget line or are hidden in several line items.

Running costs associated with an implementers offices, such as office equipment, building reparation & repairs, fixing/maintaining boilers/generators etc should not fall to the project budget as separately itemised direct costs. These costs are associated with running the business, not delivering the project. They are part of the overheads of the organisation. As such they should be part of any indirect admin charge that the implementer adds to the direct costs of delivering project activities and outputs.

We do not accept ABBs with “contingency” or “risk” or “miscellaneous” costs.

Management Fees should be reflected as a fixed sum and not as a percentage of the budget. Check that the cost is reasonable. If we are being asked to pay a Management Fee challenge any salary costs which may appear in the Activity Based Budget.

Personnel costs: we can legitimately pay costs for implementing agency staff who are directly involved in delivering the project. But make sure that:

* You receive a detailed breakdown of staff costs so that you know how many and which staff are assigned to the project
* The salary costs are reasonable
* The staff identified will actually be working on the project
* The time allocated is reasonable – we should not be paying for two months work if one month is sufficient
* We are not paying unnecessarily high costs when accommodating someone involved in the project – Embassy marker hotels should be the starting point when accommodating anyone who is involved in the project. Refer to Geographical Expenditure Guides on FCONet as a guide
* The class of travel is correct – follow FCO travel policy guidance, but aim to use Economy or Premium Economy rather than Business Class where possible
* If contingency/miscellaneous charges appear in the Activity Based Budget ask for the item to be removed.

Policy Programme Transformation Unit

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