

Illawarra Shoalhaven Joint Organisation Policy Manual

Corporate Overheads

An abstract graphic design featuring several thick, overlapping lines in various colors (orange, blue, green, purple, black) that intersect and overlap in the lower right quadrant of the page. The lines are set against a white background.

1. Policy Statement

Cost Recovery Principles are designed to promote efficiency and equity. Cost recovery means the recuperation of all costs associated with the provision of services or products. This includes the indirect or overheads costs that in a broad sense enable the strategic / public facing activities – the reasons it exists – of an organisation to be provided.

Cost Recovery therefore provides a basis upon which fees and charges can be determined and levied in a transparent and consistent way.

A true understanding of the actual cost of a service cannot be understood without taking account of – and seeking funding of – both its direct and indirect cost generators.

The purpose of this policy is therefore to define and articulate the mechanisms by which corporate overheads are to be allocated and charged to the strategic programs of the ISJO.

2. Procedures

Previous practice at the ISJO

Early (post 2018) practice at the ISJO was to levy a straight 10% fee on income generated by an activity.

The problem with this approach was that it took no account of the differential impacts of varying types of activities on corporate costs. It was also viewed as a disincentive to seeking further grant income – and in some instances cannot lawfully be applied because of specific grant conditions.

Current Practice

We have moved to a corporate overheads calculation system based on the actual cost of running the organisation.

These actual costs currently include but may not in the future be limited to:

Expense Description

- Office lease
- Cleaning
- Recycling service
- Security
- Printer costs
- Access to financial and HR services and functionality
- Accounting services
- Audit and risk management services
- IT support
- Mobile phone services

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- Software licences
- Workers Compensation Insurance
- Bank fees
- Central finance and administration employee costs

TOTAL

Corporate overheads will then be allocated on the basis of the number of full time equivalent staff – both permanent full and part time and projected casual staff engaged in each strategic program area as a percentage of staff numbers overall.

The amount / apportionment of corporate overheads costs will be determined on an annual basis and included in the budgetary preparation / approval processes of the organisation.

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