



Full Cost Recovery

Full Cost Recovery means securing funding for (or 'recovering') the full cost of a project or service, including an appropriate share of the overheads of your organisation. Failure to fund all costs can lead to instability, Full Cost Recovery will ensure that all of your costs are covered by income.

To calculate Full Cost Recovery, first of all you need to understand your costs. Think about all your different activities. The **direct** cost of an activity is the cost that can be clearly attributed to the activity. It may include the salary costs of the staff involved, travel costs, marketing & publicity specific to the project, plus any materials and the day to day running costs of the activity.

However, to give a true cost of the activity you also need to think about the cost of the **overheads** of your organisation. These are costs which are necessary for your organisation to operate but which do not relate specifically to one project or activity. Examples of overhead costs include:

- Overall management and administration costs, which will include salaries of core staff, eg managers, finance or administration workers
- Rent and other premises costs
- Office costs, such as printing, stationery, telephone and postage
- Costs of fundraising
- Insurance
- Professional & legal fees

The full cost of an activity or project is the **direct cost** of the activity plus an appropriate portion of the total **overheads**.

So Full Cost Recovery is not just about costs directly associated with a project – we also need to include a share of the costs of running your organisation, the costs which are fixed regardless of the amount of funding received or activities delivered.

Once you have calculated your direct costs for a particular activity and you know your total overhead costs for the year, the next step is to decide upon a fair basis to apportion (or share) overhead costs across the various activities. There are a number of methods of allocating overheads, examples include:

- In proportion to salary costs
- In proportion to staff time
- On the basis of floor space occupied
- In proportion to income/expenditure

In deciding which method to use it is important to be fair, to be reasonable and to be consistent.

Once you know the full cost of each activity:

- You will know how much money you need to finance each activity
- You will understand how each project draws upon the shared resources of the organisation
- If you charge fees you can calculate the minimum amount you should charge to break even
- You will be able to make informed decisions on projects and funding
- You will have greater ability to negotiate with funders

For useful tools and further information, please see links overleaf.

Useful Tools:

ACEVO Model:

www.fullcostrecovery.org.uk

CASH Spreadsheets:

www.cash-online.org.uk

BIG LOTTERY Spreadsheets:

www.biglotteryfund.org.uk/fullcostrecovery

For further information/ individual support & advice, please contact:

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