

Will your funding deliver?

All across the voluntary sector, organisations are struggling to make ends meet. This constant scramble for funding damages the services being delivered and can even put at risk the existence of the organisation itself.

The problem is now more acute than ever, as funding sources for the sector become increasingly pressured.

No-one wants poor quality or uncertain services. Organisations and funders can ensure high quality services by operating on a full cost recovery basis.

What is full cost recovery?

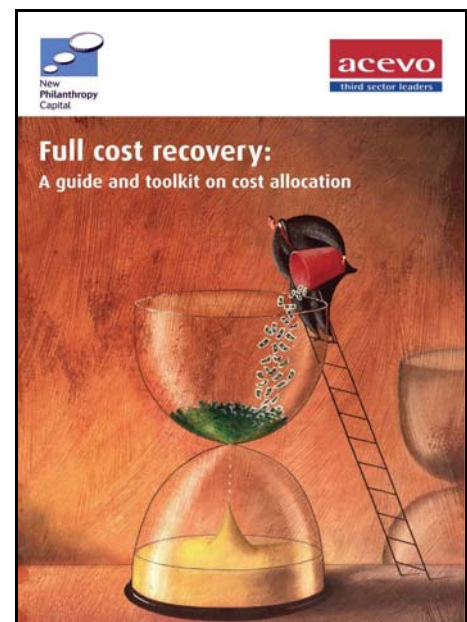
It's simple really – *full cost recovery means recovering or funding the full costs of a project or service through grants, investment income, fundraised income, earned income etc.* But what are the full costs? In addition to the costs directly associated with the project, such as staff and equipment, projects will also draw on the rest of the organisation. For example finance, human resources, management, and IT, are also integral. The full cost of any project therefore includes an element of each type of overhead cost.

What are the benefits of full cost recovery?

Organisations operating on a full cost recovery basis benefit from:

- Improved financial transparency
- Stable services and a stable organisation
- Better quality services
- No cross-subsidisation between the various activities

Previously, some organisations have tried to estimate their full project costs by adding a fixed percentage for management and administration on to their project's direct costs. This is neither accurate, nor transparent.



How can we enable full cost recovery?

The first step towards full cost recovery is being able to calculate what the full costs are. Organisations need to be able to allocate the relevant portions of overhead costs to the project. To do this there needs to be a cost allocation mechanism that both organisations and funders can understand and agree on.

What are the benefits of using an accepted cost allocation system?

Using *Full Cost Recovery: A guide and toolkit on cost means*:

- Gaining an understanding of the principles of full cost recovery
- Knowing the basis on which the full costs have been calculated, rather than having a different system every time
- Knowing that the cost allocation principles are endorsed by the Charity Commission, HM Treasury, a panel representative of the voluntary sector, and are consistent with those of government accounting, the Statement of Recommended Practice
- Grantees being able to use the same calculations for all their other funders, reducing their work
- Grantees understanding and managing their finances better

Full Cost Recovery: A guide and toolkit on cost allocation

Building from the success of *Funding our Future II: Understand and allocate costs*, [acevo](#), [New Philanthropy Capital \(NPC\)](#) and accountants KPMG, have worked together to develop this guide.

It is an easy-to-use step by step guide and template to calculating the full costs of an activity. The list price is £20 for the book, £30 + vat for the CD-Rom and £40 + vat for both.

"I want people to use this toolkit to make sure that they really do know what a particular activity costs them"

Fiona Mactaggart MP

For more information visit

www.philanthropycapital.org/html/full_cost_recovery.php
or call New Philanthropy Capital on 020 7785 6300

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With thanks to



“No activity can be undertaken without the need for support functions, and funding bodies have an interest in ensuring that organisations are able to manage and administer activities properly.”

*HM Treasury,
Guidance to Funders*

“Sustainability can only be guaranteed if other funders ensure that their investment takes account of the capacity needs of frontline organisations and funds the infrastructure that supports them”

*Fiona Mactaggart MP
Home Office, Change Up 2004*

“Futurebuilders is committed to the principle of full cost recovery: the voluntary and community sector to be properly funded if it is to deliver services effectively.

As part of this commitment, Futurebuilders is providing all its investees with a copy of *Full Cost Recovery: A guide and toolkit on cost allocation*”

Richard Gutch, Futurebuilders

“The software has proved an invaluable and enlightening resource, easy to use, and with minimal on-costs in terms of staff training. This will prove to be a flexible and robust resource for the management of finances across the voluntary and community sector.”

*Sally Courtney,
Finance Director, Toc H*