

The information below is an overview of requirements and for further more detailed information, support and guidance etc please contact the BVA Group Development team via telephone 01256 423816 or email admin@bvaction.org.uk (please quote "BVA Group Assistance" on title).

www.bvaction.org.uk

Real project costs extend far beyond the direct expenses. They include office space, executive time, support staff and the various costs of running your organisation. Full cost recovery is a system for calculating your overhead expenses, then allocating portions to a specific programme or project.

Why is this important? The more you know about your actual costs, the smarter you can be about budgeting, forecasting and fundraising. The process has four basic steps:

1. Calculate your direct project costs.

2. Calculate your overhead costs. The acevo model (*Association of Chief Executive Officers of Voluntary Organisations*), recognised by funders, divides overheads into four categories:

- Premises and office costs
- Central function (salaries and on-costs, admin, director function, etc.)
- Governance and strategic (audit, board costs, etc.)
- General fundraising (salaries and on-costs, direct mail, events, etc.)

3. Allocate the overheads, for example dividing by the number of staff.

- First divide the premises and office among central, governance, fundraising and the project.
- Then divide the central function (which now includes office costs) among governance, fundraising and the project.
- Finally, divide the governance (now including office and central costs) between fundraising and the project. If you do not need additional funding for the project, the process ends here and you have your full project costs.

4. If the project is not fully funded and you do need to draw on general fundraising monies, you must also allocate a portion of the general fundraising costs. Calculate this proportion and add it to your project costs.

This process will clarify all the direct and overhead costs of the project. These will be considerably higher than your direct project costs alone. But knowing your true costs puts you in a much stronger position when deciding how much to bid, fundraise and subsidise to deliver your project.

Finance & Funding Guide

2.14 Demystifying Full Cost Recovery

Overhead costs are distributed as indicated in the diagram below

