Full Cost recovery

Overview

Full cost recovery means making sure that the money received for a project or service covers all the costs to run it. This includes both direct costs (like staff or materials used for the project) and indirect costs (like rent, utilities, and admin support).

The importance of Full Cost Recovery

Many grant funders only pay for specific parts of a project, like direct program costs, and leave organisations to cover the rest, such as overheads. Ignoring these extra costs can cause financial problems and make it harder to keep the project or organisation going over time.

By including all costs—both direct and indirect—in your budget, you show funders the true cost of the project. Even if they don't cover everything, it shows you understand your finances. It also shows you're willing to work with them—for example, they fund the direct costs, and you find another way to cover the rest.

An explanation

Let's say you run a weekly youth workshop. The direct costs might include art supplies, snacks, the facilitator's wages, and transport costs. But behind the scenes, there are many other things needed to make the workshop happen. You need an office to coordinate the sessions, a computer to create lesson plans, internet access to find activities, and insurance to keep everyone protected. You might also need a manager to supervise staff and a training budget to support their development. So while it may look like you're just running one youth workshop, there are many hidden costs that keep it going— these are your indirect costs.

Working out full cost recovery – made simple

1. List Your Direct Costs

Start by writing down all the costs that are directly linked to your project. These might include staff time spent delivering the project, materials you use, and travel expenses.

2. Work Out Your Indirect Costs

These are the costs that help keep your organisation running but aren't linked to just one project. Think of things like rent, electricity, insurance, and admin staff wages.

3. Split Up Your Indirect Costs

Share out your indirect costs across all your projects. For example, if your project takes 3 hours a week to run and you have a 37.5-hour work week, give that project 3/37.5 of the total indirect costs. Make sure shared costs, like insurance, are fairly spread across all staff and projects.

These costs can be shared out in different ways—by people, floor space, or expenditure. The important thing is to pick a fair method, and if the numbers are small, it's usually easiest to just use one method, often based on people.

4. Add it all together

Add together the direct and indirect costs to get the total (full) cost of your project. When applying for funding, break your budget down clearly. If the funder allows Full Cost Recovery, include both direct and indirect costs so they can see what they're helping to pay for. Always check the funder's guidelines to find out which costs are eligible.

Summary

In short, full cost recovery is key to keeping grant-funded projects financially healthy. By including both direct and indirect costs in your budget, your organisation can make sure it has everything it needs to run the project well. Doing this not only helps each project succeed but also makes your whole organisation stronger and more effective.

Full cost recovery helps organisations avoid common problems like:

- Falling short on funding by guessing or using random percentages for management costs.
- Hiding overhead costs by trying to squeeze them into project budgets.
- Struggling to find rare core funding to cover basic running costs.

Further Information:

The National Lottery Community Fund - [Full Cost Recovery](#)
The National Lottery - [Full Cost Recovery Spreadsheet](#) - [Spreadsheet Guidance Notes](#)
Foundations for success in grant funding - [Video](#)

If your organisation is a member of Bolton CVS, you can use the Open4Community portal in the members-only section of our website to see which funders cover full costs. If you're not a member, you can still get help by contacting our Development Team at info@boltoncvs.org.uk to find funding that isn't administered by Bolton CVS. To learn more about becoming a member, visit the membership pages on the website.