

Firelight Newsflash! 19 May 2008 - Focus on Core Funding Strategies

Are you having trouble funding operating costs in your organization? Do you rely on donations or short-term grants to pay for salaries, rent and the like? Would seeing your ongoing, continuous costs help you write funding proposal or decide how much you should ask for? Are you concerned about these issues so that your organization's programs can be sustainable? If the answer is "yes," then read on...

What are core costs?

Core costs are the budget expenditures that are not directly connected with the activities undertaken by an organisation. They are the ongoing costs of running an organization that are difficult to associate with any specific program outputs. They exist before and after a project has been running. Core costs are also often referred to as operational or administrative costs.

Why are core costs important?

Simply stated, core costs will always need to be funded. And this is necessary if the organisation is running 30 projects or just three activities. They're fundamental to the organisation's survival, but can't be directly associated with any specific results.

What are examples of core costs?

Core costs can be categorized in 3 ways:

1) Support services

Premises – rent, utilities
Personnel
Telephone, postage and fax
Computers and IT
Finance and audit
Travel and subsistence
Publications such as annual reports

2) Management

Costs associated with governance, board meetings etc.
Directors and associated staff
Monitoring and evaluation

3) Development

Staff training and development
Fundraising
Innovation - costs associated with developing new activities and ways of operating (before they attract funding)

How do you calculate an organization's core costs?

- 1) First, identify actual costs that are recurrent in your organization, that is monthly or yearly ongoing costs such as salaries, electricity, and so forth.
- 2) Count the number of projects or programs your organization runs. Estimate

the percentage of time or effort that is devoted to each project in your organization.

3) Figure how much of the core costs are included in each project budget currently.

4) Make necessary adjustments in overall and project budgets based on this comparison. (This may require a budget change request to your donors.)

5) From this point, always consider what is the appropriate percentage of core costs and include them in future project budgets.

Note: Normally donors will understand that you need core costs and are not negative to pay for a share of them. However, they may have a limit on the percentage of core costs they will fund as part of the overall project budget.)

What is a fundraising strategy?

A fundraising strategy is a plan that defines:

- what your organisation was set up to do and its main areas of work,
- what your funding needs and priorities are over the coming period of time, for example 3 years,
- how you intend to raise that money, and
- where you will raise it from.

It is most important thing is to be realistic in your fundraising strategy. You probably have lots ideas of how you could spend a large amount of money – but you are unlikely to get everything you want immediately and you may have to be prepared to adjust your plans. So to avoid disappointment, make sure your targets are achievable.

Why develop a core funding strategy?

Every organization should have plans for the future, but a core funding strategy is probably the most essential plan. An organisation can only look ahead with confidence when the fundamental core costs are securely funded.

Remember that each project should make a contribution to your organization's core costs. Your fundraising proposals should incorporate this. Ensuring that the essential core costs are raised every year is more important than chasing an overall budget target which may bring growth at the expense of long term sustainability.

Most funders today realise that organizations need a strong core base to service their projects effectively. Don't hold back from fundraising for core costs. Explain that your organization makes a small amount of money go a long way.

What is the idea of “full cost recovery”?

Whatever method of fundraising you use, you should aim to apply the principle of full cost recovery. This means accounting for all the money needed, not just the obvious. So, for example, if you are raising funds to make new posters, don't just include the printing costs - include the staff salary and office costs for the time

you spend on design, dealing with the printer, transport costs for distributing the finished posters and so forth.

Top Tips - Core Fundraising Strategy

Figure your core costs before you develop your organization's overall or projects budgets.

Cherish your original funders, but don't expect them to fund your organization's growth.

Diversify your funders as you diversify your projects, but avoid being funding led.

Ensure that all projects have accurate budgets and that all core costs are allocated and paid for.

Maximise opportunities to allocate core costs into project budgets.

Explore self-generated income from day one of your organization. Never stop experimenting.

Never become too reliant on your own self-generated income.

Turn your key funders into advocates and collaborate with them to open up new funders for your organization.

Remember that donor confidence is a very important part of organizational sustainability.

Planning for a Sustainable Future

Sustainable thinking means that you are doing long-term planning on what you need to do your work, achieve your goals, run your projects, or expand your current programs.

Always keep the following questions in mind:

What are your organization's plans for the next 12 months?

What financial resources do you need to meet these plans?

What are your organization's plans for the next five years?

What are we relying on to deliver these resources?

Sustainable thinking means you are always strategizing about how you are planning to get vital funds and thus how you will continue your organization's important work with vulnerable children, families and communities.

Adapted from from British Overseas NGOs for Development (BOND)'s Guidance Notes #6, which is attached for more information. Additional BOND resources can be found at: <http://www.bond.org.uk/pubs/index.html>.

As part of the Firelight Foundation's Monitoring, Evaluation and Technical Assistance (META) Program, Firelight provides "Newsflashes" to share relevant resources and information with our active grantee-partners via weekly emails and via post on a monthly basis. We hope that by facilitating access to information for

grassroots, community-focused organizations, programming for children and families, as well as organizational development, is enhanced. We welcome your comments, feedback and ideas for upcoming Newsflashes at newsletter@firelightfoundation.org.