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# Budgeting for Funding Applications

Understanding Project & Core Costs

Applying Full Cost Recovery

Presented by: Genny Jones Community Accountant  
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# Learning Outcomes

By the end of this session you will be able to:

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- Define project costs, core costs and full cost recovery
- Categorise typical charity costs into project vs core
- Build a project budget that includes a fair share of overheads
- Explain your allocation method to funders with confidence

# Today's Agenda (45 minutes)

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- Warm-up & key definitions – 10 mins
- Project vs day-to-day costs activity – 10 mins
- Introducing full cost recovery – 10 mins
- Mini budgeting exercise – 10 mins
- Q&A and wrap-up – 5 mins

## Warm-Up Question

When you apply for funding now, what costs do you usually include, and what do you tend to leave out?

Discuss in pairs for 3 minutes

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# What Are Project Costs?

Costs directly linked to a specific project or service

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- Project worker hours for this project
- Session materials and refreshments
- Project-specific travel costs
- Venue hire used only for this project

# What Are Core Costs?

Essential costs to run the charity but not tied to one project

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- CEO/Director and management time
- Finance, admin and HR
- Rent, utilities and insurance
- IT, phones and governance costs

# What Is Full Cost Recovery?

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Recovering the full cost of running a project, including its fair share of overheads and core costs – not just the direct project costs

This is recognised as good practice and vital for sustainability

# Activity: Sort These Costs

Mark each as: Project • Core • Shared

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- Youth worker delivering after-school sessions
- CEO/Director time
- Session materials and refreshments
- Rent and utilities

## Key Insight

Some costs are clearly project-specific, some are core, and some are shared and need a fair method to allocate them

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# Simple Example: Direct Costs

Project A - one year:

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- Project worker: £20,000
- Materials and travel: £5,000
- **Total direct project costs = £25,000**

# Simple Example: Core Costs

Annual core/overhead costs of the charity:

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- Rent, utilities, insurance: £30,000
- Finance, admin, leadership, IT: £45,000
- **Total overheads = £75,000**

# Simple Example: Allocation

This project takes 20% of the organisation's effort

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- Direct project costs: £25,000
- Fair share of overheads (20% × £75,000): £15,000
- **Full cost = £40,000**

	With no Overheads	With Overheads
	£	£
<b>Direct Project Costs</b>		
Project worker	20,000	20,000
Materials and Travel	5,000	5,000
Share of Overheads @20% of £75,000		15,000
	<b>25,000</b>	<b>40,000</b>
<b>Core/Overhead Costs</b>		
Rent/Utility/Insurance	30,000	
Finance/Admin/Leadership	45,000	
	<b>75,000</b>	

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## Without Full Cost Recovery

If you only ask for £25,000, your charity quietly subsidises £15,000 from reserves or other funding

This leads to burnout, cashflow problems and unsustainable services



# Justifying Your Allocation

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Evidence you can use:

- Staff time records and timesheets
- Office floor space used by project
- Number of users per project
- Proportion of total spend

# Mini Exercise: The Scenario

Your charity runs three projects (A, B, C). You're applying for Project A funding.

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- Project A direct costs: £15,000 (worker) + £3,000 (travel/materials)
- Organisation overheads: £35,000 per year
- Project A uses 30% of overall capacity

# Mini Exercise: Your Task

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- Calculate the full cost of Project A using 30% of overheads
  - Write 1-2 lines explaining how you arrived at the overhead figure

Work individually or in pairs – 4 minutes

# Mini Exercise: Model Answer

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- Project A direct = £18,000
- Overheads share ( $30\% \times £35,000$ ) = £10,500
- **Full cost = £28,500**

Sample wording: "We have included £10,500 as a contribution to core costs. This represents 30% of our total overheads, as Project A uses around 30% of our staff time and resources."

# Key Messages

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- Funders often accept reasonable overhead allocations if clearly explained
  - Charities should know their real costs
  - Have a consistent method to allocate costs across projects
  - Be confident to include them where the funder allows
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# Salary vs Total Employment Cost

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When budgeting for staff, many charities only include the gross salary. But the true cost of employment is significantly higher.

The **on-costs** typically add 15-25% to the base salary, depending on pension contributions, National Insurance rates, and other benefits.

## What Are On-Costs?

- **Employer National Insurance (NI)** – 15% on earnings above £5,000 per year (25/26)
  - **Pension contributions** – Minimum 3% employer contribution (often higher)
  - **Other costs** – Training, recruitment, DBS checks, professional memberships
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# Calculating On-Costs on Salary £30,000

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<b>Cost Item</b>	<b>Amount</b>
Gross Salary	£30,000
Employer NI (15% on £25,000)	£3,750
Pension (3% employer contribution)	£900
<b>Total Employment Cost</b>	<b>£34,650</b>

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# Questions & Discussion

What feels hardest about including full cost recovery in your bids?

What is one small change you can make in your next budget?

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# Thank You!

Know your costs • Be confident • Build sustainable charities

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