

## Non-project attributable costs (NPAC)

### Introduction

This document outlines guidelines for the calculation and reporting of non-project attributable costs (NPAC) that can be included within the budgeted costs and funding claims for projects delivered under accountable grants arrangements held with the Foreign, Commonwealth & Development Office (FCDO).

This guidance document can be referred to when submitting a grant application or to assist grant holders when reporting NPAC

### What is NPAC?

FCDO has defined NPAC as ‘overhead costs that relate to the overall operations, management and identity of the delivery partner rather than to programme services. These costs are necessary for programmes to function although cannot be clearly linked to specific project outcomes and results. Typically, they include overall management and employee costs, administration and support, equipment, space and premises costs, and activities that relate to the whole organisation and partly support your project, but also support your other projects’

In short, NPAC can be defined as the core overhead support costs that are necessarily incurred by an organisation to support its overall charitable activities and objectives. These are often referred to as indirect, core, overhead, central or support costs.

Historically, the inclusion, calculation and classification of these costs within FCDO-funded projects has been inconsistent, and as a result, NPAC has been developed and introduced by FCDO as a fair and consistent way of allowing organisations to include an element of these overhead support costs within their FCDO-funded activities.

### How is NPAC calculated?

The amount of NPAC that can be funded by FCDO should be an ‘appropriate apportionment’ and is calculated as the percentage of core overhead costs that are deemed necessary to support your organisations charitable activities.

In principle, the formula used determines the average non-attributable costs for your organisation over the last three years and calculates this as a percentage of total direct charitable costs. This percentage can then be applied to the value of the grant funded proposed project costs and included within your budget.

It should be noted that NPAC will need to be absorbed within the overall proposed budget limit for the project, as stated in your application, and will not be reimbursed separately with additional funding.

When calculating NPAC, all amounts included should be sourced from your annual financial statements over the past three years - where available - to ensure that a realistic annual average cost is recognised. These costs are typically identified in the notes to the accounts, and are generally classed as administration, support and governance costs.

The resulting average amount is used to calculate the average percentage of core costs that has been needed to support the organisation's charitable activities over the same time period, and this provisional percentage can be applied to your proposed budget.

For approved applications any proposed NPAC will be fully checked and verified by the Fund Manager during the grant set-up stage, at which point any adjustments required to the final agreed percentage will be agreed and reflected in your project budget.

All costs included in NPAC must be wholly in support of the organisation only. Care must be taken to ensure that no NPAC costs are duplicated within your proposed budget for the delivery of project activities. For example, if the cost of the Board members is included as NPAC then an allocation of the executive directors' time should not be included as a staffing cost within your project budget.

### **How should NPAC be presented?**

The amounts to include when calculating NPAC should be sourced from your annual financial statements and aligned under the following categories:

- Administration costs
- Support staff costs
- Governance costs

#### **Administration costs**

Relate to premises and office costs and should comprise costs associated with the organisation's premises and office including rent, mortgage costs, management of facilities, building insurance, rates, maintenance and cleaning, groundworks and gardening and utilities.

#### **Support staff costs**

These costs should relate to central support function costs and can include costs associated with the organisation's Board of Directors and other central support functions such as HR,

finance, IT, office management. Staff costs are typically gross salaries plus employer on-costs - for example, taxes, pensions - and other costs to include can be those such as travel and subsistence, telephone, recruitment and bank charges.

### **Governance costs**

These are costs related to the governance of the organisation and strategic development costs and refer to external expert and professional services expertise brought in when in-house skills are not available, and can include payments for services contracted to provide strategic or governance direction, advice related to financial, management, procurement, legal, audit, human resources or technical issues, external audit fees and expenses reimbursed to Trustees.

### **NPAC for consortium partners (Tier 1)**

FCDO expects lead organisations to apply the same methodology and eligibility criteria for calculating allowable NPAC for all consortium partners. Consortium partners must complete their NPAC on a separate template and provide to the lead organisation to collate the information. The lead organisation should identify the NPAC for each consortium partner as separate budget lines.

### **Downstream partners (Tier 2 and 3)**

FCDO expects lead organisations to apply the principles of full cost recovery downstream. It is recommended that grant holders encourage their downstream partners to adopt the new NPAC overhead approach.

The grant holder is encouraged to ascertain the amount of NPAC payable to each downstream partner using the same principles and calculation methodology, where possible, and include the budgeted amount in the NPAC template and as a separate line in the budget.

The grant holder should gain adequate assurance that the amount included is reasonable and able to be verified if required.

### **How do I report and claim NPAC funding?**

The allowable amount of NPAC, expressed as a percentage of project direct costs, is calculated at the outset of the project is based on the agreed budget. This percentage rate is set for the duration of the project and should be applied to the actual project costs incurred when claims are submitted.

NPAC can be included as a single line within the detailed transaction listing that you are required to complete and submit every quarter. No further breakdown of the costs is required.

The amount claimed each quarter should be calculated based on the actual direct project costs incurred during the quarter irrespective of the budgeted amount. For example, if the agreed NPAC rate is budgeted at 12% and the total delivery costs for the project during the quarter are £37,458 then NPAC amounting to £4,494.96 can be included in your transaction listing and financial report for the quarter.

The amounts claimed will be reconciled by the Fund Manager on both an annual basis and at the end of a project. When the direct costs are reconciled, should the amount of NPAC claimed exceed the allowable percentage, any amount of surplus NPAC that has been funded must be repaid.

### **Frequently asked questions**

#### **Can the NPAC percentage allocation be changed or recalculated during a live project?**

During the grant set up process the NPAC percentage included within your budget will be verified and agreed by the Fund Manager. The agreed percentage will apply for the full duration of the project, unless you are a newly formed organisation to whom an exception may apply.

#### **We are a relatively new organisation and do not have three years of audited accounts. Can we still claim NPAC?**

Yes, you can claim NPAC and should complete the NPAC financial information with the data available. The NPAC allocation will be discussed and agreed with the fund manager during the grant set up process. If you have only one year of financial accounts, the Fund Manager may agree to review the NPAC allocation when further information is available. However, this is will be the only circumstance under which the allocation percentage may change during an active project grant.

#### **We currently hold an existing grant that has an agreed NPAC of 5%. Do we use the same percentage when preparing budgets for new bids?**

If the NPAC calculations have been based on annual accounts that are still current and relevant, then the same percentage can be used. However, if you have a more recent set of financial statements, the NPAC calculation can be recalculated to include the most up to date information.

**We are the grant holder and implementing partner for an approved grant. All the costs included in our budget will be expended in the country of delivery. Can we still include NPAC for our supporting overheads that are incurred in the UK?**

Yes, if your organisation incurs core overhead costs in support of your charitable activities you can claim NPAC.

**We do not intend to include NPAC within our project budget. Should we still complete the 'NPAC detailed cost analysis' tab in the budget workbook?**

There is no requirement to complete the NPAC financial information if you do not intend to include NPAC in your project budget. We do ask that you clearly state that the template is intentionally blank in notes area in Section 5 of the NPAC template.

**Does NPAC information need to be sourced from the audited accounts or can we use our internal management accounts? To what extent would FCDO expect and need to see the actual numbers direct from the statutory reports?**

All NPAC information should be sourced and referenced to your annual financial statements. During the grant set up process, the Fund Manager will fully review and verify the information provided against your audited accounts to gain assurance that the NPAC allocation is robust and accurate.

**Our organisational financial statements do not identify support costs, how can we calculate NPAC?**

NPAC as a percentage allocation must be able to be transparently calculated and verified with the source information referenced to your annual financial statements. If your annual audited accounts do not identify support costs, please raise this issue with the Fund Manager who can discuss whether an appropriate alternative can be adopted.

**Which figure should we use report as 'direct organisational charitable costs'? The SOFA of our annual accounts presents charitable costs after the inclusion of an allocation of support costs, should these be deducted?**

Yes, NPAC calculates the percentage of support / overhead costs that are necessarily incurred to support your charitable activities. If an allocation of support costs has been included in charitable costs on the face of the SOFA these will need to be deducted to calculate the direct charitable costs. The direct charitable costs and allocation of support costs are usually clearly identified in the notes to the accounts for ease of reference and information for users.

**Our annual financial statements detail costs related to the 'costs of generating funds', do we need to exclude these?**

Yes, all organisational fund-raising costs are ineligible for FCDO funding and should be excluded from all NPAC calculations.

**When completing our NPAC information, should support costs ineligible for FCDO funding be included, and adjusted or just omitted from the calculation?**

Ineligible costs, such as depreciation, and contingencies, should be included in the NPAC information in section 2 of the template, and then deducted as an adjusting figure. This provides a clear and transparent calculation methodology and allows the support costs included in your calculations to be reconciled to your annual audited accounts.

**Do we include the costs of running an existing field office, whose sole purpose is to support the project, as a direct cost or as part of the NPAC?**

Direct project costs are all costs that can be clearly and directly attributable to project delivery and typically include country office resources that specifically and wholly support project delivery. All expenditure for these costs would be classed as direct project spend and not NPAC.

If your field office supports more than one project, an appropriate, reasonable, and justifiable allocation of the country office costs can be included in your budget which reflects the level of support provided specifically to the project.

**If we include NPAC in our proposed budget, can we also have other administration costs factored in?**

Yes, all administration costs that will specifically directly support the delivery of the project - such as stationery, telephony, vehicle fuel, bank charges - should be included in your budget.

**When completing the NPAC calculation what figure do we use for 'budgeted direct project costs' in section three of the template?**

When calculating the amount of NPAC that can be included in your budget you should enter the annual budgeted FCDO-funded direct project costs. This amount should exclude any NPAC payable to downstream partners and the match/non-FCDO element of the project costs should be disregarded.

**We will be calculating our own NPAC as the prime grant holder based on our published accounts over the last three years. Do we do the same for our delivery partners or do we include downstream partner costs as direct costs with overhead rates factored in?**

FCDO expects lead organisations to apply the full cost recovery principles to their downstream partners and recommended that grant holders encourage their downstream partners to adopt the new NPAC overhead approach.

The grant holder is encouraged to ascertain the amount of NPAC payable to each downstream partner using the same principles and calculation methodology, where possible,

and include the budgeted amount in the NPAC template and as a separate line in the budget. The grant holder should gain adequate assurance that the amount included is reasonable and is able to be verified if required.

**We have completed our NPAC calculation and the predicted NPAC allocation is a high value. What is deemed a reasonable rate to apply to the FCDO funded grant?**

The eligible NPAC rate will vary for each organisation and there is no specified allocation rate threshold or ceiling. Grant holders can include a NPAC rate up to the predicted rate identified in the calculation in their budget, whilst ensuring that delivery of the FCDO funded project offers best value for money. If the predicted allocation rate seems exceptionally high you are advised to check your calculations to ensure that only organisational support costs have been included and that no charitable or programmatic costs have been included.

**How long does it take to get an NPAC rate agreed?**

For all approved applications, project budgets and proposed NPAC will be reviewed and verified by the Fund Manager during the grant set-up stage. Once this review is complete, the final agreed NPAC percentage will be applied to your project budget.

**Is additional funding available for organisational NPAC?**

No, any NPAC will need to be included and absorbed within the overall proposed budget limit for the project, as stated in your application, and will not be reimbursed separately with additional funding for NPAC.

**We have completed our NPAC calculation, how do we show this in our proposed budget?**

NPAC can be included as a single line within your budget under the 'administration' sub-heading. It is preferable for NPAC to be appropriately profiled by applying the percentage allocation to the total direct costs budgeted in each quarter. The Fund Manager will be able to assist you with this during the grant set-up process.

**How do we report and claim NPAC funding?**

The allowable allocation of NPAC is expressed as a percentage of the proposed project direct costs, and this percentage rate should be applied to the actual project costs incurred during a reporting period.

NPAC should be included as a single line within the detailed transaction listing that you are required to complete and submit every quarter. No further breakdown of NPAC is required. The actual amount claimed each quarter should be calculated based on the actual direct project costs incurred during the quarter irrespective of the budgeted value.

For example, if the agreed NPAC rate is 12% and the total delivery costs for the project during the quarter are £22,499.30, NPAC amounting to £2,699.92 can be included in your transaction listing and financial report for the quarter.

The amounts claimed will be reconciled by the fund manager on both an annual basis and at the end of a project. Should the amount of NPAC claimed exceed the allowable percentage, any amount of surplus NPAC that has been funded must be repaid.

### **Appendix: Eligible and ineligible NPAC**

Supporting overhead costs that can be typically classed as NPAC include:

- Rent, rates and utilities
- Maintenance and repairs
- Equipment
- Printing and stationery
- Cleaning
- IT maintenance costs
- Bank charges
- Interest payments, service charge payments and loans for finance leases
- Consultants fees
- Programme quality support costs
- Telephone charges
- Support staff costs
- Subscription fees
- Legal and professional fees
- Support and review visits
- Annual conference costs
- Trustee meeting costs
- External audit
- Internal audit
- Payments for works/activities for which the grant holder have a statutory duty to undertake
- Institutional insurance policies

This list is not exhaustive, please refer to the [Eligible Cost Guidance for Accountable Grant Arrangements](#).

The costs below are not eligible for FCDO funding and should not be included within NPAC calculations:

- Depreciation



- Fundraising
- Costs associated advocacy and campaigning marketing and communications
- Contingencies
- Fines
- Debt repayment
- Capital expenditure, land and legal charging of assets to a bank
- Policy retainer fees
- Taxes for which exemptions apply or are reclaimable via other sources (e.g. HMRC, alternative funder)
- Payments for works or activities fully funded by other sources whether in cash or in kind e.g. premises provided free of charge FCDO will not contribute to notional rent

### **Useful resources**

[Sample NPAC budget calculation and financial report](#)

[NPAC calculation template](#)

[Understanding NPAC webinar](#)