

Financial Guidance: Non-Project Attributable Costs (NPAC)

Introduction

This document provides guidance on calculating and reporting non-project attributable costs (NPAC), that can be included within budgeted costs and funding claims.

The information contained is applicable to all projects delivered under Accountable Grant Arrangements held with the Foreign, Commonwealth & Development Office (FCDO).

It is appropriate to refer to this document when submitting a grant application and for grant holders who are required to report NPAC during their project lifecycle.

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 recently 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 deemed necessary to support your organisation’s charitable activities. As such, an appropriate amount can be included in your proposed budget submitted with your application.

It should be noted that NPAC will still need to be managed within the overall budget limit for the project and will not be paid separately.

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 clearly 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 what the average percentage of core costs has been needed to support the organisation's charitable activities over the same time period and this provisional amount 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 the final agreed percentage will be applied to your project budget.

All costs included in NPAC must be wholly in support of the organisation only. Care must be taken to ensure that NPAC costs are not duplicated within your proposed budget for the delivery of project activities. For example, if the cost of your board members is included as NPAC, then an allocation of the Executive Director's 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, 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 human resources, finance, IT, office management). Staff costs are typically gross salaries plus employer on-costs (taxes and pensions). Other costs to include here could be travel and subsistence, telephone, recruitment and bank charges.

Governance Costs: These are costs related to the governance of the organisation and strategic development costs. They 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)

The Foreign, Commonwealth and Development Office (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 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 is required to be completed and submitted every quarter. No further breakdown of the costs is required. The amount claimed each quarter should be calculated based on the project costs incurred during the quarter irrespective of the budgeted amount.

For example, if the agreed NPAC rate is 8% and the total delivery costs for the project during the quarter are £37,458 then NPAC amounting to £2,996.64 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 claimed must be repaid.

Appendix 1: A list of eligible NPAC examples

Supporting overhead costs 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
- Consultant 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 has a statutory duty to undertake
- Institutional insurance policies

This list is not exhaustive, and we urge you to also refer to the Eligible Costs Guidance for Accountable Grant Arrangements, available at Appendix 3.

Appendix 2: A list of ineligible costs as NPAC

The costs below are not eligible for Foreign, Commonwealth and Development Office (FCDO) funding and should therefore 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 (for example, HMRC or an alternative funder)
- Payments for works or activities fully funded by other sources, whether in cash or in kind. For example, the Foreign, Commonwealth & Development Office (FCDO) will not contribute to notional rent when premises have been provided free of charge.

This list is not exhaustive, and we urge you to also refer to the Eligible Costs Guidance for Accountable Grant Arrangements, available at Appendix 3.

Appendix 3: Further guidance

[Full guide to eligible costs for accountable grant arrangements \(open in new window\)](#)