



Foreign, Commonwealth & Development Office

Accountable grant budget template and cost eligibility guidance **External FAQs**

1. Who should fill in the template?

The budget template has been designed for Civil Society Organisations (CSOs) to complete when preparing grant bids/applications for FCDO.

2. What is NPAC? What are overheads?

Overhead costs, or Non-Project Attributable Costs (NPAC), are the costs that must be incurred in order to deliver a project or programme but cannot be directly attributed to a specific programme. These costs include running costs of the organisation such as HR and Finance functions, Head Office costs and Governance costs. Please see the [cost eligibility guidance](#) for more detail on this, including some examples in the Appendix.

3. What is the current status of the budget template and guidance?

The full budget template and guidance, including FCDO's overheads approach, were launched in June 2019 and are available on [gov.uk](#). The template is recommended as best practice for use in all new Accountable Grant Arrangements (AGAs/grants). The Overhead Costs, or NPAC, tab was launched in October 2018 and has been used on a voluntary basis across FCDO for new grants. It is part of the budget template and is best practice for all new grants. The cost eligibility guidance is fully in line with the [FCDO Programme Operating Framework](#) (including the mandatory rules for FCDO programme delivery) and Government Grant Standards and should be applied to all grants.

4. What's the plan now?

FCDO will continue to collect feedback on the template, with a view to reviewing and updating the template towards the end of 2019. The intention is to make use of the template and guidance mandatory once its use has bedded in across FCDO.

5. Why is FCDO changing the way it pays overhead costs?

Paying fair overhead costs is vital for healthy, sustainable civil society. FCDO is committed to ensuring that CSOs do not have to subsidise FCDO programmes they are delivering with funds from other sources. Historically, the classification and calculation of organisational overhead costs in grant agreements has been inconsistent across former DFID. Overhead costs/NPAC have been applied with a variety of approaches ranging from application of a flat rate, to negotiation with the prospective grant holder based on total budget ceiling. As part of the Civil Society Partnership Review in 2016, former DFID and now FCDO committed to changing this approach and developing a fair and consistent way of paying overhead costs. This is consistent with the Supplier Review, and also in line with HM Treasury guidance on good value for money when working with CSOs.

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6. Is the template the same as for contracts?

No. The template has been tailored to for CSO partners receiving grants. Contracts are used with a much wider range of organisations and require more detailed commercial information. The commercial contract template has a different approach to the NPAC calculation, to account for profit-making entities.

7. Can we use a flat NPAC rate?

No. The new approach does not support use of flat NPAC rates. However, if your organisation has already agreed an NPAC rate with FCDO this financial year, you can submit the same tab to FCDO with the budget for your new grant. Once the NPAC rate has been agreed they can use this rate over the life of the programme, unless there has been a material change to the organisation's costs base that would materially impact the NPAC rate.

9. How should organisations with complex structures (i.e. multiple offices, devolved offices, not stand-alone entities) allocate costs?

It is not possible to capture all the different ways CSOs may be structured across different offices but the key principle is that no cost should be double counted (i.e. included in both NPAC and direct costs).

Organisations with multiple offices should complete the budget, including the NPAC tab for the office that will be leading the project taking into account costs incurred by other parts of the organisation. The approach taken will depend on how the organisation's accounts are structured.

If subsidiary organisations/offices are consolidated into the lead/head office overhead costs in the Annual Accounts, then the costs should be included in the NPAC calculation and should not be double counted as a direct cost.

If offices/subsidiary organisation costs are included as a direct cost of the lead organisation in the lead organisation's annual accounts, then these can be captured as a direct cost in the FCDO budget template and attributed based on the best cost driver. The cost apportionment methodology adopted should be noted in the 'Purchase Rationale' column. There is more space for explanation in the notes tab if needed.

Example: If in-country Finance support is engaged on the project led by head office, this support could be apportioned based on the amount of time that the Finance person spends on FCDO programme, and the cost would be shown under 'Project Staff Costs'.

8. Is use of the template and guidance mandatory?

No, not at present. It is recommended as best practice for all new grants as it provides a fair way to pay overhead costs, and is aligned with the upcoming changes to FCDO finance systems. We expect that the template and guidance will become mandatory in future.

9. Have CSOs been consulted on this new approach?

Yes. The template has been co-designed with a working party of CSOs. We have also consulted more widely through stakeholder events and piloting of the NPAC tab of the template.

10. Who should I contact with queries or feedback?

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CSOs should contact their FCDO Programme Manager if they have specific queries about their programme budget as a first point of contact. If the Programme Manager is unable to find the answer from the guidance, they should consult with local finance and commercial colleagues.

11. I gave feedback at the Pilot stage on the template. Why hasn't my feedback been taken on board?

We did carefully consider all of the feedback we received. However, in some cases, feedback from different sources conflicted and we had to choose the approach we felt was the best fit for the sector and FCDO's systems overall. In other cases, the feedback conflicted with financial policy which is set by HM Treasury and we are unable to change.

12. Who should use the new template and guidance?

Your FCDO programme manager will stipulate which template you should use for your bid. The template is advised as best practice for all new FCDO grants.

13. Does the same guidance apply to contracts?

The guidance for contracts is different because the methodologies for calculating NPAC are different and the grant template is tailored specifically for CSOs. However, the main rules about eligibility of costs are the same across all funding arrangements. You should refer to the relevant guidance for the type of funding arrangement you are using.

14. Is depreciation eligible?

Depreciation is eligible as an overhead cost but not a direct cost. It is eligible as an overhead cost only when the asset cost has not been included in either the overhead calculation or the direct project cost.

15. Can the cost of preparing funding applications be included as an overhead cost?

No. This is an ineligible cost as per the eligible cost guidance.

16. Will FCDO be encouraging other donors to adopt something similar?

FCDO will continue to engage with other donors and share best practice, keeping our own processes under review in case we can make any improvements.

17. What are the differences between FCDO's budget template and what is included in CSO's The Charities Statement of Recommended Practice (SORP)¹?

Some costs included in the SORP will not be eligible for payment by FCDO. Please consult the [eligible costs guidance](#) and deduct any ineligible costs.

18. How should organisations fill in the template if they don't have audited accounts?

CSOs should fill in the template with the best financial and accounting information they have available and set out clearly what this is to their FCDO programme manager who will advise if any additional supporting information or documentation is required.

19. Does the new overheads approach apply to downstream partners?

Yes. We encourage grant recipients to pass on this approach to downstream partners. Downstream partners' costs should be included as direct costs with overhead rates factored in. If the partner is part of a consortium with the lead partner, see below for more detail.

¹ <https://www.gov.uk/government/publications/charities-sorp-2005>

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20. How does the new overheads approach apply to consortia?

The lead partner should fill in the NPAC tab and get each of the consortium partners to also fill in their own NPAC tab. On the budget to be submitted to FCDO, the lead partner should ensure that the yellow cells in Table 5 are filled in with the NPAC % for each consortium partner.

21. As lead partner of a consortium, should I apply our NPAC rate to the total direct costs of the project?

No. The NPAC rate should be applied to an organisation's proportion of the direct costs only, not including payments made to any consortium or downstream partners. Partner organisations should apply their own overheads to their direct costs.

22. Can we use our NICRA² rate instead of using FCDO's new overheads approach?

No. NICRA and NPAC are not compatible because USAID and FCDO use different methodologies. We have developed our approach in partnership with CSOs and are confident that it is the best fit for FCDO's context.

23. Can academic institutions use TRAC³ instead of using FCDO's new overheads approach?

Yes. Academic Institutions should use TRAC instead of NPAC.

² USAID equivalent of NPAC

³ Universities equivalent of NPAC