

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 DFID.

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 DFID's new 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 (Non Project Attributable Costs), tab was launched in October 2018 and has been used on a voluntary basis across DFID 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 existing DFID policy and should be applied to all grants.

4. What's the plan now?

DFID 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 DFID.

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

Paying fair overhead costs is vital for healthy, sustainable civil society. DFID is committed to ensuring that CSOs do not have to subsidise DFID 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 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, DFID committing 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.

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 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 DFID this financial year, you can submit the same tab to DFID 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 DFID 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 DFID 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 DFID 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?

Please email AGAcosts@dfid.gov.uk. CSOs should contact their DFID Programme Manager if they have specific queries about their programme budget as a first point of contact. If they are unable to find the answer from the guidance and consultation with local finance and commercial colleagues, there is a dedicated email for queries: AGAcosts@dfid.gov.uk

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 DFID'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 DFID programme manager will stipulate which template you should use for your bid. The template is advised as best practice for all new DFID 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?

No. Depreciation is not eligible across any cost categories and should be deducted from accounting figures.

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 DFID be encouraging other donors to adopt something similar?

DFID 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 DFID's budget template and what is included in CSO's SORP?

Some costs included in the SORP will not be eligible for payment by DFID. 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 DFID 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.

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 DFID, 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. If a CSO has already agreed an overhead rate with DFID this year using the new template, can it be transferred to the another new grant that year?

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Yes. If the CSO has already agreed an NPAC rate with DFID this financial year, they can submit the same tab to DFID with their new grant budget.

23. Can we use our NICRA rate instead of using DFID's new overheads approach?

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

24. Can academic institutions use TRAC instead of using DFID's new overheads approach?

Yes. Academic Institutions should use TRAC instead of NPAC.