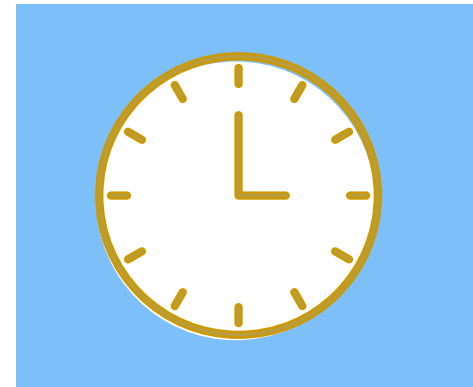


Chapter 2 : Non-subvented Services and Cost Apportionment

Guiding Principles of Cost Apportionment



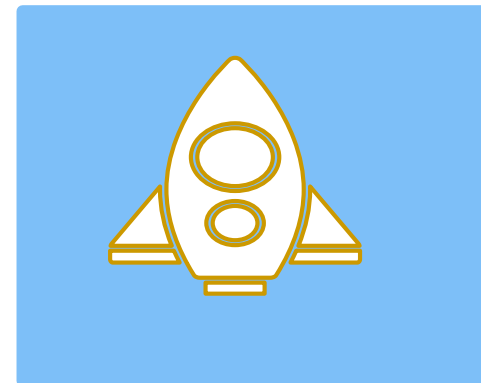
Transparency



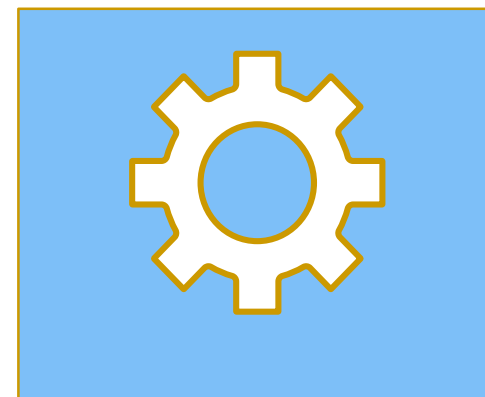
Consistency



Fairness and Reasonableness



Materiality



Causality and Relevance

Please refer to paragraph 2.3 of the Operational Guidelines

Cost Groups

Direct Staff Costs

**Other Direct
Operating Costs**

**Administrative Costs
of the ASU**

**Central Administrative
Costs of an NGO**

Please refer to paragraph 2.4.3 of
the Operational Guidelines

Commonly Used Cost Apportionment Bases for Direct Staff Costs

Cost Items/Types	Apportionment bases and methods
<ul style="list-style-type: none">✧ Salaries✧ Provident Fund Contributions✧ Allowances✧ Fringe Benefits	<ul style="list-style-type: none">✧ Time spent by direct staff on FSA services and non-FSA services, irrespective of whether they work during normal office hours

Commonly Used Cost Apportionment Bases for Other Direct Operating Costs

Cost Items/Types	Apportionment bases and methods
✧ Food, e.g. food for service users and food for staff	✧ Number of service users joining FSA services and non-FSA services
✧ Programme Expenses, e.g. admission fees, hire of venue, hire of transport service	✧ Time spent by direct staff on FSA services and non-FSA services ✧ Number of service users joining FSA services and non-FSA services
✧ Accommodation related costs, e.g. R&R (recognised by SWD), utilities, repair and maintenance, cleansing and insurance expenses	✧ Floor area deployed for FSA services and non-FSA services ✧ Number of service users joining FSA services and non-FSA services ✧ Duration of utilisation (based on available operating hours)

Commonly Used Cost Apportionment Bases for the Administrative Costs of an ASU

Cost Items/Types	Apportionment bases and methods
<ul style="list-style-type: none"> ✧ Salaries ✧ Provident Fund ✧ Contributions ✧ Allowances ✧ Fringe Benefits 	<ul style="list-style-type: none"> ✧ Total time spent by direct staff on FSA services and non-FSA services, irrespective of being in normal office hours or not ✧ Headcount of direct staff for FSA services and non-FSA services
<ul style="list-style-type: none"> ✧ Accommodation related costs, e.g. R&R (recognised by SWD), utilities such as electricity, gas and fuel, water 	<ul style="list-style-type: none"> ✧ Floor area deployed for FSA services and non-FSA services ✧ Number of service users joining FSA services and non-FSA services
<ul style="list-style-type: none"> ✧ Stores and Equipment, e.g. printing and stationery, newspapers and periodicals, consumables, computer hardware, software and network product. 	<ul style="list-style-type: none"> ✧ Time spent by direct staff on FSA services and non-FSA services ✧ Headcount of direct staff for FSA services and non-FSA services ✧ Number of service users joining FSA services and non-FSA services

Commonly Used Cost Apportionment Bases for the Administrative Costs of an ASU

Cost Items/Types	Apportionment bases and methods
<ul style="list-style-type: none"> ✧ Repair and Maintenance <ul style="list-style-type: none"> - for accommodation - for equipment 	<ul style="list-style-type: none"> ✧ For accommodation related expenses: Floor area deployed for FSA services and non-FSA services ✧ For equipment related expenses: Number of service users joining FSA services and non-FSA services
<ul style="list-style-type: none"> ✧ Transportation and Travelling (e.g. vehicle license, vehicle third party insurance, vehicle repair and maintenance, parking fees and fuel charges) 	<ul style="list-style-type: none"> ✧ Proportion of utilisation level of vehicles, in terms of mileage or time spent) deployed for FSA services and non-FSA services

Commonly Used Cost Apportionment Bases for Central Administrative Costs of an NGO

Cost Items/Types	Apportionment basis and methods
<ul style="list-style-type: none"> ✧ Salaries ✧ Provident Fund (PF) Contributions ✧ Allowances ✧ Fringe Benefits 	<ul style="list-style-type: none"> ✧ Man-hour of staff of CAO spent between FSA services and non-FSA services
<ul style="list-style-type: none"> ✧ Utilities ✧ Repairs and Maintenance ✧ Stores and equipment 	<ul style="list-style-type: none"> ✧ Floor area occupied by staff of CAO between FSA services and non-FSA services ✧ Percentage of man-hour of staff of CAO spent between FSA services and non-FSA services
<ul style="list-style-type: none"> ✧ Audit fee 	<ul style="list-style-type: none"> ✧ Total expenditure between FSA services and non-FSA services

Illustration of Cost Apportionment Process of Central Administrative Costs of an NGO

<i>Cost incurred for all services [both FSA services and non-FSA services] of an NGO</i>	<u>FSA</u> (HK\$'000)	<u>Non-FSA</u> (HK\$'000)
Direct staff costs	400	200
Other direct operating costs	100	100
Administrative costs of all services	100	100
Total	600	400
% split applied to central administrative costs	60%	40%
If central administrative costs incurred for the NGO = \$150	90	60

Method of Cost Apportionment



Basing on the guiding principles, NGOs may adopt an appropriate method of cost apportionment taking into consideration the circumstances of different service operations and ensure no cross subsidisation of non-FSA services by FSA services in money or in kind.

Please refer to paragraph 2.4.4 of the Operational Guidelines



01

Reasonable and Feasible
Reasonable basis with records of calculations



02

Internal Control
Internal procedural guidelines, management and control



03

Responsible
Accountable to the government and the public



Thank you