

Step 1 Plan cost centre resources by category of expenditure

Which cost elements are allocated to a cost centre?

1 Based on the draft budget for 2006-2007, the cost-accounting system administers some 180 cost centres for the departments and sub-units of the General Secretariat and the Bureaux, and 53 outputs (referred to as “internal orders” in the information system) representing the ITU projects and services provided to the membership and external customers.

2 Taking into account:

- a) the authorized budget limits set by the governing bodies of the Union;
- b) the provisions of Article 7 of the Financial Regulations;
- c) the prevailing budget guidelines;
- d) the planned biennial work programme, i.e. preparation and execution of conferences, meetings, cost-recovery services, etc.,

the basic needs in terms of resources necessary to generate the expected results are identified for each cost centre and output. The methodology assumes that each cost centre contributes actively to organizing and executing the output programme and to achieving the objectives set.

Step 2 Determine capacities and costs of staff resources

How much does one hour of service provided by staff cost?

1 In each cost centre, the planned capacity for every staff member is identified, in terms of work-months (12 months or less per year) in the corresponding grade. The planned capacity expressed in work-months represents the budgeted capacity of all posts assigned to a cost centre. This capacity figure is in fact the gross working capacity, which is in practice not fully available for service-related work due to holidays and other absence. To be realistic, the gross capacity has to be transformed into a net working capacity per staff member.

2 The individual net staff working capacity is calculated as follows:

- a) Net annual working days:

365 days – 104 weekend days – 30 days annual leave – 9 official holidays – 12 average days of absence (training, sick leave) = 210 net working days.
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- b) Net annual capacity in hours per staff:

210 net working days * 8 hours/day = 1 680 hours /year.

3 Based on the net annual capacity per staff member, the standard rate per hour and grade is calculated for each cost centre. Hourly rates include staff costs and other costs (representative cost mix of the cost centre), as planned in Step 1, in conformity with the full cost-allocation principle.

4 The costs of services are allocated using average rates per grade and per cost centre. The use of average rates enables the application of unified allocation tariffs, and facilitates the control of staff costs at the level of the cost centre.