

Step 3 Allocate resources and capacity to activities

How much does one unit of an activity cost?

- 1 The service catalogue lists all activities planned by cost centre, in accordance with the biennial work programme.
- 2 Activities are classified into two types, as stated above: general activities that can be provided by any cost centre, and specific activities that can be provided only by the cost centres of a specific department (e.g. “financial reporting” can be provided by several cost centres of the Finance Department).
- 3 Based on the methodology, service costs are allocated using two different so-called cost drivers: Time (all general activities and most of the specific activities are time-based and invoiced per service hour), and Volume (e.g. number of pages for documentation).
- 4 Under the methodology applied until 2005, virtually all costs were charged indirectly using key-based allocation measures (e.g. headcount in each cost centre), with the exception of documentation services, where the cost driver was already the number of pages for translation, typing and reprography.
- 5 The increased use of direct allocation measures, underpinned by the time-tracking system in the allocation process for actuals, enhances transparency and accuracy in the methodology. By means of such driver-based allocation, the proportion of costs that are indirectly allocated is reduced significantly. The following statistics illustrate this improvement (reference is made to the draft budget for 2006-2007):

Cost-allocation item	Methodology 2004-2005	Methodology 2006-2007
Volume-based activities	13	48
Time-based activities	–	96
General activities	–	17
Specific activities	–	127
Total direct allocation by cost drivers	13	144
Methods of indirect allocation by key	8	1 (see step 5)
Amount indirectly allocated	CHF 130 million or 80% of GS costs	CHF 37.9 million or 11% of total costs
Time tracking	Biennial retrospective time survey by the Sector Bureaux and LAU, CEC and SPU	Recorded on a daily basis by all staff members

- 6 Volume tracking is mainly done using the already existing document production system (DPS) recording pages produced per document.
- 7 The total primary costs of the cost centres identified in Step 1 are allocated to activities on the basis of time or volume.
- 8 As with the planning of the staff work-months (Step 2), each service provider plans the net delivery capacity for the different activities. The net capacity for each activity will be determined also by constraints such as the net staff working capacity, maximum production capacity (e.g. translation of pages by specialized staff) and technical capacity limits of machinery.