

9 The unit price (standard rate or planned rate) of an activity is:

$$\text{Unit price} = \text{Activity's costs} / \text{planned delivery capacity.}$$

For documentation-related services such as translation, typing and reprography, or other services, as appropriate, prices that reflect historical data may be used in order to ensure continuity. The unit price is re-evaluated monthly based on actual cost and capacity information.

10 The activity rate is used for invoicing the volume of services provided to the service receiver. "Invoicing of services" is the basic tool in the cost-allocation methodology, by means of which the costs of the operational infrastructure of the Union are systematically allocated to outputs.

11 Direct cost allocation is, as far as possible, the main objective. The costs that cannot be allocated directly are, according to the methodology, defined as remaining costs (see Step 5). In order to reduce the amount of remaining costs in the draft budget for 2006-2007, a flat mark-up factor of 10% has been applied to all activity prices except for documentation services. This factor of 10% is based on best practices. The allocation of the remaining costs to outputs is proportional to the amounts of direct costs ("cost bearing principle").

Step 4 Allocate activities to internal service receivers

How much does the service receiver have to pay, and for what?

1 Based on the forecast level of service delivery requirements (time for staff services, and volume for other driver-based activities) for each service receiver, the cost of activities is calculated by multiplying the amount of service (in hours or units of volume) by the unit rate (from Steps 2 and 3).

2 If the costs cannot be charged directly to outputs, as a second choice they should be allocated to the special generic cost centre of the receiving department (see also Step 1), from where they are subsequently allocated indirectly to the outputs (see Step 5), along with the costs incurred by the department's own consumption of services, on a pro-rata key basis (see Step 5).

3 During budget implementation, the costs of activities are charged to outputs based on planned standard rates and on actual volume information captured from the time-tracking system and the document production system. Standard rates are recomputed on a regular basis (at the end of each month if appropriate) to reflect actual costs. The amounts charged are thus adjusted for variances occurring between the planned and actual costs.

Step 5 Distribute remaining costs to outputs

Which cost-centre costs have not yet been invoiced to outputs?

1 All remaining costs that have not been allocated directly to outputs through the invoicing of services (see Step 4) are, as a final step, distributed from the generic cost centres to the outputs, using an indirect key-based allocation scheme. The cost-accounting methodology keeps track of these costs within the generic cost centres.

2 The ITU cost-allocation methodology distinguishes two cases where costs cannot be charged directly to outputs:

- a) the service receiver to which activities have been invoiced is itself a cost centre;
- b) a cost centre has received costs for services for its own consumption.

3 Such remaining costs are allocated to outputs at pro-rata of the amounts that have been directly charged (see Step 4), for the General Secretariat as a whole and for each Sector.

4 In the case of the draft budget for 2006-2007, for instance, some 11% of the primary costs of the departments of the GS and Bureaux were allocated indirectly by key.