

# HONG KONG BAPTIST UNIVERSITY

## Cost allocation for UGC-funded and non-UGC-funded activities

### **Background**

Hong Kong Baptist University (HKBU) is one of the eight institutions of higher education, which is funded by the Government through the University Grants Committee (UGC). HKBU runs both UGC-funded and non-UGC-funded activities. The UGC-funded activities include academic programmes at undergraduate and postgraduate levels, research and other creative outputs, public services and institutional administration while the non-UGC-funded activities include self-financed programmes and activities.

2. The UGC issued a set of principle-based Cost Allocation Guidelines for UGC-funded and non-UGC-funded Activities (CAGs) in September 2015 for the UGC-funded institutions to adopt starting from the financial year 2018-19. The purpose of the CAGs is to ensure that there is no cross-subsidisation of UGC resources to non-UGC-funded activities or vice versa.

3. The full text of the CAGs is available at the website of the UGC (<http://www.ugc.edu.hk/doc/eng/ugc/note/CAGs.pdf>).

### **Principles and overall approach of cost allocation**

4. The cost allocation approach of HKBU follows closely the requirements of the CAGs which are based on five key principles, i.e. transparency, consistency, fairness and reasonableness, materiality, and causality and relevancy.

5. Costs will be allocated to two cost objects, i.e. UGC vote (all costs for which the UGC provides funding) and non-UGC vote (all other events that are not classified as UGC vote). To maximise efficiency and accuracy, cost items, which can be directly attributable to the UGC or non-UGC vote, will be allocated directly to the UGC or non-UGC vote.

6. According to the CAGs, non-UGC-funded activities will be charged on full-cost recovery basis. For the purpose of cost allocation, certain activities, which are non-UGC-funded activities by nature, could be deemed by the UGC as UGC-funded activities and hence the costs incurred will be charged to the UGC vote. An example of deemed UGC activities is research projects which are funded by commercial organisations with unrestricted publicly available outputs and do not allow the charging of faculty's principal investigators' costs and overhead costs to the research projects.

7. For cost allocation, HKBU follows the following four cost pools and associated cost drivers as specified by the CAGs:

Cost pool	Cost driver
Academic staff cost	○ Time analysis surveys collected from sampled academic staff
Departmental premises and related cost	○ Bookable space based on venue booking records ○ Non-bookable space based on the number of students
Departmental shared cost	○ Based on relevant cost drivers, including the number of academic programmes and number of students
Departmental share of central cost	○ Based on the average of the above cost drivers

### Overhead charging rates

8. Overhead charge is levied on non-UGC-funded activities for the provision of services to these activities by central administrative units. For administrative efficiency, HKBU has set the following standard overhead charging rates for different categories of non-UGC-funded activities:

Activity Type	Overhead charging rate (as a % of income)
Self-financed Academic Programmes (SFAPs) <sup>(note 1)</sup>	
- Local Programmes	40%
- Non-Local Programmes <sup>(note 2)</sup>	30%
Research projects	15%
Chinese medicine clinics	7.7%
All other activities, such as consultancy projects and conferences <sup>(note 3)</sup>	10%

*Note:*

1. 10% of the TPg program income will be charged to support the "PhD Quota-TPg Matching Scheme", 5% will be allocated from the overhead charging rate as above table and 5% will be allocated from the TPg program income.
2. Include all SFAPs awarded by HKBU and conducted outside of Hong Kong. UIC is not included, and the overhead changing mechanism is covered by a separate framework.
3. Overhead charge on academic conferences is restricted to registration fee income only.

9. During the year, the overhead recovered from the non-UGC-funded activities based on the standard overhead charging rates may be higher or lower than what is required by the CAGs. Adjustments for any excess or shortage in overhead charge will be made at the end of the financial year.

November 2024

Finance Office