

**The Hong Kong Polytechnic University**  
**Costs Allocation Practices in relation to**  
**UGC-funded and non-UGC-funded Activities**

**Objective**

1. The objective of this document is to provide guidance on cost allocation practices in the University to ensure that there is no cross-subsidization of UGC resources to non-UGC-funded activities.

**Guiding Principles**

2. Through the University Grants Committee (UGC), recurrent grants are provided to the UGC-funded universities to support their UGC-funded activities. UGC grants represent the major funding source of the University and the core role of the University is to conduct the UGC-funded activities. In fulfillment of its missions, the University also engages in activities funded by other sources such as offering a number of self-financed programmes to meet community needs. The University has been in compliance with the requirement as stipulated in the UGC's Notes on Procedures that there should be no cross-subsidization of UGC resources to non-UGC-funded activities.

3. With effect from 2018/19 the University has adopted the Cost Allocation Guidelines for UGC-funded and non-UGC-funded Activities (CAGs) issued by UGC with related control and review procedures. All cost items are assigned to one of the four cost pools, namely (i) academic staff cost, (ii) departmental premises and related cost, (iii) departmental shared cost, and (iv) departmental share of central cost; and ultimately being allocated to the appropriate funding source, except for certain cost items that are incurred solely for UGC or non-UGC activities which are directly attributed to the related funding sources. For example, direct costs of research projects, like staff cost of research personnel, equipment and general expenses are charged to the project accounts which are directly attributed to the related funding sources.

4. In the cost allocation process, some of the non-UGC-funded activities are classified as "deemed UGC-funded activities" due to their nature and hence the relevant staff cost and overhead cost incurred are charged to the UGC funds for the purpose of cost allocation. For example, research projects funded by Government bureaux or departments other than UGC and non-governmental organizations and commercial organizations with unrestricted manner in outputs are classified as "deemed UGC-funded activities". For other non-UGC-funded activities, such as self-financed programmes, the relevant staff cost and overhead cost incurred are charged to non-UGC funds.

**Cost Allocation Methodology**

Academic Staff Cost

5. Academic assignments are allocated among staff members according to their expertise under a total workload concept. Workload plan of individual academic staff is prepared, collected and validated as the basis for allocating academic staff cost to different institutional activities and funding sources. In addition, the cost of visiting lecturers and full-time staff on extra workload basis is charged directly to the self-financed programmes.

Departmental Premises and Related Cost

6. Most buildings on the main campus of the University are for mixed uses. The premises and related cost, including building depreciation, is allocated to various institutional activities and funding sources by room booking information for bookable premises such as classroom, or by various appropriate cost drivers for non-bookable premises such as student amenities space and office space.

### Departmental Shared Cost

7. Except for the non-staffing cost directly attributable to research projects and self-financed programmes, all other non-academic staff cost and non-staffing cost incurred by academic departments and the cost of the overseeing faculty office are allocated to academic departments and further to institutional activities and various funding sources by appropriate and relevant cost drivers.

### Departmental Share of Central Cost

8. The central cost is assigned to academic departments by various cost drivers according to the nature of the central administrative departments and further allocated to different institutional activities and funding sources by the proportion of the total cost for the other three cost pools.

### **Overhead Charging Policy**

9. Non-UGC-funded activities require support from the administrative and supporting units, which cannot be separately identified upfront, are charged with overhead for compliance with the requirement of UGC. Subject to the level of support, the overhead charging rates of the indirect costs for various categories of non-UGC-funded activities are established, which will be assessed and reviewed periodically based on the result of cost allocation. The prevailing set of overhead charging rates are listed below:

<b>Non-UGC-funded Activities</b>	<b>Overhead Charging Rates</b>
Self-financed Programmes in Hong Kong	32.5% on total gross income
Other self-financed programmes / courses / activities	25 % to 40% on total gross income
Non-UGC-funded research grants / contracts	15% on project expenditure
Self-financing conferences	15% on total gross income

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