

Supplementary Note to FCRI(2002-03)22 Estimates of Consultants' Costs for Capital Works Projects

Members asked for more details about the estimated cost of "site staff supplied by the consultant" at paragraph 7 of FCRI(2002-03)22. This note provides the information required.

Methodology of Estimation

2. The Government and the Housing Authority (HA) use different methods for estimating the cost of "site staff supplied by the consultant" for budgeting purposes. Each method is illustrated in the formula (differences highlighted in *italics*) below –

Government's method

$$\begin{array}{rclclcl}
 \text{Total} & & \text{Estimated} & & \text{Relevant} & & \text{Relevant} & & \text{Estimated} \\
 \text{estimated} & = & \text{man-month} & \times & \text{Master Pay} & \times & \text{multiplier factor} & + & \text{out-of-} \\
 \text{site staff} & & \text{input} & & \text{Scale (MPS)} & & & & \text{pocket} \\
 \text{cost} & & & & \text{salary} & & & & \text{expenses} \\
 & & & & \text{point(s)} & & & & \\
 & & & & \text{(i.e. MPS points} & & \text{(i.e. 1.6 for site} & & \\
 & & & & \text{38 and 14 for} & & \text{staff)} & & \\
 & & & & \text{professional and} & & & & \\
 & & & & \text{technical staff} & & & & \\
 & & & & \text{respectively)} & & & &
 \end{array}$$

HA's method

$$\begin{array}{rclclcl}
 \text{Total} & & \text{Estimated} & & \text{Relevant} & & & & \text{Estimated} \\
 \text{estimated} & = & \text{man-month} & \times & \text{Staff Cost Ready} & \times & 1.07 & + & \text{out-of-} \\
 \text{site staff} & & \text{input} & & \text{Reckoner(s)} & & & & \text{pocket} \\
 \text{cost} & & & & & & & & \text{expenses} \\
 & & & & \text{(i.e. varying for} & & \text{(i.e. estimated} & & \\
 & & & & \text{individual ranks)} & & \text{7\% on-cost for} & & \\
 & & & & & & \text{the consultant's} & & \\
 & & & & & & \text{overhead on site} & & \\
 & & & & & & \text{staff} & & \\
 & & & & & & \text{administration)} & &
 \end{array}$$

HA Staff Cost Ready Reckoner

3. The HA Staff Cost Ready Reckoner (HA-SCRR) is designed to facilitate the calculation of staff costs of individual ranks for costing purposes and is updated annually to reflect the latest levels of salary and fringe benefits.

4. HA-SCRR provides the average staff cost by rank, which includes basic salary and other staff costs. The latter includes fringe benefits such as pensions/gratuities and MPF contributions, widows and orphans/surviving spouses' and children's pension schemes, medical and dental benefits, leave, leave passages, education allowances, and housing benefits; but excludes any job-related allowances.

5. In short, HA adopts a lower rate (x 1.07) to estimate the consultant's overhead when compared with the multiplier factor (x 1.6) used by the Government; but a higher staff cost (based on HA-SCRR) when compared with that (based on MPS salary points) used by the Government. As the combined effect of these two variables will vary from one case to another, the two methods are not directly comparable.
