

Unit Costing Tool Place Based Outputs User Manual

Rationale for a Unit Costing Tool

The shift from input to output based funding agreements is a significant reform that will impact on all services funded by the Queensland Department of Communities.

For organisations to confidently and effectively negotiate their output based service agreements, they must understand the relationship between their organisation's service delivery capacity and the full cost of delivering programs.

This tool will support you to calculate what outputs your service is capable of delivering based on your current resources and it will give you an estimated full cost per unit of output. It will also calculate the proportion of those outputs that are funded by the Department of Communities and the proportion funded by your organisation.

This is not a compliance tool. It is a strategic tool that your organisation can use to gain a better understanding of the full cost of service delivery and what can be delivered with existing resources.

All information entered into and produced by this tool remains the property of your organisation, and the decision to share it is yours. You may find it useful to compare your information with similar services to establish benchmarks and learn about how other organisations operate.

QCROSS would like to acknowledge the Endeavour Foundation, who have shared their unit costing methodology, which has been used to develop this tool.

QCROSS, October 2011



Using the Tool

Information Requirements

To complete this tool, you will need to have access to the following information:

- Your proposed output measure - the unit costing tool is available for **'hours'** and **'places'** measures. Refer to the [Department of Communities Output Catalogue](#) or talk to your CSO/CRO for more information.
- Details of income received from the Department of Communities and any other significant funding sources (not including grants or fundraising income)
- Total income received from client contributions
- Any contracted client numbers and/or hours of service delivery or operation.
- Staffing numbers (FTE and actual)
- Salary and oncost expenses
- Current award schedule used by your organisation (*optional*)
- Other, non-payroll expenses for the period of one year (actual or budgeted)
- Details of any volunteer or in-kind contributions that contribute directly to delivering a program and can potentially be counted towards outputs

Software Requirements

The Unit Costing Tool has been developed using Microsoft Excel, which most community organisations will have access to as a part of the Microsoft Office package.

To use the tool a basic familiarity with Excel is required. You can access basic Excel training online from Microsoft's website (<http://office.microsoft.com/en-au/training/>) and you can also search for Excel training videos on YouTube (<http://www.youtube.com/watch?v=8L1OVkw2ZQ8&feature=related>)

Please Note: This tool has not been tested on open source software suites such as Open Office.

Navigation

You can navigate through the tool in one of two ways, by using the hyperlinks provided on each page, or by moving through the worksheet tabs at the bottom of the window.

Unit Costing Tool for Place Based Outputs page 2

Service Name: Youth Accommodation Service

Actual level of support needs - low to medium

Service description

Output definitions -

Capacity		Occupancy	
(no. of places)	(no. of places)	(% rate)	
5	4.0	80%	

Service delivery assumptions:

Places	5	4.0	80%
Service delivery operations: hours per day	hours	24	
days per week	days	7	
weeks per year	weeks	52	
Client day places per year occupied	place/days	1,456	

Comments

[GLOSSARY OF TERMS](#)

[GO TO STAFFING COSTS](#)

Organisations with more than one accommodation service may wish to use this for comparison purposes

Output codes can be found in your service agreement or the Outputs Catalogue

Defined as "awake" contact time (excludes sleepover time)

Occupancy is defined as the proportion (%) of places regularly occupied

Enter the average occupancy rate experienced for the service

Number of hours per day that the service is staffed (e.g. If a service is closed and unstaffed between 10am and 2pm, the daily hours would be 20)

Number of days per week service is available

Number of weeks per year service is available

Expected outputs based on the above assumptions

Worksheet tabs: Clients and Staff p2, Staffing Costs p3, Expenses p4a (freeform), Expenses p4b (SCoA), Unit Costs p5, Interpret

Entering Data

The tool has been colour coded according to this legend for ease of use:



Data input is generally required
Data input is optional
Calculation cells – **DO NOT enter any data**

Before Completing the Tool

Before completing the tool you will need to determine the following:

- a) whether you will detail your operating and occupancy expenses using a "freeform" schedule, or use the schedule in the [Standard Chart of Accounts](#)
- b) whether you will analyse and record your organisational costs (corporate overhead) by individual cost element or, use a pre-determined mark-up factor, such as 15%, 20% etc
- c) whether you will assign value to volunteer or in-kind support , and if any volunteer time will be counted towards your outputs
- d) whether penalty pay rates apply to all staff pay, including leave, or solely to time worked on the job

It is unlikely that the information generated by this tool will be exact to the dollar. The tool has been designed to give you an estimate of the full cost of service delivery, and a starting point for negotiating your outputs based on current resources. The information will also only reflect the cost of service delivery at a given point in time.

You will need to ensure that the costs you enter into the template relate directly to providing the contracted service. Costs relating to unfunded services or discretionary client activities should be excluded.

DISCLAIMER

This tool has been designed to provide an estimate of the full cost of service delivery, and a starting point for negotiating outputs based service agreements in consideration of current resources.

Whilst all care has been taken to provide an accurate and reliable tool, the unit cost generated will be an estimate only, and is subject to user assumptions and the reasonableness and accuracy of the data entered.


This Unit Costing Tool has been provided by QCOSS with no warranty or guarantee whatsoever. It is users' responsibility to fully understand the template and ensure that it is suitable for their purpose, that the data used is accurate and appropriate, and complies with any service agreement, regulatory or legislative requirements.

QCOSS accepts no responsibility for any loss or damage incurred by users.

Clients and Staff – Service Delivery Assumptions

This part of the tool will determine the number of places your organisation can provide per year in consideration of your capacity, and occupancy rate.

Your occupancy rate is the proportion of total places available, which are filled at any given time. For example, an accommodation service may have five beds available, but generally only four of those beds are occupied at any given time.



QCROSS
queensland council of social service inc
WORKING FOR A FAIR QUEENSLAND

Unit Costing Tool for Place Based Outputs
Clients and Staff

page 2

Service Name: Youth Accommodation Service

Actual level of support needs - low to medium

Service description

Output definitions -

Youth Accommodation		
insert DoC output code		
1 client place per day		
1 hour of service delivery		

Service delivery assumptions:

Places		
Service delivery operations:	hours per day	hours 24
	days per week	days 7
	weeks per year	weeks 52
Client day places per year	occupied capacity	place/days 1,456
	capacity	place/days 1,820

Capacity	Occupancy	
(no. of places)	(no. of places)	(% rate)
5	4.0	80%

Enter the total number of places available in your service.

Enter your occupancy rate. Your number of places will be automatically calculated in the yellow field. Change the percentage rate until the figure is an accurate reflection of your occupancy.

Enter the operating times of your service here.

The tool calculates the number of places you have filled per year and how many can be filled per year. **This information will support you to negotiate your outputs.**

Clients and Staff – Income

In this part of the tool you will need to enter the total annual subsidy you receive from the Department of Communities (DoCs), including any supplementary funding.

If your organisation receives any financial contributions from clients in exchange for providing accommodation you can enter a weekly rate. For some services, not all clients will have capacity to pay these rates. To reflect this, you can enter the proportion of clients that are able to pay the weekly rate for accommodation.

If your organisation has multiple weekly rates, you could consider entering an average rate.

Income:		
Annual subsidy received from Department of Communities	\$	350,000
<i>Client contributions:</i> Scheduled contribution per week	\$	140.00
Proportion of clients able to pay	%	50.0%
Total annual contributions	\$	14,560
Income from DoC & Clients (see note opposite)	\$	364,560

PLEASE NOTE: Do not include any additional income from donations, special grants or fundraising. This is considered part of your organisation's co-contribution to service delivery.

Clients and Staff – Staff Operating Assumptions

In this part of the tool you will enter your staff operating assumptions, which are used to determine the number of hours your direct service delivery staff are available to provide support to clients (either face-to-face or on behalf of – See the Department of Communities Outputs Catalogue for more details).

Staffing operating assumptions:

Standard hours per week per FTE staff member	hours	<input type="text" value="38.0"/>
--	-------	-----------------------------------

Staff operating weeks per year:

Annual leave	wks/year	<input type="text" value="4.0"/>
Public holidays	wks/year	<input type="text" value="2.0"/>
Personal and sick leave	wks/year	<input type="text" value="2.0"/>
Training	wks/year	<input type="text" value="1.0"/>
Other non-service delivery	wks/year	<input type="text" value="0.0"/>
Service delivery weeks per FTE	wks/year	<input type="text" value="43.0"/>

Staff utilisation factors ('indirect' time):

	%	hrs/wk per FTE	
Travel time	<input type="text" value="0%"/>	<input type="text" value="0.0"/>	<input type="text" value="0.0"/>
Personal	<input type="text" value="0%"/>	<input type="text" value="0.0"/>	<input type="text" value="0.0"/>
Administration	<input type="text" value="5%"/>	<input type="text" value="1.9"/>	<input type="text" value="1.9"/>
Other - insert details (if needed insert additional lines):			
Staff meetings	<input type="text" value="5%"/>	<input type="text" value="1.9"/>	<input type="text" value="1.9"/>
	<input type="text" value=""/>	<input type="text" value="0.0"/>	<input type="text" value="0.0"/>
	<input type="text" value=""/>	<input type="text" value="0.0"/>	<input type="text" value="0.0"/>
	<input type="text" value=""/>	<input type="text" value="0.0"/>	<input type="text" value="0.0"/>
Time spent face to face or on behalf of clients	<input type="text" value="90%"/>	<input type="text" value="34.2"/>	<input type="text" value="34.2"/>
Total	100%		

Contact hours

per FTE p.a.	<input type="text" value="1,471"/>	total p.a.	<input type="text" value="5,147"/>	per occupied place/day	<input type="text" value="3.5"/>
--------------	------------------------------------	------------	------------------------------------	------------------------	----------------------------------

Enter the standard Full Time Equivalent hours per week, which is the basis for annual salary in your award or certified agreement.

Enter your staff's leave entitlements here. Assuming your staff will take their full leave entitlements each year will provide a more realistic base for calculating full cost of service.

Enter proportions of time spent by service delivery staff performing 'indirect' activities. Refer to the DoC Outputs Catalogue for more information on what is considered 'indirect' time, e.g. travel time between clients or services, training, staff meetings, network meetings etc

To calculate the % time in indirect activities, use the following formula:

$$(\text{No. hours per wk} / \text{Standard FTE hours per wk}) \times 100$$

The tool will then calculate the number of direct contact hours your staff can provide to clients per year, as well as per place, per day.

REASONABLENESS CHECK – Does this percentage of staff time spent working with or on behalf of clients seem reasonable?

Clients and Staff – Staff Operating Assumptions cont.

This part of the tool allows you to account for any sleepover shifts and call out hours that may be a part of your service model.

Number of sleepover shifts	shifts per week	7
Number of staff per sleepover shift	staff per shift	1
Total call out hours (estimated average)	per week	3.5

The next part of the tool is where your staffing levels and salaries are entered. You may choose to enter actual staffing costs or draw on the annual base salary rates from your award or certified agreement. Base salary rates are useful in determining full-cost as they will not fluctuate due to staffing vacancies etc.

Enter the annual base salary for each level for your direct service delivery staff.

Actual direct staffing involved in delivering service outputs:

average annual base salary (expand if additional rates are needed)	\$ 70,000
	\$ 50,000

FTEs	Salary Level
0.5	4.3
3.0	2.4
Total	3.5

Enter the number of FTEs employed at each salary level.
You may choose to record salary levels in the green column for your reference.

REASONABLENESS CHECK - does this percentage of non-contact delivery time seem reasonable? I.e. for every x hours spent in direct service delivery, x hour is spent in coordination or admin.

Service facilitation, co-ordination and management:

	base salary	hours per week
Service facilitation & co-ordination	\$ 70,000	10.0
Service management		
Service administration	\$ 40,000	10.0
Other:		
Total hours per year		1,040
As a % of service delivery staffing		20%

Enter the base salary and hours per week of any coordination and admin staff specific to this program.
Do not include snr management. Their wage is covered under organisational costs

Clients and Staff – Optional Inputs

This part of the tool allows for the inclusion of a number of optional components that each contribute towards understanding your full cost of service delivery.

Optional inputs:

Recognition of Volunteers:

\$ per hour	volunteer hours per week		
(a) notional benefit	(b) total	(c) recognised as output	not recognised as output
\$ 25.00	10.0	0.0	10.0

If volunteer effort is to be included, enter an estimate of the hourly value in box (a), you may choose to use a relevant casual rate from your Award or Certified Agreement. Enter the total hours spent in a typical week, related to service delivery in box (b) and any volunteer hours to be recognised as outputs should be entered in box (c).

Ex gratia and other staff payments:

Type of payment <small>(enter description & amount)</small>				Total
Xmas leave				
Estimated annual payment - \$	\$ 1,000			\$ 1,000

Enter any additional benefits received by staff, outside of their standard entitlements.

Recognition of in-kind support: (e.g. Services and supplies provided at no cost or heavily discounted prices)

notional benefit - \$ per year

Enter an estimate of any benefit received relating specifically to service delivery, e.g. repair and maintenance, rent etc.

Use of a benchmark mark-up factor to calculate organisational costs:

Benchmark factor applied to service delivery and occupancy costs

If you have chosen to use a pre-determined mark-up factor for organisational costs, enter it here. If this is blank, you must include organisational expenses in your operating expenses.

Inclusion of the cost of capital in "full cost": (note - this cost will not be included in the financial reports)

Risk-free rate of cost of capital
 Depreciated replacement cost of fully owned assets used for service delivery

If your organisation owns a property used for service delivery, you can enter a cost of capital here. Please refer to separate notes for more details.

Staffing Costs – Penalty Rates

This part of the tool calculates the weighted average penalty rate for service delivery staff.

The only input needed is (a) the penalty rates applicable to each period of work time (e.g. payment at time and a half = a 50% penalty rate), and (b) the number of hours in the working week that correspond to each penalty rate.

The example below shows a 24/7 service with sleepovers and results in 16 hours attracting penalty rates for each of Saturday and Sunday and 8 hours for each day Monday to Friday. Some adjustment may be needed if the proportion of staffing levels vary between the various work time periods.

Staffing salary costs:

Penalty Rates

Weighted average overtime penalty rate -
based on hours per week (excluding sleepover time) of:

Evening Mon-Fri	15.0%	applied to
Saturday	50.0%	applied to
Sunday	75.0%	applied to
public holiday	150.0%	applied to

applicable operating hours
112.0
40.0
16.0
16.0
1.5

equivalent paid hours
140.2
46.0
24.0
28.0
2.2

Gross penalty rate (assumes all pay attracts the average penalty rate)
Net penalty rate (only service delivery time attracts penalty rates)

23.6%	Y
19.5%	

If gross penalty rate is to
apply, enter "Y" - otherwise
leave blank & the default
will be the net rate

Some providers apply an average penalty loading to all non-working time (e.g. Leave, public holidays, etc.) If your organisation does this, enter "Y" here.

Staffing Costs – Oncost Rates and Other Allowances

You will enter the relevant oncost rates in this part of the tool, as well as any sleepover or on-call allowances.

Oncost rates			
Workers' compensation insurance		% of total pay	3.0%
Superannuation		% of total pay	9.0%
Annual Leave Loading		% of total pay	1.0%
Long service leave	% of staff eligible	50%	weighted rate
			0.8%
Oncost rate for co-ordination, management & admin activities			13.8%
Service delivery oncost rate			40.7%
Sleepover allowance		per shift	\$ 40.00
On call allowance per week	\$150.00	FTEs on call	1.0
		average no. of call out hours per week	3.5

Staffing Costs - Calculation

Based on the information you have just entered, the tool will now calculate your staffing costs and give you a preliminary unit cost per hour of support provided and per occupied place, per day.

Calculation of Staffing Costs:


	<i>base salary</i>	<i>oncosts</i>	<i>total</i>
Direct service delivery	185,000	75,206	260,206
Service facilitation & co-ordination	18,421	2,548	20,969
Service management	-	-	-
Service administration	10,526	1,456	11,982
0	-	-	-
0	-	-	-
Call out hours	6,542	2,659	9,201
Volunteers	13,000		13,000
Ex gratia and other staff payments	1,000		1,000
Sleepover allowance		14,560	14,560
On call allowance		7,800	7,800
Total staffing and oncosts	234,489	104,229	338,718
Total delivery outputs			
	<i>hours</i>		5,147
	<i>occupied place/days</i>		1,456
Staffing cost per output unit			
	<i>per hour</i>	\$ 45.56	\$ 65.81
	<i>per occupied place/day</i>	\$ 161.05	\$ 232.64

Expenses – Freeform or Standard Chart of Accounts

You may choose to enter your expenses using either a freeform template, or the Standard Chart of Accounts (SCOA).

If you choose to use the freeform template for entering your expenses, you must enter “Y” in the appropriate field on the Freeform template.

PLEASE NOTE: If you are not using a mark-up factor for organisational costs, you must include these expenses in the “Total Cost” column.



Unit Costing Tool for Place Based Outputs
Expenses - Freeform Input

Page 4a

Service Name: Youth Accommodation Service

This is the "freeform" version for expense entry - if you wish to use it, please enter "Y" Y

Use this schedule if you do not use the standard chart of accounts.

Discretionary costs need to be identified and eliminated from the calculation of the hourly rate. Any component of cost that meets the "organisational" cost criteria (refer to separate notes) needs to be eliminated if you have opted to use a mark up factor on p2.

If you have not opted to use the mark up factor, you will need to include organisational costs as either occupancy or service delivery as appropriate.

Please use Page 4b if you have adopted the Queensland Standard Chart of Accounts for your financials.

Direct service and occupancy costs

Cost category	Total cost/(credit)	Discretionary or non-applicable costs (excluded)	Organisational costs (replaced by mark up)	Occupancy costs	Service Delivery (residual)
Base salaries					234,489
Salary oncosts					81,869
Other salary allowances					22,260

These staffing costs are brought forward from page 3

Expense Categories

The Unit Costing Tool is underpinned by three expense categories – Service Delivery, Occupancy and Organisational Costs.

Most of your service delivery costs will be related to salaries and on costs, which are entered in the first part of the tool. In the expenses component, you will be prompted to enter your non-staffing service delivery costs, and your occupancy costs. Detailed definitions of these terms are provided in the tool’s glossary.

The following table will help you determine which costs apply to a particular category. A good rule of thumb for determining your organisational costs is that they are generally the costs your organisation would incur even if you did not run a particular program. For example, you would still require a Co-ordinator, payroll, phone systems, HR management, financial auditing etc.

Service Delivery	Occupancy	Organisational
<ul style="list-style-type: none"> • Salaries, oncosts and allowances of service delivery, coordination, supervisory and advisory staff <i>(excluding snr management)</i> • Service operating expenses (consumables, travel, phone) • Occupational health and safety • Quality management 	<ul style="list-style-type: none"> • Rental (or market equivalent rental for owned premises) • Utilities • Cleaning • Furniture and Equipment • Insurance • Household or related consumables • Depreciation • Building repair and maintenance and cost of capital (if a market equivalent rent is not charged for owned premises) 	<ul style="list-style-type: none"> • General management • Governance • Finance • Procurement • IT • HR management • Payroll <p style="text-align: center;"><i>Applied to direct service and occupancy costs at an agreed benchmark rate.</i></p>

Your Unit Cost

Once you have entered your expenses the tool will calculate your unit cost.

Based on the information you have entered, this will represent roughly the full-cost of delivering your service, and will indicate what proportion of this cost is met by your organisation.

The tool will provide you with information and things to consider so you can interpret your unit cost. You can access this information by clicking “Interpreting Your Unit Cost” at the bottom of the page.

Calculating the components of “full cost” of service

Service delivery	\$/year	373,718	\$ 72.61	\$/hr
Occupancy	\$/year	26,000	\$ 5.05	\$/hr
Organisational and property cost rate	%	15.0%		
Organisational costs	\$/year	59,958	\$ 11.65	\$/hr
Total cost	\$/year	459,676	\$ 89.31	\$/hr
- consisting of:				
Service delivery	\$/year	429,776	\$ 83.50	\$/hr
Occupancy	\$/year	29,900	\$ 5.81	\$/hr

the hourly rates represent
the full cost of service
delivery per hour

Calculating the “full cost” hourly rate per service hour and cost per output

Full cost per place/day	\$/place/day	\$ 315.71	\$ 115,234.69	p.a.
Full cost per service hour -	\$/hour	\$ 89.31		
Client contribution per output	\$/place/day	\$ 10.00	\$ 3,650.00	p.a.
Net cost/price per output (attributable to funder)	\$/place/day	\$ 305.71	\$ 111,584.69	p.a.

Calculating outputs purchased by funding agency and funded by provider

Outputs purchased by funding agency	No. of places	1,145	78.6%
Outputs funded by service provider	No. of places	311	21.4%
Service provider’s funding - total	\$	\$95,116	20.7%
- per output	\$/place/day	\$65.33	

[INTERPRETING YOUR UNIT COST](#)

More Information

For more information on the Unit Costing Tool please visit:

www.communitydoor.org.au/unit-costing-tool

You can also contact the Sector Strategy and Service Development team at QCROSS on (07) 3004 6900.