Every organisation is faced with having to operate within its resources. The identification, magnitude and behaviour of ALL costs within an organisation is essential in effectively preparing annual service and corporate budgets, assessing impacts and benefits of options for planned service changes and reporting against financial accountability standards (cost-benefit analyses). This workshop examines the various approaches to determining total costs of a service, how to assign a price (different from a cost) of a service, and the different ways of forecasting and budgeting total costs to maximise achievement of corporate and service objectives and plans.

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1. Identifying and categorising costs

1.1 Definition of costs

“Cost” is the value of every resource (e.g. money, time, labour energy, commitment, confidence etc.) that is exchanged or sacrificed in transactions undertaken towards achievement of organisational goals. The “full/true cost” of any organisation, service, program or activity/task is the total value of ALL resource inputs exchanged or sacrificed to achieve desired outputs.

Some resource inputs are relatively easy to value in calculating the “full/true cost” – e.g. periodic rental value of building space required for our organisation’s services is determined generally by market forces as being the amount of lease rentals paid in money to an external landlord each period.

Some resource inputs are more challenging to value – e.g. if our organisation some years ago acquired that same building space by purchasing the building as a property investment from accumulated members’ funds, the periodic rental value of building space required for our organisation’s services requires a policy decision as to the assumptions and bases of valuing the periodic full/true cost of this resource input.

The true cost includes all costs – regardless of whether they are paid immediately, in the short term or at some future point in time (NDS Costing and Pricing Tool Manual ver. 1 April 2012).

Costs and costing involves detailed identification, categorisation, measurement and valuation of all resource inputs exchanged or sacrificed to achieve an organisational, service, program or activity outcome.

Once costs have been identified, they can be categorised in various ways, depending on the use of that input data.
Identifying full/true costs
Reflect on one activity in your organisation and prepare a list of all the input resources required to obtain a desired output from that activity.
1.2 Direct costs and Indirect/Overhead costs

Generally the first basis of categorising any cost is to determine whether it is an input that is directly attributable to conversion to an output. For example, input cost of staff labour hours involved in performing an in-home personal care service is directly attributable to the output client service hour achieved. These direct conversion costs are categorised as “direct costs”. Input costs which support, facilitate, enhance, or otherwise indirectly contribute to achievement of the client service hour (in this case we are using “client service hours” as the output measure) are categorised as “indirect costs” and sometimes called “overhead costs”.

It is for each organisation’s policy to specify which costs are to be categorised as direct input costs – and generally any cost not meeting that specification are, by default, categorised as indirect costs.

Quite apart from the organisation’s determination of what is and what is not a direct cost, funding agencies often have their own view of what are direct costs for the purposes of their funding agreements, for example, Attachment A. Services funded by Queensland Department of Communities must tender, contract, report to the agency etc. within the definitions mandated by that agency.

1.3 Fixed costs and Variable costs

All costs (whether they are direct or indirect costs) can be further categorised by their relationship to the volume of outputs. Costs which are incurred irrespective of change in volume of outputs is called “fixed costs” as they are incurred even if the organisation achieves no outputs. Costs which vary/increase as more and more outputs are achieved are called “variable costs”. For example, vehicle registration costs would generally be fixed costs as they are incurred irrespective of whether each vehicle travels 10,000kms in a year or, in the extreme, never leaves the car-park. On the other hand, petrol/maintenance costs for those vehicles would generally be variable costs as the costs increased due solely to the use of the vehicle for service purposes.

In some cases, a cost cannot be categorised solely as fixed or variable – and is termed a “semi-variable” cost. For example, the petrol/maintenance costs previously exampled would include a small proportion of fixed cost necessary to keep the vehicle operational even if the vehicle never left the carpark, with the majority of the cost being variable cost.
Identifying fixed and variable costs
Reflect on the expenses part of your organisation’s Standard Chart of Accounts and identify those costs which may be categorised as Fixed or Variable costs.
1.4 Life-cycle costs

Costs can also be categorised by whether or not a cost arises from the cumulative short, medium and long-term whole-of-life costs of an organisational asset. Life Cycle Costing is a process to determine the sum of all the costs associated with an asset or part thereof, including acquisition, installation, operation, maintenance, refurbishment and disposal costs (NSW Treasury “Life Cycle Costing Guideline”).

Recall the example earlier in this workbook “If our organisation some years ago acquired that same building space by purchasing the building as a property investment from accumulated members’ funds, the periodic rental value of building space required for our organisation’s services requires a policy decision as to the assumptions and bases of valuing the periodic full/true cost of this resource input.”. An organisation’s policy decision may be to apply a life-cycle cost to the periodic use of the building calculated by reference to the whole-of-life total costs of the building over its entire life-cycle of acquisition, installation/modification, operation, maintenance, refurbishment and disposal costs.

Whilst this is relatively easier to conceptualise in relation to physical assets, the principle also applies to other less tangible resources, for example intellectual property rights.

1.5 Capital costs

An important categorisation of costs is whether the input resource is to be fully consumed/applied within one period (usually a year = “operating costs” such as rent, electricity, vehicle maintenance usually referred to as “expenses”) or to be invested/applied over several periods such as land, buildings, vehicles, plant and equipment (“capital costs” usually referred to as “assets”). Assets that diminish in value due to use over their life-cycle are usually subject to an internal charge called “depreciation” expense (based on an estimate – usually ATO guidelines) in the organisation’s financial statements for the use of that asset in each particular period. The offset is termed the “Provision for Depreciation – (Asset name)” which reflects the accumulated amounts expensed in the financial statements that diminishes the book value pending any ultimate disposal of the asset.

1.6 Shadow/Imputed costs

Some full/true costs are not reflected in the exchange of money – but, nevertheless, reflect a contribution to the full/true cost incurred by the organisation. For example, in the Productivity Commission graphic previously in this workbook the input resource “Volunteers time” is exampled. Assuming that this in-kind contribution of volunteered labour hours was utilised in direct service activities obliged by statutory or contractual mandates, then these volunteer resource inputs have been part of the full/true cost of achieving the outputs of the organisation. The rationale being, of course, that if the volunteer had not undertaken the work “for free”, then the organisation would have incurred a monetary cost for the same amount of time resource input.

For example – the law mandates certain Board positions/activities to be undertaken – and these are usually done by voluntary board members of President, Secretary and Treasurer. In determining the full/true cost of corporate governance the value of this statutory compliance should be taken into account. This cost can be imputed.

A Queensland Department of Communities 2008 report (“The Economic Value of Volunteering in Queensland”) p. 17 imputes the value of these costs:
For our purposes, the shadow/imputed average labour cost of a “Publicly Oriented Welfare” volunteer hour from this table is $24.92 per hour (calculation = $451m divided by 18.1m annual volunteer hours).

1.7 Costing concepts: cost drivers, cost behaviours; standard costs; on-costs, costs-of-capital

Cost drivers
Cost drivers are activities that are the root cause of why a cost occurs. For example, the cost driver of motor vehicle costs for providing in-home community services would include, direct client service hours, the number of service call-backs/reschedules, drivers’ operating habits. In practical terms, it is important to identify and categorise the cost drivers of many costs in order to apportion/allocate that cost over several service activities or cost centres.

Cost behaviours
The causal relationship between volume of activities and costs has already been encountered by you when we discussed fixed and variable costs. There are other behaviours of cost that arise – including whether the movement in costs rises in direct proportion to the rise in activity volume (linear relationship) or whether there is a non-linear relationship.

For example, if the cost of a vehicle is $10,000 irrespective of how many vehicles we buy, the relationship between volume (number of cars) and cost is directly proportional. However, it is far more likely that the more vehicles we purchase at one time the less we will pay, e.g. 2-5 vehicles discounted by 5%; 5-10 vehicles discounted by 15%; over 10 vehicles. In other words, average costs reduce as volume increases.
**Standard costs**

In some organisations, costs are standardised to a predetermined technical estimate of direct and indirect inputs for an output for a set period of time and for a prescribed set of working/efficiency conditions and assumptions. In other words, a standard cost is a planned cost for a unit of output. This predetermined standard cost is used as the basis of monitoring actual costs against standard costs to determine and take any actions on variances.

**On-costs**

Typically related to wages and salaries costs, the gross amount alone is not reflective of the full/true cost of labour inputs. Additional labour-related costs incurred by the organisation must be taken into account – including superannuation, workers’ compensation insurance, annual leave, long service leave and any award based payments such as shift allowance and/or penalty allowances are referred to as “on-costs”.

**Costs-of-capital**

(The following note is extracted from QCOSS “Unit Costing Tool – Notes on Cost of Capital)

One of the objectives of recognising “full cost” is the financial sustainability of the service provider organisations. One aspect of financial sustainability is to ensure that the organisation’s capital resource base is maintained and not depleted.

The cost of capital refers to the opportunity cost of an investment made by an organisation, relating to the rate of return that the organisation could have earned at the same risk level as the investment that has been selected. For example, where an organisation invests its funds into property to deliver services from, the opportunity cost would be quantified in terms of the return that could have been earned elsewhere, such as bank term deposits.

Consequently, it may be argued that a reasonable equivalent for cost of capital should be the opportunity cost of risk-free investments such as bank guaranteed term deposits or government bonds (currently around 5 to 6%). Having determined an appropriate rate, it should be applied to the organisation’s investment in service delivery facilities, preferably expressed in terms of replacement cost.
2. Assigning and apportioning costs

2.1 Cost centres and Activity Based Costing (ABC)

Cost centres are the most practical segments of activity or areas of responsibility for which detailed costs are accumulated or ascertained (sometimes called “job cost centres”). Accurate cost information down to this detailed level may provide a competitive advantage. Because most of our NFP organisations comprise quite different services, programs and clients, there is a competitive advantage if the full/total costs (and revenues) of each and every service, program, or client (these are called “cost objects”) can be tracked efficiently and effectively.

ABC is a costing approach that allocates all direct and apportioned indirect resource costs to cost objects based on activities performed for each cost object. ABC recognizes the causal or direct relationships between resource costs, cost drivers, activities, and cost objects in assigning costs to activities and then to cost objects.

The practicality of efficiently and effectively depends on each organisation’s needs and systems. For example, the organisation’s policies, procedures, operations and systems (particularly the accounting system) and needs to be able to effectively and efficiently code costs not only to their General Ledger account code (e.g. 6-0210 Client support consumables) but also to the particular service, program and client cost code (e.g. cost code 612 Chris Brown). In most accounting software packages this depends generally on a comprehensive Chart of Accounts and Cost Centre codes.

The main challenges in implementing and operating an ABC system include the costs (money, time etc.) of:

- Design, implementation, QA monitoring and development of the ABC system itself
- Initial and on-going staff training to ensure the integrity and full use of the system
- Extensive staff time required to identify, allocate, apportion (as required), code and data entry all costs.

2.2 Assigning direct costs to Services/Programs cost centres

Direct costs are generally the easiest to assign to cost centres – as purchases of goods and services (particularly direct service labour full-time, part-time, casual or sub-contract) can relatively easily be assigned to the particular cost centre program/service/client. In terms of efficiency, purchasing policy, procedures and systems must require the assignment of a cost code at the point of initially approving and ordering products and services. This makes it easier for the later matching of suppliers’ invoices with purchase orders and data entry of the relevant cost centre code. In cases where a single purchase transaction is for several cost centre codes, the data entry will involve several lines of data input to cover the number of separate cost centre transactions in the one purchase transaction.
2.3 Bases of equitably apportioning indirect costs

Where an indirect cost transaction is to be apportioned over several cost centre programs/services/clients, efficiency is largely a matter of having a predetermined (and agreed) basis of apportioning that cost fairly/equitably over the various cost centres.

Equitably means your organisation must:
- Decide on an approved method for apportioning shared indirect costs
- Apply the method/s you choose consistently
- Document the issues/considerations for the method/s you choose
- Periodically critically review the relevance and reappraise the fairness of this method.

The main methods of apportioning indirect costs involve one (or more) of the following factors:
- Floor space occupied
- Annual revenues generated
- Number of staff or staff hours
- Number of client service hours.

One method may be used for one type of shared cost (e.g. office rent may be apportioned on floor space occupied basis) whereas another type of shared cost may use another basis of apportionment (e.g. accounting and audit fees apportioned on annual revenues generated).

There is no one “standard” method of apportioning – the uniqueness of each organisation’s environment and situation will guide what is the best practical method(s) to use.

Copies of all three Unit Costing Tools (software and user manual) is on the Workshop Resources CD accompanying this workbook.

The use of this software is not part of this workshop. However, for illustrative purposes during this workshop a copy of QCOSS Unit Costing Tool (Hours Based Outputs) User Manual extract is in ATTACHMENT C.

Exercise: Calculating true TOTAL cost Services/Programs

Using the example Do-It-Yourself Costing Tool, select an regular activity or service program of your organisation to list and then calculate the FULL or TRUE cost of service delivery.

<table>
<thead>
<tr>
<th>Program/Activity</th>
<th>Description</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key Inputs (what resources are required to deliver the activity?)</th>
<th>Direct Costs (what are the cost of key inputs?)</th>
<th>Overheads (what else do we need to do or have to ensure the activity occurs?)</th>
<th>Indirect Costs (what are the costs of these items?)</th>
<th>Shadow Costs (if a commercial business, what other items or resources would we have to pay for? Volunteer hours? Discounts? Free donations?)</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>
Exercise: Apportioning indirect costs to Services/Programs

<table>
<thead>
<tr>
<th>Cost Centre</th>
<th>No. staff</th>
<th>% floor space</th>
<th>Annual revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program #1</td>
<td>4</td>
<td>10%</td>
<td>$100,000</td>
</tr>
<tr>
<td>Program #2</td>
<td>10</td>
<td>60%</td>
<td>$250,000</td>
</tr>
<tr>
<td>Corporate Services</td>
<td>6</td>
<td>30%</td>
<td>$50,000</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100%</td>
<td>$400,000</td>
</tr>
</tbody>
</table>

What fair/equitable amount of money would you recommend be apportioned to each cost centre for the payment of the month’s office rent of $5,000?

2.4 Benchmarking your Unit Costs

Your organisation’s Unit Costs for a service output can be compared/benchmarked with other comparative organisation’s Unit Costs. However, interpreting any differences may require understanding the assumptions and service decisions that underpin what/where/how/when services are delivered.

From time to time some State and Federal agencies report Unit Costs data, for example HACC 2008-09:

![Fig B: Unit cost for key service types, by state and territory, 2008-2009](image-url)
Also for example only, NSW HACC conducted a Unit Cost Benchmarking Study in 2005 that obtained and checked unit cost data for 294 services provided by 133 NSW organisations – results showed a significant range of Unit Costs as follows:

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Lowest Unit Cost</th>
<th>Highest Unit Cost</th>
<th>Unit of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Domestic Assistance</td>
<td>$24.45</td>
<td>$59.41</td>
<td>Hours of Service</td>
</tr>
<tr>
<td>2. Allied Health</td>
<td>$54.65</td>
<td>$82.48</td>
<td>Hours of Service</td>
</tr>
<tr>
<td>3. Nursing Care</td>
<td>$43.31</td>
<td>$78.74</td>
<td>Hours of Service</td>
</tr>
<tr>
<td>4. Home Maintenance</td>
<td>$24.69</td>
<td>$75.86</td>
<td>Hours of Service</td>
</tr>
<tr>
<td>5. Respite</td>
<td>$8.51</td>
<td>$55.81</td>
<td>Hours of Service</td>
</tr>
<tr>
<td>6. Personal Care</td>
<td>$24.80</td>
<td>$50.80</td>
<td>Hours of Service</td>
</tr>
<tr>
<td>7. Centre Based Day Care</td>
<td>$1.79</td>
<td>$34.86</td>
<td>Hours of Service</td>
</tr>
<tr>
<td>8. Transport</td>
<td>$3.54</td>
<td>$57.57</td>
<td>Hours of Service</td>
</tr>
<tr>
<td>9. Social Support</td>
<td>$2.95</td>
<td>$63.05</td>
<td>Hours of Service</td>
</tr>
<tr>
<td>10. Case Management</td>
<td>$30.89</td>
<td>$61.20</td>
<td>Hours of Service</td>
</tr>
<tr>
<td>11. Meals</td>
<td>$5.01</td>
<td>$13.65</td>
<td>Meal</td>
</tr>
<tr>
<td>12. Formal Linen Service</td>
<td>N/A</td>
<td>N/A</td>
<td>Collection</td>
</tr>
<tr>
<td>13. Home Modification</td>
<td>N/A</td>
<td>N/A</td>
<td>Cost</td>
</tr>
<tr>
<td>14. Other Food Services</td>
<td>N/A</td>
<td>N/A</td>
<td>Hours of Service</td>
</tr>
</tbody>
</table>
3. Forecasting Costs

3.1 Bases of forecasting future costs

There are many bases upon which future costs can be estimated/forecasted, including:

- Last Year Actual plus mark-up for specific cost increases and CPI
- Extrapolating historical cost trend
- Averaging Worst-Best cases from expert-group
- Risk-adjusted scenarios from expert-group.

Each method has its own strengths and weaknesses. By far the most common method is to take last year’s actual results and mark-up (or mark-down) for known and likely cost increases/decreases as well as likely change in price levels.

3.2 Cost-Volume relationship in forecasting

In forecasting costs, it is important to recall (from earlier in this workshop) that most costs behave in response to changes in volume (i.e. they are either variable or semi-variable in nature). In forecasting increases in cost, regard must be had also to assumptions of volume and whether discounts, rebates or price-reductions will improve with change in volume. Documenting these assumptions so as to make them transparent in arguing later for price movement is increasingly an important matter for management, funding agencies and regulatory agencies. For example in 2010 ACCC commissioned a research report “Review of Australia Post’s Volume and Input Cost Forecasts” as a contribution to its examination of market forces impacting on Australia Post’s pricing.

3.3 Risk-adjusted forecasting costs

One generally acceptable method of forecasting future costs is to assemble an “expert group” of stakeholders who are considered to be well-informed of the organisation’s historical and future business operations and changes/issues in its business environment and allow each “expert” to forecast their individual scenario of cost drivers and arrive at a “best guess” of a particular future cost. These individual best-guesses are weighted by the group’s estimate of probability of each guess being correct. By taking into account multiple perspectives of risk in estimating future cost, the resultant cost estimate is termed the “risk-adjusted” forecast.

Example

To forecast the forthcoming year’s motor vehicle running costs, an expert group comprising the CEO, Finance Officer, Operations Manager and Board member who has past experience in fleet management. The Operations Manager could report on the past and forecasted number of vehicles, average distance, scheduling, and other utilisation factors of the organisation’s vehicle fleet. The Finance Officer could report on the financial costs (direct and indirect) of the past and future planned need for vehicles. The Board member could report on potential cost-saving options such as leasing rather than purchasing new vehicles. Other expert group members would input any data from their particular expertise. Following the exchange of these data, clarifications and challenges to the data/issues, each person can be asked to give their “best guess” of the level of forecasted cost of motor vehicle running.
costs. These various best-guesses might vary considerably depending on the weight each person gives to each data element.

Assuming that the past year's motor vehicle running costs were $50,000 for 2 cars, and we plan to acquire an additional vehicle, and the number of client service trips and average distance travelled is expected to increase, and an aggressive cost-saving plan, each person's best guess can be anonymously collected and reported anonymously back to the group. The group then estimates a percentage estimate of probability that each best-guess may be “right” as follows:

<table>
<thead>
<tr>
<th>Person</th>
<th>Individual's Best-Guess</th>
<th>Group’s % estimate of probability that this best-guess may be “right”</th>
<th>Resultant contribution to risk-adjusted forecast cost value</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>$60,000</td>
<td>20%</td>
<td>$12,000</td>
</tr>
<tr>
<td>Finance Officer</td>
<td>$85,000</td>
<td>40%</td>
<td>$34,000</td>
</tr>
<tr>
<td>Operations Manager</td>
<td>$90,000</td>
<td>30%</td>
<td>$27,000</td>
</tr>
<tr>
<td>Board Member</td>
<td>$55,000</td>
<td>10%</td>
<td>$5,500</td>
</tr>
<tr>
<td>Total</td>
<td>Average=$73,000</td>
<td>100%</td>
<td>$78,500</td>
</tr>
</tbody>
</table>
4. pricing overview

4.1 Who determines/influences price for Services/Programs?

Price is very different from Cost. Organisations have the majority of influence in decisions determining their costs but have less influence in decisions determining the price clients (especially State and/or Federal funding agencies) are prepared to pay for a particular service outcome.

Funding agencies generally set a tight range of “standard” prices for service outcomes – the price dependent on many factors including service type, location, number of services, market forces especially competition between service providers, etc.. Generally funding agencies consider only direct costs (and even then only at predetermined levels) of a service output and avoid overhead costs.

With the emergence of preferred-supplier panels and competitive tendering, funding agencies are seeking to gain the “best value for money” for government expenditures.

Consider your organisation’s pricing of its services to governments. What is the relative influence you can exert over service pricing?

4.2 Examples of externally – determined pricing

Price setting to gain “best value for money” is a recognised feature of many State and Federal funding bodies, for example services performed by the medical profession funded by Medibank, allied health services performed by professionals funded by WorkCover. What supplier cost factors (if any) are taken into account by the funding agency when determining the price offered for a service output is a matter usually for little negotiation.

4.3 Productivity Commission: pricing services under NDIS

The Productivity Commission’s Inquiry Report 2011 “Disability Care and Support” that proposes a National Disability Insurance Scheme (NDIS) be established and comment that:

“…service providers and (the newly created) disability support organisations would need to adapt to a new way of thinking and supporting people with a disability. Block funding to service providers supplying individual supports would generally phase out. Providers would compete for custom, as people with a disability, or their agents, could ‘shop’ around for the service providers that best met their support needs, subject to the resources specified in people’s support packages. Providers would need to deal with competitive risks in the way most businesses do. The National Disability Insurance Agency would reimburse service providers or disability support organisations for those parts of a person’s support package that they supplied. The Agency would set prices for such reimbursement to ensure the long-run viability of efficient providers, which would include adequate returns for capital investments…”.

Later in that report (page 406) the role of the National Disability Insurance Agency is specified to include “…set prices payable to suppliers for provision of services of agreed quality on receipt of vouchers from consumers.”
4.4 Importance of critical-mass volume in pricing

Previously in this workshop we have identified that determining unit costs is related to assumptions of a certain level of volume. Similarly with setting prices, there needs to be consideration given to the expected volume of service outputs. Significant deviations from these expected volumes will affect pricing decisions.

For example, assume in an organisation the fixed costs are $50,000 then the price for just one unit of service output must be at least to break-even the full $50,000 plus the variable cost of one unit of output. As the volume of service outputs increases, the average cost becomes less and less as the fixed cost is spread over greater and greater volume of outputs – and this reflects in the output price required to merely break-even. The volume of services at a particular price required to achieve at least the break-even point (where total costs is equal to total revenues for that service output) is called the “critical-mass volume” in pricing.

4.5 Costing and Pricing policies

It is critical that all aspects of costing and pricing of services is managed within a framework of Board-approved policies that generally cover:

- The approved strategy and method of costing and pricing of services
- What level of “risk appetite” the organisation is to adopt (e.g. risk-seeking or risk-averse) in costing and pricing of service outputs
- What elements/factors must be included in determining the cost and price of a service output
- How the level of service output volumes is to be forecasted
- The basis and assumptions that can be taken into account when putting a value on each cost and price element
- Who is delegated to prepare estimates of service output costs and prices and who must critically review
- Who has access to and use of organisation’s costs and pricing data
- The structure of cost centres for collecting and reporting cost and price information
- Means of monitoring actual results against forecasted unit costs and service outputs and analysis of variances.
5. Pricing strategies: Assigning a price

5.1 Funding Agency contribution pricing

As outlined previously in this workshop, generally the price that funding agencies at present are prepared to pay does not meet the full cost of the particular service output. In many cases the price is merely a “contribution” (albeit a substantial contribution in most cases) and the organisation has to fund the residual “community co-contribution”.

The Productivity Commission’s 2010 report “Contribution of the Not-For-Profit Sector” found that “the majority of service providers did not think that government funding covered the full cost of providing services. In addition, several government agencies admitted to ‘making a contribution’ rather than fully funding services. The Commission estimated that the overall proportion of costs met by government funding for contracted services was around 70 per cent, while the level of fees and charges varied. In a survey of service providers, only 40 per cent reported that they mostly (34 per cent) or always (6 per cent) got sufficient funding to cover the services that government required them to deliver (Allen Consulting Group 2008, p. 9).

5.2 Cost-plus (mark-up on cost) pricing

In cases where the organisation can set its price, the most common method of pricing is Cost-plus pricing where the full cost of the service output is calculated and an extra amount (usually a percentage of cost) to produce a “surplus” (the word “profit” should be avoided where possible) contribution to the reserves of the organisation. Different percentages can apply for different service outputs. This cost-plus approach may produce a safety margin for risk of variances in estimated volumes. The advantage of Cost-plus pricing is that is relatively generally understood and accepted and is easy to apply.

5.3 Marginal cost pricing

Marginal cost pricing is usually applied once the original cost-price-volumes has been successfully achieved. Thereafter, the price of each additional unit of service output does not have to contribute to the same extent to fixed costs, and therefore can be priced somewhat lower.

5.4 Competitive/tender pricing

In most situations of government tendering, the price submitted to the government agency is based not only on considerations of the cost but also on the extent to which the organisation needs/wants to “win the contract”. Decisions about competitive pricing assume that your organisation can “sense” its competitors’ prices for that contract from market intelligence.

Sometimes an organisation, in appropriate situations, is prepared to competitively price its service outputs at cost at only slightly above cost in order to secure the contract on the basis that there are other tangible and non-tangible benefits that flow from securing the tendered contract. This is particularly so in situations where the organisation is the existing supplier of service outputs (and hence has already invested in infrastructure, staff, systems etc.) and is re-tendering.
5.5 Predatory/penetration pricing

In some cases, organisations price service outputs at below-cost in order to drive out existing competitors in the short-term or create a barrier to entry by new organisations and thus secure penetration or dominance of the particular “market” for that type of service output. Such organisations usually believe that secure penetration/dominance will enable them to later increase prices with little or no competition.

Exercise: Assigning a price for services/programs

Assuming that many organisations use a mixture of cost-plus and competitive pricing of service outputs to assign a price for tendered services, what are the merits and risks (if any) in adopting this approach? How might these risks be minimised?
6. Budgeting overview

6.1 Types of budgets: Operating; Capital; Cash Flow

Budgeting is:
- An ongoing systematic and rational process, in an uncertain and risk environment,
- by forecasting and quantifying,
- planned resources required (e.g. sources and amounts of money coming in, amounts of money for various expenses to be paid out, numbers of staff/hours etc.),
- over a time period (e.g. weekly, monthly, quarterly, yearly),
- to achieve time-phased strategic and operational goals and milestones,
- with stated assumptions and contingencies,
- as the basis of inclusive stakeholder communication and gaining agreement on resource usage,
- to as a means of monitoring and analysing actual resource usage against planned usage (variances) and
- to take any appropriate timely corrective action to achieve planned goals.

At the core of budgeting is stakeholder agreement on exactly how limited valuable resources are planned to be used to achieve strategic and operational plans. Increasingly, there is a need to think of budgeting as being more than just about financial resources (money and staff allocation) and think of the budgeting process being for other, less tangible, valuable resources such as time and commitment (emotion, energy, loyalty etc.).

The key documentary output of the financial budgeting process is the budget – and may consist of one or more documents including:
- Capital budget (e.g. acquisition, improvements and/or disposal of assets and liabilities)
- Operating budget (accrual or cash-based accounting of revenues and expenditures)
- Cash Flow budget (the sources, timing and amount of actual cash in/out the organisation).

Operating Budget

The Operating Budget (sometimes called the Income and Expenditure Budget or Revenue and Expenditure Budget) plans the various sources of non-capital money coming into (income, revenues) and out of the organisation (expenditure, expenses).

A cash based accounting system will budget on the basis of the time period in which the actual cash will come in or go out.

An accrual accounting system will budget on the basis of the time period in which we invoice funding agencies or people for contract amounts owing to our organisation by debtors (people who owe the organisation money) or in which debts/invoices are incurred with creditors (people to whom the organisation owes money). These budget time periods may be different from the time period in which the actual cash from the debtor or cash to the creditor is actually paid.
Cash flow budget

The cash flow budget plans the movement in/out of the organisation of cash. The cash flow budget (sometimes called the cash flow forecast) is an essential governance control for the Board to ensure that the organisation is always solvent. Solvency is the ability of the organisation to pay debts as and when those debts fall due and payable. A corporation may be “asset rich but cash poor” and be trading while insolvent.

Planning solvency through the Cash Flow Budget is a critical budget for the Board and Management of our organisation. Board Directors have a duty to prevent insolvent trading – organisation incurring a debt that it cannot pay as and when the debt is due and payable – the director knew or should have known that the company was insolvent – s. 588G Corporations Act 2001 (Cwth).

Sample Cash Flow Budget format (assumes previous examples were cash based accounting system):
Capital Budget

Capital budgets plan and manage the capital inputs/outputs. What is an item of capital expenditure and what is an item of non-capital expenditure is a matter for the organisation’s Board/Committee to specify in its financial policies (capitalisation value policy). Usually the determining factor is the initial total transaction cost of the item (e.g. machine, installation, training) above a policy-specified dollar value for that category of asset. Different dollar values may apply for different categories of assets (e.g. vehicles, office equipment, client servicing equipment, computer systems/upgrades, facilities fit-out or refurbishment).

Example of policy on capitalisation value: In XYZ organisation the policy is that communications equipment with an enduring useable-life and with a total transaction cost of over $5,000 (e.g. a new phone system $6,200) are treated as capital expenditures and end up being an asset depreciated over several accounting periods for the useable life of that asset – whereas items with a useable-life less than 12 months or below $5,000 (e.g. mobile phone $250) are treated as being non-capital and are “expensed” in the Income and Expenditure Statement for the one current accounting period.

Sample Capital Budget format:

<table>
<thead>
<tr>
<th>ASSET CODE</th>
<th>Actual</th>
<th>Actual</th>
<th>Item</th>
<th>Budget</th>
<th>OTHER</th>
<th>OTHER</th>
<th>OTHER</th>
<th>OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>5,000</td>
<td>5,000</td>
<td>Office equipment</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>2000</td>
<td>10,000</td>
<td>10,000</td>
<td>Uplift PC systems</td>
<td>$20,000</td>
<td>$20,000</td>
<td>$20,000</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>3000</td>
<td>5,000</td>
<td>5,000</td>
<td>Furniture and fittings</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>4000</td>
<td>2,000</td>
<td>2,000</td>
<td>Adjunct workstations</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>5000</td>
<td>7,000</td>
<td>7,000</td>
<td>Non capital equipment</td>
<td>$7,000</td>
<td>$7,000</td>
<td>$7,000</td>
<td>$7,000</td>
<td>$7,000</td>
</tr>
<tr>
<td>6000</td>
<td>10,000</td>
<td>10,000</td>
<td>Motor vehicles</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>7000</td>
<td>5,000</td>
<td>5,000</td>
<td>Non capital equipment</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>8000</td>
<td>3,000</td>
<td>3,000</td>
<td>Building works improvements</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$3,000</td>
</tr>
</tbody>
</table>
| 9000       | 1,000  | 1,000  |_PH are involved at different levels of input and at different times. All Board, management and key stakeholders should have input at relevant times and ways.

6.2 Budgeting process

1. Agree budget preparation process, procedure, timeframe and who will be involved at different levels of input and at different times. All Board, management and key stakeholders should have input at relevant times and ways.
2. Start with a copy of the organisation’s overall strategic and/or operational plans.
3. Extract the relevant specific goals for the particular department/division, team, project, program, staff work plan or individual client.
4. Identify and calculate a dollar value (or a range of possible values) on each source and timing of anticipated income.
5. Write a work plan that identifies ALL activities that need to be done to achieve the legal, contractual, service or administrative outcomes and fully and accountably earn the income.
6. Assign ALL resources (e.g. staff, facilities, equipment, supplies) and contributions to organisation overheads needed to implement the work plan.
7. Calculate a dollar value for all resources and contingencies as appropriate.
8. Prepare a written draft budget – with budget assumptions clearly stated.
9. Refine and adjust the draft budget to take account of feedback if appropriate.
10. Submit the final draft budget to the Board for consideration and approval.
11. Implement the budget monitoring process.
12. Monitor actual performance against approved budget – reporting positive and negative variations to budget.
13. If appropriate, change the budget, when Board-approved, to take account of changes in assumptions or actual performance.
6.3 Roles in budgeting process

**Role of the Board**

- The Board is legally responsible for ensuring that budgets meet legal requirements and the needs of the organisation. This generally involves:
  - Developing, approving and reviewing the organisation’s mission, goals, plans and activities for achieving its mission.
  - Driving a planned strategic program and service priorities to guide resource allocation decisions during the budget process.
  - Establishing general budget policies, guidelines, calendar and formats/process. Budget policies might include a requirement for a balanced budget; use of reserves; capital projects and target return on investment (ROI); employment conditions and salary and remuneration; expanding/restructuring/ceasing services; costing and pricing; role of fundraising.
  - Taking an early and active role in contributing to the formulation of budget options and trade-off decision-making recommendations by management team. This helps management evaluate current programs, assess needs for new programs/services, and develop long-range financial forecasts and operating plans for Board consideration and approval.
  - Formally approving the organisation’s operating, capital and cash-flow budgets.
  - Regularly reviewing management reports on budget implementation and approving any needed corrective action.
  - Championing budget information sessions for clients, staff and other stakeholders as appropriate.

**Role of the CEO and management team**

The CEO and management team are generally responsible for:

- Advising the Board on all matters of budget formulation, adoption, implementation and monitoring.
- Preparing forecasts, scenarios, options and recommendations to guide budget development.
- Preparing draft service budgets and resource allocation decisions.
- Ensuring that Board-approved budgeting policies, guidelines, calendar and formats/process for followed.
- Presenting the recommended organisation budget to the board, explaining its provisions and possible consequences.
- Once the budget has been approved, implement the budget by communicating the approved budget to all staff (as appropriate) so they clearly understand it and its role in directing their service and workplans; conducting regular financial monitoring to compare actual results with those budgeted; and reviewing budget variations and taking corrective action.
7. Operational budgeting services/programs

7.1 Budgeting Revenues, Expenses and Surplus/Deficit

Previously in this workbook is an example of an operational budget – see XYZ’s Income and Expenditure Budget for year ending 30 June 20X5 year.

The formulation of this budget should, as much as possible, be initially developed from grass-roots (bottom-up) client service plans and cost-centre plans for the forthcoming year. However, organisation-wide priorities and resource-allocation decisions (top-down) will also substantially mediate or moderate the formulation of the operating budget.

Budgeting revenues is usually a process of:

• Empowering the staff/other persons best informed and responsible for researching and estimating future income and any likely changes in income.

• Review the prior year’s budgeting of revenues – identify strengths, weaknesses and lessons learned from previous budgeting efforts in prior periods.

• Research and review the present and future level of demand (met and unmet) for present and potential services by your organisation.

• Research and review the maximum and optimum levels of service capacity given the organisation’s resource constraints.

• Research and review all State, Federal and private sector funding sources’ funding guidelines for the forthcoming period and model the impact on actual and potential revenue service agreements for changes in funding dollars, service priorities, timing of payments or other funding conditions.

• Research, brainstorm and agree on most likely volume/percentage of change in existing income for program – i.e. percentage increase; no change; percentage decrease, or any combination of these.

• Agree on a “best guess” estimate of likely revenue for the forthcoming budget period. Previously in this workshop we have considered using the risk-adjusted forecasting method of using an “expert group” to help make an actual dollar value budget amount decision.

Budgeting expenses and surplus/deficits follows a similar process.
7.2 Break-even analysis

This forecasting and budgeting tool will be explored in this workshop. The purpose of making simplistic assumptions (e.g. linear revenue stream) is to reduce the component factors to simple relationships and explore “what if?” options.
Example

If the $476,500 total income was for a service agreement for 15,000 service output hours, we can make simplistic calculation of number of service output hours to merely “break-even” as follows:

Step 1:
Revenue per service hour = $476,500 divided by 15,000 hours = $31.76/hour revenue.

Step 2:
Average variable cost per service hour = $179,600 divided by 15,000 hours = $11.97/hour variable cost.

Step 3:
Calculate break even service output hours = Fixed costs divided by ($31.76 minus $11.97) = $196,300 divided by $19.80 = 9,914 service output hours to break even.

We can check this as follows: at 9,914 service output hours the result would be:
Revenue received at break-even point = ($31.76 x 9,914) = $314,868
Fixed costs could be paid = ($314,868-196,300) = $118,568 remaining from revenue
Variable costs of 9,914 service output hours at $11.97 = $118,670.
7.3 Margin of Safety: sensitivity analysis

Example Actual 20x3 year

<table>
<thead>
<tr>
<th>XYZ ORGANISATION</th>
<th>SENSITIVITY ANALYSIS 20X3 NET SURPLUS/INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL REVENUE @ 100% of $ 370,100</td>
<td></td>
</tr>
<tr>
<td>70%</td>
<td>70%</td>
</tr>
<tr>
<td>$137,200</td>
<td>$137,200</td>
</tr>
<tr>
<td>$32,520</td>
<td>$32,520</td>
</tr>
<tr>
<td>$89,740</td>
<td>$89,740</td>
</tr>
<tr>
<td>$185,290</td>
<td>$185,290</td>
</tr>
<tr>
<td>$124,780</td>
<td>$124,780</td>
</tr>
<tr>
<td>$143,250</td>
<td>$143,250</td>
</tr>
<tr>
<td>$217,315</td>
<td>$217,315</td>
</tr>
<tr>
<td>$236,850</td>
<td>$236,850</td>
</tr>
</tbody>
</table>

Example Actual 20x4 year

<table>
<thead>
<tr>
<th>XYZ ORGANISATION</th>
<th>SENSITIVITY ANALYSIS 20X4 NET SURPLUS/INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL REVENUE @ 100% of $ 456,380</td>
<td></td>
</tr>
<tr>
<td>70%</td>
<td>70%</td>
</tr>
<tr>
<td>$96,781</td>
<td>$96,781</td>
</tr>
<tr>
<td>$60,606</td>
<td>$60,606</td>
</tr>
<tr>
<td>$52,919</td>
<td>$52,919</td>
</tr>
<tr>
<td>$96,781</td>
<td>$96,781</td>
</tr>
<tr>
<td>$200,514</td>
<td>$200,514</td>
</tr>
<tr>
<td>$225,125</td>
<td>$225,125</td>
</tr>
<tr>
<td>$271,971</td>
<td>$271,971</td>
</tr>
<tr>
<td>$297,790</td>
<td>$297,790</td>
</tr>
</tbody>
</table>

Example Budget 20x5 year

Contact CSA

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8. Reporting and monitoring results

8.1 Periodic actual v budget reporting

In most organisations, the reporting of actual accounting results is handled by computer software (e.g. QuickBooks, MYOB etc.), which has the ability to report actual results of income and expenditure against approved budget to cost centres, such as:

- Departments/Divisions
- Teams, Projects or Programs
- Individual clients

This requires careful analysis of specific needs and a full understanding of the accounting software used – complemented if necessary by integrated analysis/reporting software such as Calxa, Excel etc..

Sample actual v budget accounting reporting:

<table>
<thead>
<tr>
<th>XYZ ORGANISATION</th>
<th>INCOME AND EXPENDITURE STATEMENT (extract only) FOR SIX MONTHS ENDING 31 December 20x5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual YTD 20x3</td>
<td>Actual YTD 20x4</td>
</tr>
<tr>
<td>Account</td>
<td>Actual This Half Year 20x5</td>
</tr>
<tr>
<td>INCOME:</td>
<td></td>
</tr>
<tr>
<td>Total Income</td>
<td>$370,100</td>
</tr>
<tr>
<td>EXPENDITURES:</td>
<td></td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>$280,000</td>
</tr>
</tbody>
</table>

8.2 Analysing variances

The process of identifying, explaining and responding to variances is only worthwhile and meaningful if the budget is realistic throughout the budget period (e.g. quarter, half-year, year). This emphasises the value of flexible budgeting (the budget is periodically reviewed to take account of changes in conditions or assumptions and changes approved to the budget) rather than fixed budgeting where the budget is approved once and remains unchanged during the budget period ignoring all changes in conditions or assumptions.

Variance can either be favourable or unfavourable – and can arise due to one or more factors including:

- Errors in coding of data input to the accounting software (e.g. wrong chart of account number)
- Budget has not been revised for known significant changes in assumptions/conditions.
- Delays in the receipt of revenues due to funders’ administrative processes
- Changes in volume, timing or composition of funders’ service agreement outputs
- Expected sources of income do not actually materialise wholly or in part
- Costs are higher than anticipated at the time of budget approval for a number of reasons
- Changes in timing or composition of costs
9 Costing, pricing and budgeting future challenges

9.1 Methodology for valuation of volunteers' in-kind direct services labour costs

Previously in this workshop we have examined the in-kind contribution of volunteers direct labour service hours obliged by statutory or contractual mandates. These volunteer resource inputs are part of the full/true cost of achieving the outputs of the organisation. We examined the issue of imputing a cost for this in-kind direct services labour input and we used the example of certain Board positions/activities being undertaken as regulatory-required cost of corporate governance. If organisations were to seek to recognise this contribution in the internal management accounts and reports then a methodology of imputing a cost is needed. We have discussed previously that the Queensland Government’s Department of Communities report values volunteer labour hours in our “welfare” sector at about $25 per hour.

The Canadian Centre for Philanthropy has developed a comprehensive set of eight tools for financial recognition and reporting of the economic value of volunteer activity – a copy is included on your Workshop CD resources.

These in-kind costs can then be recognised and reported in the organisation’s internal management budgets, financial statements and annual reports as being volunteers’ in-kind community co-contributions. To recognise these inkind costs, it is important that an identical “offset” of revenue be recognised and reported in the budgets, financial statements and annual reports as follows (Canadian report p. 3):

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Sample Financial Statement #1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td></td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td></td>
</tr>
<tr>
<td>Total full-time salaries</td>
<td>$48,000</td>
</tr>
<tr>
<td>Total Part-time salaries</td>
<td>$27,000</td>
</tr>
<tr>
<td>Total volunteer time*</td>
<td>$50,687</td>
</tr>
<tr>
<td>*Volunteer value has been calculated using the True Value Added to Personnel (TVAP)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Sample Financial Statement #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td></td>
</tr>
<tr>
<td>Fees and Charges</td>
<td>$107,000</td>
</tr>
<tr>
<td>Government Sector Payment</td>
<td>$580,250</td>
</tr>
<tr>
<td>Grants and Donations</td>
<td></td>
</tr>
<tr>
<td>Individual donations</td>
<td>$56,000</td>
</tr>
<tr>
<td>Donated time*</td>
<td>$50,687</td>
</tr>
<tr>
<td>Private foundation grants</td>
<td>$125,562</td>
</tr>
<tr>
<td>*We have included in-kind donations by volunteers, calculated as True Value Added to Personnel (TVAP)</td>
<td></td>
</tr>
</tbody>
</table>
The Canadian report (p. 17) gives a worked example of the costing of this approach:

<table>
<thead>
<tr>
<th>#</th>
<th>Volunteer Position</th>
<th>Standard Occupational Classification (SOC)</th>
<th>Total number of volunteers hours in the past year</th>
<th>SOC average hourly wage rate assigned to this job in</th>
<th>Total volunteer hours x SOC average hourly wage rate</th>
<th>Standard benefits 15%</th>
<th>TVAP= EVVA + Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Board and/or committee member</td>
<td>Management occupations</td>
<td>512</td>
<td>$27.00</td>
<td>$13,824</td>
<td>$2,074</td>
<td>$15,896</td>
</tr>
<tr>
<td>2</td>
<td>Display</td>
<td>Professional occupations in public relations and communications</td>
<td>126</td>
<td>$22.00</td>
<td>$2,772</td>
<td>$416</td>
<td>$3,188</td>
</tr>
<tr>
<td>3</td>
<td>Resource centre</td>
<td>Library clerks</td>
<td>96</td>
<td>$14.00</td>
<td>$1,344</td>
<td>$202</td>
<td>$1,546</td>
</tr>
<tr>
<td>4</td>
<td>Administration</td>
<td>General Office Clerks</td>
<td>1,032</td>
<td>$15.00</td>
<td>$15,480</td>
<td>$2,322</td>
<td>$17,802</td>
</tr>
<tr>
<td>5</td>
<td>Registrar</td>
<td>Secretaries (except legal and medical)</td>
<td>140</td>
<td>$14.00</td>
<td>$1,960</td>
<td>$294</td>
<td>$2,254</td>
</tr>
<tr>
<td>6</td>
<td>Fundraising</td>
<td>General minimum wage (in Ontario)</td>
<td>1,830</td>
<td>$12,535</td>
<td>$1,880</td>
<td>$14,415</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Board and/or committee member</td>
<td>Other administrative services managers</td>
<td>259</td>
<td>$28.00</td>
<td>$7,252</td>
<td>$1,088</td>
<td>$8,340</td>
</tr>
<tr>
<td>8</td>
<td>Chair human resource committee</td>
<td>Administrative services managers</td>
<td>45</td>
<td>$31.00</td>
<td>$1,395</td>
<td>$209</td>
<td>$1,604</td>
</tr>
<tr>
<td>9</td>
<td>Treasurer</td>
<td>Financial managers</td>
<td>40</td>
<td>$32.00</td>
<td>$1,280</td>
<td>$192</td>
<td>$1,472</td>
</tr>
<tr>
<td>10</td>
<td>Newsletter volunteers</td>
<td>Couriers, messengers and door-to-door distributors</td>
<td>150</td>
<td>$14.00</td>
<td>$2,100</td>
<td>$315</td>
<td>$2,415</td>
</tr>
<tr>
<td>11</td>
<td>Speakers bureau volunteers</td>
<td>Other instructors</td>
<td>432</td>
<td>$16.00</td>
<td>$6,912</td>
<td>$1,037</td>
<td>$7,949</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4,662</td>
<td>$66,584</td>
<td>$10,029</td>
<td>$76,883</td>
<td></td>
</tr>
</tbody>
</table>
9.2 Community co-contribution recognition in financial statements

At the present time, most organisations do NOT report volunteers’ in-kind direct services labour contributions. To do so requires your organisation’s Board, management, auditors and stakeholders to agree that this will be done (usually by subsidiary note to the accounts referenced to “Wages and Salaries Paid”).

Your organisation’s formal financial statements for external and statutory reporting do not at present include the value of volunteers in-kind direct labour services contributions. However, change is on the way – for example the establishment of an Australian Charities and Not-For-Profit Commission and pressure from within the accounting profession itself.

The Minutes of the September 2011 meeting of the Australian Government’s Australian Accounting Standards Board (comprising mostly non-government persons) contains the following minute:

“Recognition and Disclosure of Contributed Services

The Board considered the issues paper on the recognition and disclosure of ‘contributed services’ (donated services) received by not-for-profit entities (NFPs). After considering the submissions received on this topic in response to ED 180 Income from Non-exchange Transactions (Taxes and Transfers), the Board:

(a) decided all NFPs (whether in the private or public sector) should:
   (i) be required to make disclosures about the nature and significance of donated services received, whether recognised or unrecognised; and
   (ii) in principle, be required to recognise donated services received at fair value, when fair value can be measured reliably;
(b) acknowledged that applying the recognition principle in (a)(ii) above would give rise to cost/benefit issues, particularly for smaller NFPs, that need further consideration…“
Corporate Synergies Australia provides a range of tailored training workshops specifically designed for the emerging needs of Australian NGO’s. All topics are tailored to the specific goals and objectives of our client’s organisation, industry and funding structures and can be held privately or in conjunction with nominated businesses.

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- Succession Planning for NFP Boards
- Financial Literacy for NFP Directors

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- Financial Viability & Sustainability

**Strategy**
- DIY Strategic Planning
- Workshopping External Influences on Strategic Planning
- Transitioning Strategic Plans to Action Plan
- Emerging Trends – Risk or Opportunity?

**Risk**
- Organisational Risk for NFP’s
- Working with Volunteers
- Best-Practice Risk Management Planning

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- Strategic Planning
- Financial Planning & Budgeting
- Risk Management
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- Marketing Strategy
- Organisational Identity and Brand Building

**INTERESTED IN FINDING OUT MORE?**

For further information contact Linda Hayes on 0411 303 635 or email info.csa@bigpond.com