

Unit Costing Tool Hourly 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 simply 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.

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Unit Costing Tool for Hourly Outputs
Clients and Staff page 2

Service Name:

Level and range of client support needs -

Service description

Output definitions -

Enter "Y" in this cell if you will be inputting client output hours

Service delivery assumptions (for one year):

Service agreements with funding agencies:	annual income	staff service delivery hours	client service output hours	ratio of client to staff hours
Qld Department of Communities	\$ 120,000		3,500	
Other - (enter details)				
Total income (excl. fundraising)	\$ 120,000			
Total outputs per year		3,088	3,500	1.13
Service operating hours per year			2,250	

Service delivery operating assumptions:

operating days per week	days	5.0
operating weeks per year	weeks	50.0
operating hours per day	hours	9.0

Staffing operating assumptions:

Comments

[GLOSSARY OF TERMS](#)

[GO TO STAFFING COSTS](#)

This entry is optional and may be an indicator of the client/staff ratio needed

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

If you have already negotiated your number of output hours, enter "Y"

PLEASE NOTE - do not include income from donations, special grants or fundraising - this is considered part of your co-contribution to service delivery
Based on your annual contract with Department of Communities (DoC)

Enter funding received from other agencies that may relate to additional client hours being provided or be shared funding contributing towards client hours in your DoC agreement

If clients contribute to the service or receive any special allowances (e.g. mobility, transport) that are paid to the service, enter these amounts here.

Reasonableness Check: Is this ratio reasonable? (A ratio greater than 1 indicates the proportion of staff time spent with more than one client simultaneously)

The number of days in a normal week in which client services are provided
 The number of weeks of service operates per year (taking account of public holidays)
 The number of hours per day that the service is open for clients to receive service (e.g. if a service operates between 9am and 6pm, the daily hours would be 9)

Introduction p1 | Clients and Staff p2 | Staffing Costs p3 | Expenses p4a (freeform) | Expenses p4b (SCoA) | Unit C |

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



Unit Costing Tool for Hourly Outputs
Clients and Staff

page 2

If you have already negotiated your hourly outputs with the Department enter 'Y' here

Enter your total income including any subsidies from the Department of Communities here

You may also enter income received from other significant agencies or client contributions here.
Do not include income from grants, donations and fundraising. This forms part of your organisational contribution.

Service Name:

Level and range of client support needs -

Service description:

Output definitions -

Service delivery assumptions (for one year):

	annual income	staff service delivery hours	client service output hours	ratio of client to staff hours
Service agreements with funding agencies:				
Old Department of Communities	\$ 120,000		3,500	
Other - (enter details)				
Client contributions & allowances				
Total income (excl. fundraising)	\$ 120,000			
Total outputs per year		3,088	3,500	1.13
Service operating hours per year			2,250	

Legend:

Enter "Y" in this cell if you will be inputting client output hours

If you have already negotiated your hourly outputs, enter the total here

If you have already negotiated your outputs, a ratio of client to staff hours will be calculated once you complete the 'Clients and Staff' section of the tool.

A ratio of '1' would reflect one-on-one work with clients. A higher ratio could reflect group work and a lower ration could reflect a two worker per one client model.

This figure represents the number of hours per year your service is open

Once you complete the 'Clients and Staff' section of the tool, the number of hours per year that your staff can provide service delivery will appear here.
This information will support you to negotiate your outputs.

Clients and Staff – Service Delivery Operating Assumptions

In this part of the tool you will enter the details your service operation details. Generally, services operate less than 52 weeks per year after taking into account public holidays and Christmas shutdown periods.

Service delivery operating assumptions:

operating days per week	days	5.0
operating weeks per year	weeks	50.0
operating hours per day	hours	9.0

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

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="1.0"/>
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="0.0"/>	<input type="text" value="0.0"/>
Personal	<input type="text" value="0.0"/>	<input type="text" value="0.0"/>
Administration	<input type="text" value="2%"/>	<input type="text" value="0.8"/>
Other - insert details (if needed insert additional lines):		
<input type="text" value="Team meetings"/>	<input type="text" value="3%"/>	<input type="text" value="1.1"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
Client service time	<input type="text" value="95%"/>	<input type="text" value="36.1"/>
Total	<input type="text" value="100%"/>	

Contact hours per year per FTE staff member hours

Enter the standard Full Time Equivalent (FTE) hours per week that 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:
 $(\text{No. hours per wk} / \text{Standard FTE hours per wk}) \times 100$

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

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

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	25.0	25.0	0.0

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 (enter description)

Xmas leave				Total
\$ 1,000				\$ 1,000

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

Recognition of in-kind support:

notional benefit - \$ per year

\$ 3,000

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

15%

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 and Oncost Rates

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

If penalty rates apply, use the table to determine the weighted average penalty rate by first entering the total weekly hours of service operation followed by the number of hours per week subject to varying penalty rates (as shown in the example).

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.

Staffing salary costs and oncosts:

Weighted average overtime penalty rate - based on service hours per week of:			applicable hours	paid hours
Evening Mon-Fri	15%	applied to	45.0	46.1
Saturday	150%	applied to	7.0	8.1
Sunday	200%	applied to		-
public holiday	150%	applied to		-
Gross penalty rate				2.3%
Net penalty rate (based on service delivery time)				2.2%

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.

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

You will then enter the relevant oncost rates.

Workers' compensation insurance	% of total pay	3.0%
Superannuation	% of total pay	9.0%
Annual Leave Loading		1.0%
Long service leave	% of staff eligible <input type="text" value="100%"/> weighted rate	1.7%
Oncost rate for co-ordination, management & admin activities		14.7%
Service delivery oncost rate		17.3%

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 direct service delivery.

Calculation of Staffing Costs:

		base salary	oncosts	total
Direct service delivery		53,289	9,242	62,531
Service facilitation & co-ordination staff		34,211	5,018	39,228
Service management		-	-	-
Service administration		-	-	-
		-	-	-
Volunteers		31,250		31,250
Ex gratia and other staff payments:		1,000		1,000
Total staffing and oncosts		119,750	14,259	134,009
Total delivery outputs				
	staff service hours			3,088
	client service hours			3,500
Staffing cost per output				
	\$ per staff service hour	\$ 38.78	\$ 4.62	\$ 43.39
	\$ per client service hour	\$ 34.21	\$ 4.07	\$ 38.29
Weighted average salary p.a. per paid FTE		\$ 48,043	\$ 7,741	\$ 55,784

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.

Service Name: **Community Support Services**

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

Y

Please 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 the mark up factor on p2 that is applied to Occupancy and Service Delivery Costs. 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					119,750
Salaries on costs					14,250

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 also 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 also provides 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.

Step 3. Calculating the components of "full cost" of service				\$/service hour	\$/client output hour
Service delivery	\$/year	145,009	\$ 46.96	\$ 41.43	
Occupancy	\$/year	6,000	\$ 1.94		
Organisational costs	\$/year	22,651	\$ 7.33	\$ 6.47	
Risk free cost of capital	\$/year	-	\$ -	\$ -	
Total cost	\$/year	173,660	\$ 56.23	\$ 49.62	
- consisting of:					
Service delivery	\$/year	166,760	\$ 54.00	\$ 47.65	
Occupancy	\$/year	6,900	\$ 2.23	\$ 1.97	

Step 4. Calculating the "full cost" hourly rate per service hour and cost per output

Full cost per output	\$/hour	\$ 56.23	\$ 49.62
Total revenues per output	\$/hour	\$ 38.86	\$ 34.29
Net cost/price per output (attributable to service provider)	\$/hour	\$17.38	\$15.33
	% of full cost	30.9%	-44.7%
consisting of:			
Net cost/price per output (attributable to volunteers)	\$/hour	\$10.12	This provides an indication of the proportion of total cost that is met by volunteer effort
	% of full cost	18.0%	
Net cost/price per output (cash outlay by service provider)	\$/hour	\$7.26	This is the cost per hour of service availability and the funding contributions
	% of full cost	12.9%	
Full cost per service operating hour - \$ per hour of service availability		\$ 77.18	
funded by: Subsidies & contributions		\$ 53.33	
Volunteer effort		\$ 13.89	
Service provider		\$ 9.96	

Step 5. Calculating outputs purchased by funding agencies and funded by provider

Full cost of total outputs	\$/year	173,660		
less - client allowances & contributions	\$/year	-		
= net cost to funding agency	\$/year	173,660	\$ 56.23	\$ 49.62
Number of outputs:				
			staff service hours	client hours
Purchased by DoC	hours		2,134 69.1%	2,419 69%
Purchased by other funding agencies	hours		- 0.0%	- 0%
Funded by service provider	hours		954 30.9%	1,081 31%

INTERPRETING YOUR UNIT COST

More Information

For more information and support tools for using 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.