



NSW Department of  
Community Services

# Costing Manual for Child and Family Services in NSW

## Version II

August 2007

**V**ersion II of DoCS' Costing Manual for Child and Family Services in NSW has now been released. As with Version I (2006), this second version presents the conceptual framework underpinning the Manual including costing principles, assumptions and methodologies, as well as providing updated indicative unit costs for Out-of-Home Care (OOHC) services and new costs for Supported Accommodation Assistance Program (SAAP) services and Children's Services (CS). The original indicative costs for the early intervention program - Brighter Futures (BF), adjusted for inflation, are also included.

The indicative costings provided in the Manual are based on data obtained from a range of organisations and a number of assumptions, as outlined in the individual estimates. It will be important for individual services to develop their own cost estimates using the tools and job aids provided to gain a better understanding of their own costs and cost drivers.

To facilitate the development of unit costs, the Costing Manual is supplemented by Excel-based costing model tools with job aids containing detailed instructions on using them.

### Why develop a Costing Manual?

To ensure the best value for money in service delivery, a sound understanding of cost structures, cost drivers and service costing is needed. In the past, the application of standardised costing principles, including unit costing, has been limited in child and family services.

To this end, in 2004, DoCS commenced a project to develop a Costing Manual for child and family services based on unit costing. A working group, chaired by the Deputy-Director General, Service System Development was established, comprising members from DoCS and the NGO sector. This is an ongoing project that will be continuously updated with new unit costs for a range of child and family services. It will take time, effort and commitment to establish good quality cost information that can be used to improve service delivery.

The Costing Manual is intended to be a useful reference for DoCS and NGOs when planning, developing and reviewing their services to children and families. It enables greater accuracy and consistency in costing, cost comparisons and cost management. Combined with an evaluation of service quality, costing information will help illustrate value for money and service provision efficiency.

### What is a unit cost?

A unit cost is the cost of providing one unit of a particular good or service. It is calculated by dividing the total cost of service delivery (inputs) by the level of activity (output). The units may be expressed in various ways including:

- No. of utilised service hours (eg. for CS)
- No. of care days (eg. for OOHC)
- No. of families serviced (eg. for BF)

### Methodology - Activity Based Costing (ABC)

The approach adopts a combination of the two ABC approaches to estimating unit costs: top-down and bottom-up costing. The top-down approach assembles all relevant expenditure and divides it by units of activity. The bottom-up approach identifies the different resources tied up in the delivery of the service and assigns a value to each. The sum of these values, linked appropriately to the unit of activity, is the unit cost of the service.

### Participation on future updates of the Costing Manual!

The Costing Manual Project is a significant step towards developing agreed unit costs across the sector. The Manual will be updated on an ongoing basis as more accurate cost information becomes available from agencies wishing to participate in its development.

All agencies using the costing tools to develop their own unit costs will be invited in the future to supply costing information for periodic updates of the Costing Manual. The submission of costing information will be voluntary, and will be used to ensure that the resulting estimates are representative of the actual costs associated with service delivery. The information that agencies provide will be treated confidentially and are not reported in any way that identifies individual services.

### Link to the Costing Manual, tools and job aids

The [Costing Manual, costing tools and job aids](#) are available on the DoCS website.

### Questions & Feedback?

If you have any questions regarding the Costing Manual project, please contact Emily Yackoub, Economic Analyst on:

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