



NSW Department of
Community Services

Costing Manual Cost Models - Frequently Asked Questions

FAQs - GENERIC

Q: The cost templates ask for the number of clients or families served "at any point in time". Shouldn't it be the number served in a year, given that annual expenditure is entered?

A: No. The number of clients served in a year depends on how long they stay in the program. If clients exit quickly, more can be served during the year. The ongoing capacity of the program is how many clients can be served "at any point in time". The length of time clients stay in a program can be hard to predict and is partly outside the control of agencies. Therefore it is difficult for agencies to predict how many clients they can serve in a year. However, capacity at any point in time is controllable and easier to measure. The cost templates assess the cost of a hypothetical client (C/YP and/or Family) that stays in the program for a full year.

Q: Do we include costs that have been paid for (or funded) by other agencies?

A: Yes. To develop indicative unit costs based on the true cost of service delivery all costs associated with service delivery, irrespective of funding sources, must be included in the cost template.

Q: Do we need to account for goods and/or services that have been donated and/or given to us at a discount?

A: Yes. To develop indicative unit costs for your service, annual operating costs should reflect the true cost of service delivery irrespective of funding sources. This means that the value of subsidised items such as rent, or donated materials such as equipment should be estimated at market values and included in the costing template where appropriate.

Q: How should I reflect capital purchases (eg. equipment, vehicles, land, buildings, etc) in the non-labour cost component? Should I simply input them as a lump-sum?

A: No. Annual costs, not initial acquisition costs or 'lump-sums' of capital purchases should be included. In other words, annual depreciation and any interest costs need to be included in the cost of services. This is because the capital asset is used every year after it is purchased until it has exhausted its useful life. Therefore, the asset is regarded as having a cost every year.

Often, the annual rate of depreciation is calculated simply as the total purchase cost divided by the lifespan of the asset. For example, if a motor vehicle was purchased for \$20,000, and the expected lifespan of the asset is 5 years, then the annual depreciation of the motor vehicle is \$4000 per year. That is, the cost of the motor vehicle is \$4000 per year.

If a service provider decides to lease capital assets, the leasing cost would be included as an operating expenditure

Q: What is the difference between annual and annualised?

A: Annual and annualised mean the same thing. Annualised is often used to indicate that something is presented as a full year cost when the service is not always provided for a year. For example, many clients stay in care for less than a year but the unit costs are presented as though placements run for a full year. This makes it easier to compare different placement types.

Q: In the “Non Labour Operating Costs” section, where should food expenses or any other non-identifiable expense items be entered?

A: Where possible, costs should be entered into the cost line item of best fit. However, the unit cost is not affected by the line which it is entered into and any line used will generate the same unit cost in the “Output” page.

Note: the non-labour operating cost line items are consistent with the *Standard Chart of Accounts for Non-Government Organisations Data Dictionary*. A full description of all cost line items in the data dictionary is available at: <http://www.mob.com.au/mob2007/COA.html>

Q: How do I calculate the Full Time Equivalent (FTE) numbers for staff that work part-time hours?

A: The FTE statistic represents the number of full-time employees that could have been employed if the reported number of hours worked by part-time employees had been worked by full-time employees. This statistic is calculated by dividing the "part-time hours paid" by the standard number of hours for full-time employees and then adding the result to the number of full-time employees.

For example, a staff member working part-time at 20 hours a week, while the standard number of hours for full-time staff member is 38 hours a week, the FTE for that staff member is $20/38 = 0.5$.

Q: My organisation operates several services with some staff working across services. How do I account for their FTE (full time equivalent) and Salary allocation?

Where a staff member works across a number of services or service types within a service, apportion their FTE allocation based on the time they spend in each service or service type (e.g. if a director [1 FTE] generally spends half their time in the preschool services and the other half in the occasional care service, 0.5 FTE needs to be allocated in the cost model for each service type.

FAQs - CHILDREN’S SERVICES MODELS

Q: Our organisation operates a preschool and an occasional care service, do I include all the costs associated both services in one costing model?

A: No. The cost model has been designed to calculate unit costs for one service type at a time. Organisations delivering a range of service types (e.g. preschool and occasional care services) need to separate the labour and non-labour operating costs associated with each service type and enter the information separately into the costing model tool to develop unit costs for each service type.

Care needs to be taken to apportion indirect costs (i.e. indirect support staff and non-labour operating costs) to the service types using an appropriate basis, such as each services percentage of total direct costs.

Q: I have entered all my data but don't get unit costs for all the age groups I cater for.

A: If you want to show unit costs for each age group you need to enter Direct Client Support Staff FTE data across all relevant age groups in the "LABOUR PROFILE" page as well as Average Attendance per Day figures in the "INPUTS – SERVICE DELIVERY" page.