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This document is available on the WA HACC Website: www.health.wa.gov.au/hacc/

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Guide to the Unit Costs Spreadsheet

1. INTRODUCTION

1.1 What are Unit Costs?
Most simply put, a Unit Cost is the cost of providing one unit of service. It is calculated by dividing the total cost of providing a service by the units of service provided.

Units of service may be the hours of service delivered, the number of trips (one way in HACC), the number of meals, et cetera.

1.2 Why do Unit Costs?
Unit Costs are useful because they provide information on the full cost of services being provided. This information helps to:

- gain an understanding of the actual costs of providing HACC services
- assess which service areas are most cost effective
- identify ways of improving the cost effectiveness of service areas
- identify cost differences in different geographical areas
- apply costs to the planning of services.

For service management, Unit Costs are important for:

- providing information useful for funding submissions and in preparing tenders
- providing information for assessing fees to be charged
- comparing different outlets
- deciding which areas of service delivery areas to focus on
- providing information to help improve the efficiency of services (that is, services with high Unit Costs are identified and can be examined more closely to determine why)
- assessing the effect of changes to services (e.g. does the new roster system result in lower Unit Costs?)
- identifying which component of your service may be running high; e.g. direct service costs or indirect costs. With this information you can target those areas where changes may be needed.

1.3 Unit Cost vs Unit Price
The Unit Cost is the cost to deliver one unit of service, e.g. one hour of personal care or one trip.

At its most simple, the Unit Cost = total ($) spent (HACC Annual Funding Level (AFL) + fee income + other HACC related income) divided by the delivered units.

For example: if we spend $70,000 of funding plus fee income of $15,000 plus interest of $5,000 to deliver our contracted 3,000 hours of personal care, the Unit Cost is $30.00 per hour.
The **Unit Price** is the price paid by HACC to your organisation for the delivery of one unit of service.

The **Unit Price** = Annual Funding Limit for a service type divided by the units to be delivered.

For example: if we are funded $70,000 to deliver 3,000 hours of personal care the Contracted Unit Price is $23.33.

Note: the difference between the Unit Price and Unit Cost is made up from fees and other income.

**What if contracted volumes are not delivered?**

If contracted volumes are not delivered the **Unit Cost** will be higher than the expected.

For example: if we spend $70,000 of funding plus fee income of $15,000 plus interest of $5,000 to deliver 2,000 hours of personal care, the Unit Cost is $45.00 per hour. If we only deliver 1,000 hours the Unit Cost is $90.00.

In this case the costs need to be reduced and the outputs increased. Analysis of the Unit Costs will help identify areas where the costs can be reduced. Increased outputs should focus on delivering services to new clients assessed as requiring services.

### 1.4 What to Include and Exclude in Unit Costs

**Include:**

- HACC Annual Funding Limit
- client fees
- other income related to HACC such as interest or donations from HACC clients
- all non-capital expenditure with the exception of items listed in ‘Do not include’
- depreciation as per HACC guidelines
- other allocations to reserves including long service leave, unpaid annual leave
- loss or profit on disposal of assets
- overhead allocations.

**Do not include:**

- HACC Non Recurrent income
- the expenditure of HACC Non Recurrent income
- service user costs that are, or should be, fully reimbursed by service users e.g. CBDC meals and outing costs.
2. THE UNIT COSTS SPREADSHEET

The Unit Costs Spreadsheet presents a simplified methodology for service providers to calculate a 'reasonably accurate' Unit Cost for the services they deliver. It is a new approach to assist service providers who do not have the financial management expertise or support to utilise the RSM Bird Cameron (RSMBC) spreadsheet.

2.1 Enable Macros

In order for the spreadsheet to function correctly you must 'enable macros' in Excel. (Macros are small computer programs within a spreadsheet that provide extra functionality. They are disabled by default as they can be a security risk when opening spreadsheets from an unknown source).

2.1.2 Office 2010 Users

In Excel 2010 Click on ‘Enable Content’ (See Figure 1: Intro Sheet below).

Figure 1: Intro Sheet
2.1.2 Office 2007 Users

In Excel 2007 Click on ‘Options’ / ‘Enable this content” / OK.

2.1.2 Office 2003 Users

1. Click on ‘Tools’ in the main toolbar
2. Select ‘Macros’ from this menu and then click ‘Security.’ This will open a new window.
3. Click on the ‘Trusted Publishers’ tab in the window and check the box next to ‘Trust all installed add-ins and templates.’
4. Click ‘OK’ - macros are now enabled.

2.2 Familiarise Yourself with Navigating the Spreadsheet

An Excel Spreadsheet is composed of several worksheets. You can navigate between worksheets by clicking on a worksheet name at the bottom of the screen. See Figure 2: Sheet Tabs.

Figure 2: Sheet Tabs

3. ENTER YOUR INFORMATION INTO THE SPREADSHEET

The Unit Costs Spreadsheet contains multiple worksheets:
- Intro
- Services
- Hours
- Costs
- Summary
- Income Statement
- Cost Cats
- Service Use.

Each sheet is described below with an image provided.

3.1 INTRO Worksheet

This worksheet contains a brief introduction to the spreadsheet and some instructions. (See Figure 1: Intro Sheet above).
3.2 Services Worksheet

Enter your service information in this worksheet as follows:

- **Sponsor Name**
- **Unit Costs Period** - You can calculate your unit costs based on any combination of quarters within the financial year. HACC only require Unit Costs on an annual basis.
- **Region** – A separate Unit Costs spreadsheet is required for regions where the contracted unit price varies for each project. An example would be if a service provider is contracted to provide services in the metropolitan region and the Pilbara region – a separate Unit Cost spreadsheet would need to be submitted for the Pilbara region.
- **Weeks in Unit Cost Period** - This is automatically calculated based on the Unit Costs Period selected.
- **Enter each service type you deliver.** Tick a box for each service type. Only the service types selected will show on other sheets.

For each service delivered fill out:

- HACC Funding for the Unit Cost Period (from the HACC Service Specification Schedule - AFL).
- Client Contributions for Each Service Type for the Unit Cost Period (from Financial Reports)
- Contracted Outputs for the Unit Cost Period (from the HACC Service Specification Schedule)
- Delivered Outputs for the Unit Cost Period (from MDS data reports)
- Units Delivered by Sub-contractors for Period (from your client management system)
- Fees Paid to Sub-contractors for Period (from your financial management system).

**Figure 3: Services Sheet**

**IMPORTANT:** If your Unit Cost period is less than a year adjust this information accordingly.
3.3 Hours Worksheet

The Hours Sheet, shown in Figure 4 below, is used to distribute staff costs across the different service types and the four Unit Cost categories of:

- Direct Service Delivery – staff costs in delivering services
- Direct Travel – staff costs in travelling to deliver services
- Indirect Time Costs – staff costs in organising and supporting the delivery of services
- Management and Administration Employee Costs – staff costs related to the management and administration of the organisation.

Staff are entered across the top of the sheet either individually or in groups. Group staff in ways that make it easy to identify their costs and distribute their time across the Unit Cost categories. Groups may include:

- Manager
- Coordinators
- In-home support workers
- Drivers et cetera.

Alternatively, in a small service you could list each individual staff person. Up to 20 staff can be listed. However it is easier to group staff by similar tasks with the same pay rates.

Figure 4: Hours Sheet
Enter Staff Groups across the top of the spreadsheet; then enter the gross wages for each group. Include superannuation and workers’ compensation in the gross wages or enter a percentage figure in the ORANGE cells (column C), to automatically calculate super and workers’ compensation. You can also delete the percentages and just enter amounts in the blue cells. To reinstate the formulae delete and re-enter the percentages.

Next enter the total number of hours worked per week by each Staff Group.

Now enter, in hours, the time that each Staff Group spends in delivering each service across the Unit Cost categories.

Note:
- The figures shown in row 8, “Total Hours Entered Below”, are the total hours entered for each staff group below and should equal the “Total Hours Worked per Week” shown in Row 7.
- The red “Hide/Show Unused Columns” button (see Figure 4 above) allows you to hide unused staff group columns so that you can see the last 2 columns of the sheet:
  - Staff Hours per Week and
  - Units Delivered per Week by Staff.
  (Also shown for information purposes is Units Delivered per Week by Sub-Contractors)

The staff hours and units delivered columns allow for the easy comparison of the number of staff hours being assigned to the direct delivery of a service against the number of units of service being delivered.

For example, if you deliver 520 hours of domestic assistance in a week (according to your MDS) then the same number of hours should have been worked by staff in direct service delivery. If you deliver centre based day care with a ratio of 1 staff to 5 clients your direct staff hours should be around one fifth of the hours delivered.

In Figure 4: Hours Sheet above, staff worked 50.2 hours to deliver 98.8 hours of social support per week. In this instance social support is mostly delivered at a ratio of 1 staff to 2 clients.

Hours not assigned to direct service delivery need to be assigned to:
- Direct Travel
- Indirect Time Costs and/or
- Management and Administration Employee Costs.

You can then assess the reasonableness of the time allocated to these categories. For example, what is a reasonable proportion of time for indirect work?

Units Delivered per Week by Sub-Contractors is shown to assist in assigning Indirect Time Costs and Management and Administration Employee Costs to service types delivered by sub-contractors.
3.4 Costs Worksheet

Enter your expenses in the **Costs** worksheet.

Note that the percentage (%) of the Wage Cost in Each Service Type is calculated using the data supplied in the Hours sheet and is used to apportion costs across service types.

**Expenses**

Expenses are split up into the following categories:

- Cat 1 Direct Employee Costs - Salaries and Wages
- Cat 2 Direct Travel (i.e. in delivery of services)
- Cat 3 Materials (in delivery of services)
- Cat 4 Direct Purchased Services (e.g. sub-contracted services)
- Cat 5 Indirect Time Costs (backup costs to service delivery, e.g. rosters, training, progress notes)
- Cat 6 Management & Admin Employee Costs (manager, accounting, quality, reception)
- Cat 7 Accommodation
- Cat 8 Other Service Costs
- Cat 9 Overhead Allocation (administration costs incurred by head office or sponsor organisation). Note: do not include capital expenditure, i.e. HACC capital grant purchases.

A full definition of each category is provided in the Cost Cats worksheet.

**Figure 5: Costs Sheet**

A Note on Meals on Wheels (MOW):

It is useful to calculate the cost of MOW but keep in mind that HACC funds the delivery component only and will disallow any other expenses. Whatever the difference is between the unit price and cost, it should be recouped from the client. HACC considers meals a cost of daily living.
Entering Costs into the Worksheet

- You can enter a total ($) amount in the ORANGE coloured cells and it will be distributed across all services on the basis of the percentage of the total wages allocated to each service (see row 4, ‘% of Wages and Sub-Contractor Costs in Each Service Type’).
- Alternatively, you can manually distribute costs across services by entering them in the BLUE cells. If you have previously entered a total ($) amount in the ORANGE coloured cells then ‘Manual Edit Balance’ will show the difference between the current total (after your manual edits), and the total ($) amount previously entered. This is useful as it allows you to enter a target total and then adjust your entries to meet that target, i.e. if ‘Manual Edit Balance’ shows -$500 then you need to increase the entries for that row by $500 to meet your expenditure figure.

A summary of costs is listed at the bottom of the worksheet starting in row 90. Use this summary to check that your entries into the spreadsheet balance with your expenditure statement.

Apportioned Costs

Categories 6, 7 and 8 include an item for Apportioned Costs. These are costs that can be identified as HACC in total but cannot be, or are not easily, assigned to specific service types. These costs can be apportioned across HACC service types (e.g. HACC has a dedicated photocopier but no system to keep track of how many copies different service types use).

3.5 Summary Worksheet

The Summary worksheet (shown in Figure 6 below) presents information for each service type delivered including:

- the Unit Cost of each service type (row 12)
- the Unit Cost components (rows 5 - 11)
- the Contracted Outputs (row 20) and
- The Contracted Unit Price (row 21).

You cannot make entries into the Summary worksheet, as it is a summary of information in other worksheets.

3.6 Cost Cats Worksheet

The Cost Cats worksheet contains a definition of each of the nine (9) cost categories that comprise the Unit Cost.

3.7 Service Use Worksheet

Use this sheet for notes, calculations or any other uses you like.
Figure 6: Summary Sheet

<table>
<thead>
<tr>
<th>UNIT COSTS SUMMARY</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acorns Community Care</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>July to June 2011 - 2012 (52 Weeks)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit Costs Summary:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Employee Costs (Cat 1 &amp; 2)</td>
<td>$26.88 (39%)</td>
<td>$38.13 (54%)</td>
<td>$33.54 (48%)</td>
<td>$10.34 (45%)</td>
</tr>
<tr>
<td>Direct Travel (Cat 2)</td>
<td>$22.19 (27%)</td>
<td>$22.56 (19%)</td>
<td>$20.21 (13%)</td>
<td>$2.41 (17%)</td>
</tr>
<tr>
<td>Materials (Cat 5)</td>
<td>$0.22 (9%)</td>
<td>$0.55 (8%)</td>
<td>$0.16 (6%)</td>
<td>$0.08 (9%)</td>
</tr>
<tr>
<td>Total Direct Costs (Cats 1 to 4)</td>
<td>$52.36 (87%)</td>
<td>$55.28 (20%)</td>
<td>$62.32 (20%)</td>
<td>$12.01 (94%)</td>
</tr>
<tr>
<td>Indirect Time Costs (Cat 5)</td>
<td>$2.82 (3%)</td>
<td>$3.88 (2%)</td>
<td>$3.25 (2%)</td>
<td>$0.16 (2%)</td>
</tr>
<tr>
<td>Overhead Costs (Cats 6 to 9)</td>
<td>$10.35 (14%)</td>
<td>$18.14 (14%)</td>
<td>$14.71 (10%)</td>
<td>$9.5 (62%)</td>
</tr>
<tr>
<td>Total Indirect Costs (Cats 5 to 11)</td>
<td>$16.58 (27%)</td>
<td>$56.29 (17%)</td>
<td>$16.26 (17%)</td>
<td>$9.96 (44%)</td>
</tr>
<tr>
<td>UNIT COSTS (Based on total expenditure including client contributions and other income)</td>
<td>$206.39</td>
<td>$267.75</td>
<td>$341.12</td>
<td>$502.17</td>
</tr>
<tr>
<td>MACC Recurrent Grant</td>
<td>$148.315</td>
<td>$16.711</td>
<td>$30.341</td>
<td>$204.093</td>
</tr>
<tr>
<td>Client Contributions</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Interest</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Non Recurrent and Capital Grants</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other Income</td>
<td>$21,166</td>
<td>$406</td>
<td>$447</td>
<td>$2,190</td>
</tr>
<tr>
<td>TOTAL INCOME</td>
<td>$154,481</td>
<td>$21,166</td>
<td>$35,789</td>
<td>$516,053</td>
</tr>
<tr>
<td>TOTAL COST OF SERVICE OPERATIONS (Expenditure)</td>
<td>$202,702</td>
<td>$45,762</td>
<td>$55,617</td>
<td>$561,413</td>
</tr>
<tr>
<td>Contracted Outputs</td>
<td>$2518</td>
<td>$74</td>
<td>$25</td>
<td>$1362</td>
</tr>
</tbody>
</table>
4. REVIEW YOUR UNIT COSTS

The Unit Cost for each service is shown in row 12 of the Summary worksheet.

Do the Unit Costs appear reasonable?

This is easier to ask than answer, as the Unit Cost will vary with each organisation, the type of services provided, the model of service delivery, the characteristics of the clients and the location and size of the service.

If costs seem too low or too high, check the information you have entered in the Services, Hours and Costs worksheets.

If costs are too high consider:

- Are service delivery and other staff fully engaged? (Review the time allocated to direct service delivery and indirect time in the Hours Sheet.)
  - For example: are Direct Service Delivery hours per week in the Hours Sheet (cell X7) appropriate to the Delivered Outputs per week (cell Y7) considering the model of service, dead time, leave et cetera? Is there too much or too little staff time to have delivered the services?
  - Is the Unit Cost for each service type reasonable given the service delivery model?
  - Do rosters/schedules maximise staff time?
  - Are staff numbers appropriate?
  - Is fees income appropriate for the Delivered Outputs?

- Look at the component parts of the Unit Cost. These will indicate where expenditure may be too high. Consider the percentage of each component.
  - What are reasonable percentages?
  - Are Direct Employee Costs reasonable?
  - Are Direct Travel Costs reasonable?
  - Are Indirect Time Costs reasonable?
  - Are Overhead Costs reasonable?

- Consider if costs are appropriately allocated to service types in the Costs Sheet.
  - For example: are food costs allocated to the meals service? Are vehicle costs including depreciation allocated appropriately to services that use vehicles?

5. INCOME STATEMENT

The Income Statement worksheet (shown below) presents the income statement funded services are required to provide to HACC at the end of each financial year. The Income Statement is completed from the income and expenditure information you entered into the Unit Costs Spreadsheet. If this information is accurate the Income Statement will be accurate. Space is provided for you to enter notes, and information for the previous financial year.

Note that the Recurrent Grants can be over-written to reflect recognised revenue.
6. **LODGEMENT OF YOUR UNIT COSTS**

Return the completed Unit Costs Spreadsheet to your Project Officer. Electronic copies are preferred.