



Applying the Standardised Unit Costing Method for social services to DCJ services and programs

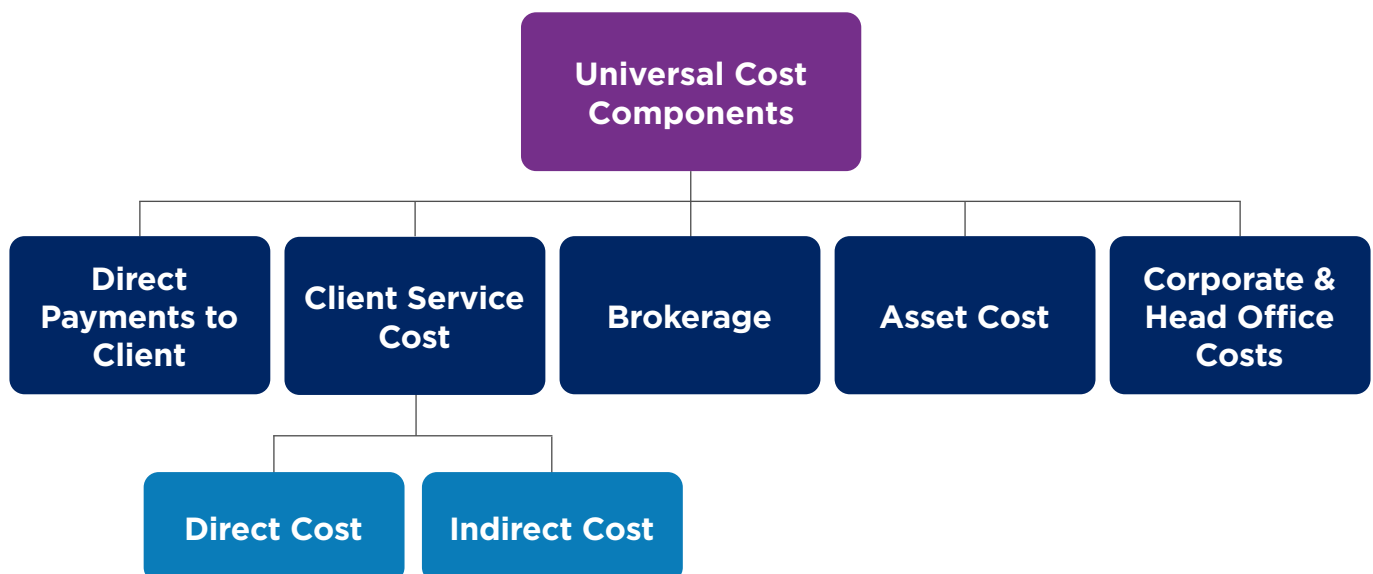
This Snapshot provides an overview of the Standardised Unit Costing Method for social services and describes how it can be applied to Department of Communities and Justice (DCJ) services and programs.

The Standardised Unit Costing Method for social services

DCJ supports vulnerable people and families through its own services and those provided by NGOs. The Standardised Unit Costing Method for social services can be applied to all DCJ-delivered services and services commissioned from non-government organisations (NGOs). This unit costing gives us a better understanding of the cost of delivering services. Ideally, the effectiveness of services should impact funding decisions. The effectiveness of a program is primarily determined by the cost of the program and client outcomes achieved. Understanding service effectiveness allows DCJ to make informed investment decisions.

Unit costing is used to estimate the cost of delivering a particular service. DCJ has been formed through the combination of multiple predecessor agencies. These agencies had different cost determination standards. The standardised unit costing method enables a comparable basis across all services. We use five universal cost components to calculate the cost of a service (see Figure 1):

Figure 1. Universal cost components



This unit costing method will:

- support us to better understand the actual cost of services, regardless of how those services are delivered. This will ensure value for money.
- improve efficiency and enable more ready assessment of a program's economic performance.
- enable proper comparison across programs and service streams. It will also enable the analysis of programs which blend services across traditional service streams (such as Future Directions for Social Housing wrap-around services, or multi-agency services).
- input into the 'Investment Approach' by providing information about the underlying costs of services. An investment approach will increase the capacity of the service delivery system by allocating resources where they are likely to have the greatest impact.

Case Study: Applying the Standardised Unit Costing Method to DCJ services

The Standardised Unit Costing Method for social services can be applied to any DCJ service or program. The following is an example of our approach in determining the unit cost of Program X.

Program X is not a real program. Due to the confidentiality and sensitivity of the data we use in unit cost analyses, we cannot report real data here. This is just an example of how the unit costing method can be applied.

Understanding the services

The first step in determining costs is understanding the nature of the services. Specifically, we need to know:

- what services are being provided and who is providing them
- who is receiving the services, including volume and cohort characteristics
- what is the typical service intensity, e.g., on average, how long does a client stay in a program, or how many service hours are provided to clients
- are there any direct payments or brokerage provided to clients.

In Program X, families receive case management services from qualified social workers and will also be receiving allowances and brokerage to support their everyday living expenses, such as whitegoods, money for nappies and baby formula, and other related expenses. A client typically stays in the program for 12 months and receives 3 months of intense casework followed by 9 months of a step-down casework support service.

Information gathering

The next step is to collect information about the services, including labour costs, operating expenses, client service hours, total direct payments, total brokerage payments, and asset costs. We can obtain this information a few different ways depending on the service provider:

- For services provided by DCJ, information is sought through our administrative and/or other data collection systems.
- For services commissioned to the NGO sector, information is sought through data collection tools and/or publicly available information.

The information gathering process is always a consultative and collaborative approach with stakeholders to ensure we are capturing an accurate view of service intensity as well as labour and direct costs in our unit costing method.

Program X is delivered by DCJ, so information on labour and direct costs are available in our administrative systems. FACSIAR Economics works with the relevant data custodians to ensure we are using the best available data in our analysis.

Computing the costs

Once all the information has been collated, we design a cost model to calculate each of the relevant universal cost components.

In Program X, the following cost components are computed to calculate the total unit cost.

Figure 2: Standardised Cost Components applicable to Program X



Table 1: Computing the unit cost of Program X

Cost component	Value (\$)	Method
Client service cost	\$5,000	Casework hourly cost multiplied by average service hours
Direct payments to client	\$1,500	Weighted average direct payments per client
Brokerage	\$1,000	Weighted average brokerage per client
Program X unit cost, p.a. per client	\$7,500	Sum of all cost components

This shows us that the unit cost per annum for a family participating in Program X would cost \$7,500. This cost information could be used:

- as a baseline and/or as guidance in funding and contracting of Program X
- for input in investment modelling to determine cost-effectiveness of Program X
- to readily assess the program’s economic performance against other programs.

What’s next for the Standardised Unit Costing Method?

The Standardised Unit Costing Method has been applied to a number of different services, including DCJ-delivered statutory child protection services (face-to-face assessments, ongoing casework) and Out-of-Home Care, as well as NGO-delivered services such as Brighter Futures and Intensive Family Preservation.

To date, this work has been used to inform funding decisions, support program (re-) design, and contribute to the evaluation of programs.

FACSIAR maintains a unit costing manual for internal use which contains unit costs for various DCJ and commissioned services. This manual is updated annually. We are continually working on developing unit costs for new and current DCJ services.

More information

If you would like to know more about the DCJ Standardised Unit Costing Method and how you can use it in your work, please contact the Economics team within FACS Insights, Analysis and Research:

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