

Home and Community Care (HACC) Program in Western Australia

Unit Costs How to Categorise Costs

Aged Care Policy Directorate

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1. Background and Status

Unit costing is not a new concept for service providers working in the Home and Community Care (HACC) Program. The concept was first introduced in 1991.

After years of limited success HACC formed an Advisory Group in May 2006 to progress implementation of a Unit Cost model.

One of the first tasks of the Advisory Group was to determine a set of objectives for the project. The objectives set were:

- Assist service providers to make informed business decisions by providing useful information on their cost structures
- Facilitate a funding model based on output costs
- Ensure common structured format for costs - direct, indirect and overheads
- Ensure common accounting practices and treatment - leave provisions, client contributions etc
- Facilitate comparison and benchmarking of like services
- Facilitate assessment of service affordability and viability
- Ensure one set of data is used to feed the various reporting requirements, including HACC and MDS
- Ensure that the implementation provides quality useable data
- Facilitate forecasting so that service providers manage service provision/delivery to the funding available

The current WA Unit Cost Framework includes the following list of endorsed documents:

- Unit Costs, How To Categorise Costs
- Funded Assets Policy
- Accounting for Labour Costs policy
- Question and Answer documentation
- Unit Cost workbook for use by providers. This workbook is the current HACC financial reporting suite

All these documents can be found on the HACC website. Go to: -

www.health.wa.gov.au/hacc

Under 'contract governance' there is a 'unit costs' tab.

2. The Nine Cost Categories (& brief descriptions)

This is a list of the categories and a brief definition. The categories are dealt with individually in more detail later in the document.

Direct Costs - Categories 1 to 4

Direct labour costs - category 1

- The labour costs of employing service delivery (support) workers.

Travel costs - category 2

- The cost of travel, including travel time, between clients by support workers.

Materials - category 3

- The cost of items consumed in service delivery.

Purchased Services - category 4

- The cost of hiring third parties to provide service delivery.

Indirect Time - Category 5

There are two components to this cost:

- time spent by support workers performing tasks that are not direct client service delivery e.g. training and time spent in meetings;
- time spent supervising support workers and coordinating service delivery.

Overhead Costs - Categories 6 to 8

Management & Administration Employee Costs - category 6

- The labour costs of all the overhead workers.

Accommodation - category 7

- The cost of building occupancy.

Other Overhead Costs - category 8

- All those overhead costs that are not employee or occupancy costs.

Overhead Costs - Overhead Allocation - category 9

- Overhead cost treatment used by some, usually large service providers, when there are multiple services provided by that service provider.

3. Unit Costs and HACC Minimum Data Set (MDS):

Before we discuss the nine (9) cost categories in detail, we need to:

- Confirm the relationship between unit cost denominators and MDS;
- Share an understanding of what we mean by direct costs and the intentions of the model.

3.1 Units of Measure (Denominators)

The unit cost denominators are the units reported in MDS. Unit cost denominators are those reported to the national data repository, not a separate reporting stream.

MDS requires that all HACC funded service types are recorded with unit totals for each service type. It is a logical extension that we then calculate unit costs for each of these service types.

MDS helps us clarify our concept of a direct cost. "MDS reports those activities of the HACC service provider that are directly related or attributed to identifiable clients." (Ref MDS Version 2 WA User Guide.)

This requires that service providers maintain the ability to account for the direct cost of each service type. The 'chart of accounts' coding structure should facilitate cost collection by service type.

HACC unit cost reporting is "client focused". Like MDS, the clients are identified (specific) clients, or else the activity does not meet the requirement of a direct cost.

Unlike MDS, unit cost reporting to HACC is submitted bi-annually, not quarterly. The unit cost data should also be used for internal management.

Unit costing is a complex task where there is a requirement to split salary and wage costs and their on-costs across multiple service types. For example, where the same person does Assessments and Client Care Coordination; and where time is allocated to client care and to travel costs. In these instances we recommend that an hourly labour rate is determined and applied.

Refer to the Policy - Accounting for Labour Costs and Leave Provisions for guidance.

Attachment 1 lists the HACC service types and their unit of measure.

3.2 What is meant by “Direct Costs” (Categories 1 to 4)?

The focus is on direct costs. Service providers need to calculate their direct costs as accurately as possible.

Costs in categories 1 to 4 are incurred in providing the service type to the identified client. It is usually clear what costs are direct and what are not. However, sometimes it is not so clear.

What activities are included in direct costs? Here are some examples that should help clarify what is meant by direct costs: -

INCLUDED COSTS	EXCLUDED COSTS
Assessments where the client is deemed not HACC eligible (these hours are not included in MDS)	Significant support worker time spent on work other than service delivery - preparing rosters, completing time sheets etc. (see Note)
Assessments where the client is eligible but waitlisted (these hours are now included in MDS)	Attending meetings, training (see Note)
Casework for a specific client with complex needs (Case Management in MDS)	Meeting to discuss a generic care plan (i.e. not for a specific client) (see Note)
Carer trips (trips that transport carers are not included in MDS)	General advice or information given to a member of the community or another HACC service provider. (see Note)
Shopping and bill paying if unaccompanied by the client (these hours are included in MDS as domestic assistance)	
Travel time to or between clients (recorded and costed as direct travel; these hours are not included in MDS)	

Note: The “excluded” items all refer to the time of support workers; but only if it is significant. The unit cost rule is that if a support worker spends more than 10 % of their time on these sorts of excluded activities then it is worth separating the time and costs. Support worker time not spent in service delivery is shown as a Category 5 cost.

The 10% rule is intended to reduce administration effort and costs. If an activity is less than 10% of a worker’s time, then do not attempt to identify and record the activity. The model assumes that travel time is different and not subject to the 10%

rule. It is part of normal operations and is routinely identified by the business processes and hence able to be recorded and costed.

Volunteer hours and the unpaid additional hours of support workers (unpaid overtime) may be reported in MDS, but there is no cost attached to them and so this will reduce the unit costs. Some providers want to identify the cost of volunteers to more correctly reflect their cost structure. If providers choose to include these notional costs, then a 'notional' income amount equal to the volunteer costs should be shown.

Some service providers have employees that devote all or most of their time to scheduling and supervising support workers and coordinating service delivery. This activity is a Category 5 cost - Indirect Time.

Overhead workers who normally have their time costed to Category 6 could have time costed to Category 5, depending on the type of work performed. Detailed timesheets are not required. A reasonable estimate of the non-direct time of support workers, such as budgeted indirect time is acceptable. This assumes that the level of activity is reasonably constant.

MDS data is used as the basis to determine the denominators. The unit cost model is used to calculate the costs of provided service types.

4. Direct Costs - Categories 1 to 4

Direct costs are, almost always, 'marginal' or 'variable costs' that move in proportion to the level or quantity of service delivered. (In a few instances these costs are not strictly variable - see Attachment 5 - Definitions.)

4.1 Direct Labour Costs (Category 1)

These costs are the support worker time (hours) spent in client service provision. This time would normally, but not always involve client contact. This time may not always be reported as MDS hours.

- Exclude support worker administration time;
- Exclude support worker travel time between clients;

Employee costs are the salaries and wages and the on-costs associated with employing people. The elements included in the labour cost are:

- Salary and Wages;
- Superannuation;
- Workers Comp Insurance;
- Annual and LSL Provided;

Casual workers employed to perform direct client service tasks are a 'Direct Labour Cost'. Casual workers are not a Category 4 purchased service cost.

Supervision and scheduling of support workers are not Category 1 costs.

The HACC view is that support worker training course costs are not direct costs. Training course costs are a Category 8 cost - Other Overhead costs.

4.2 Travel Costs (Category 2)

This is the cost of travel to, from and between clients' homes. It comprises both the travel time and other travel costs such as vehicle operating costs.

Travel costs are not the cost of 'trips' for those service providers that provide a transport service.

Travel costs that are easily identified, as direct costs, should be included here.

Include kilometre allowance payments where a worker is reimbursed for the use of their own vehicle to provide client service. Vehicle allowances paid to volunteers who use their vehicles for service delivery are included here.

Running costs of service provider owned or leased vehicles are included here. If the vehicles are owned the depreciation cost is included. If the vehicle is leased then the lease costs are included here. Where vehicles are used for multiple purposes their running costs should be apportioned.

The service type transport is measured in 'one way trips'. Trip costs should be shown as their generic cost type i.e. probably labour (Category 1), materials (Category 3) and possibly a purchased service (Category 4).

(Payment of a kilometre allowance to an employee or volunteer for use of their own vehicle is a Category 2 cost.) The most important consideration is that all direct costs are shown as direct costs.

Travel costs that are not client related are included with the overhead costs.

4.3 Materials (Category 3)

This is the cost of any materials consumed in service to the client. It includes:

- Protective clothing;
- Cleaning materials;
- Other aids provided to the client.

Note: The components of a meal are not funded by HACC. If a meal is provided then the costs and the income can both be identified and shown in the HACC financial statements.

4.4 Purchased Services (Category 4)

These are the costs of engaging a third party (sub contracting) to provide the service type (labour and/or the associated materials) to the client. It includes, but is not limited to, the:

- purchase of gardening service (Home Maintenance);
- purchase of third party transport;
- purchase of nursing service from another service provider or third party;
- purchase of home modification work;

Note that the cost of employing casual direct labour is not a purchased service cost. Casual direct labour is a Direct Labour Cost (Category 1).

5. Indirect Time - Category 5

This category includes:

- time of Coordinators (except where engaged in direct client service delivery e.g. assessments)
- time of front line supervisors spent on coordinating and scheduling service delivery;
- time of support workers not spent in service delivery.

This category includes the time of support workers not spent on direct client service delivery e.g. training and administration time. (Support worker time spent on service delivery, even if not reported in MDS, remains a Category 1 cost.)

Only labour time costs (including on-costs) are charged to Category 5. Some of the activity to include here has already been elaborated in what we exclude from direct costs. (Refer to the table in section 3.2 on “What is meant by “Direct Costs?”)

Category 5 costs are not the costs of administration support staff and other managers performing administration roles. Managers that do not either directly supervise or coordinate support workers nor deal with clients are not Category 5 costs.

Overhead workers (e.g. bookkeepers and other admin staff) do not normally perform category 5 work. Overhead workers (in Category 6) could charge time to service delivery and to Category 5 if appropriate. It is unlikely that they would charge time to direct service delivery.

Category 5 only accounts for the paid hours of employees. We are only accounting for costs here and so the hours are not relevant.

We are trying to identify the indirect labour costs related to service delivery in this category.

Only the employment costs (wages, superannuation, workers comp.) are included. Other non-labour costs are not included. We do not want to include costs such as occupancy and other overhead costs within Category 5 costs. Non-labour costs would distort the model and prevent comparison.

Vehicle costs are also included if they are part of the employee's employment package and hence a direct employment cost.

6. Overhead Costs - (6 to 8)

These overhead costs tend not to be associated with service delivery. These costs tend to be relatively fixed and many are subject to apportionment and allocation between programs and service types. See Attachment 3 - Allocation and Apportionment of Overheads.

The model requires that a single line is included for each of category 6, 7 and 8 costs for each service type. This way the total cost for each service type can be determined.

6.1 Management & Administration Employee Costs (Category 6)

These costs are the employment costs of those that perform administration functions.

These costs typically include administrative management and other administrative staff such as bookkeepers, receptionists and secretaries etc. The HACC program manager's costs are included here.

The costs include all the direct costs associated with employing people:

- Salary and Wages;
- Superannuation;
- Workers Comp Insurance;
- Annual and Long Service Leave Provided.

Vehicle running costs could be included if part of an employee package.

As already indicated, these employees could charge time costs to service delivery in Category 1 and also to Category 5 when appropriate and significant and repetitive.

6.2 Accommodation (Category 7)

These are the costs of occupancy:

- Depreciation - Owned Buildings (if applicable);
- Depreciation - Donated Buildings (if applicable)
- Electricity;
- Insurance - Buildings;
- Maintenance - Buildings;
- Office Cleaning;
- Rent and Rates;
- Notional Cost of Provided Accommodation.

Note: Not all of these costs are funded by HACC.

6.3 Other Overhead Costs (Category 8)

These costs are the non-labour component of overhead costs.

- Advertising;
- Audit Fees;
- Bank Fees;
- Computer Repairs;
- Consulting/Legal fees;
- Depreciation - Furniture and Fixtures;
- Depreciation - Office Equipment;
- Fringe Benefit Tax;
- Insurance (excl. Buildings and Vehicles)
- Internet;
- Motor Vehicle Expenses (excl depreciation);
- Motor Vehicle Depreciation;
- Operating and Other Lease Costs;
- Postage;
- Printing and Stationery;
- Software;
- Staff Amenities;
- Subscriptions;
- Telecommunications;
- Travel (overhead) and Accommodation;
- Training Costs (course costs).

Note that the vehicle costs included here are those that are not related to direct service delivery, vehicle costs related to service delivery are direct costs.

Vehicle costs that are part of an employee's package are employment costs.

7. Overhead Costs - Overhead Allocation (Category 9)

These costs are the same expenses as those in categories 6, 7 and 8. Category 9 is a different way of gathering and allocating the costs.

Category 9 is used in the unit cost model where the costs in 6, 7 and 8 cannot be applied to the HACC program. The costs are managed outside of community care programs. They are apportioned to the service types as a category 9 total i.e. a single line to each service type.

Category 9 is normally used where services are funded and provided by service providers that undertake other business such as hospitals, city or shire councils.

Single location, single service providers have no cost for this category. Many service providers that operate multiple programs and provide multiple service types will still be able to group costs by Categories 6 to 8 and not have to use category 9.

When costs are shown as Category 9 it indicates that apportionment has been used as the basis. We do not expect to see the apportioned costs broken into the detailed line items. Category 9 costs are shown as a single line when determining the cost of each service type.

An organisation that shows costs as category 9 can also show costs as 6, 7 and 8. E.g. A local government body may apportion general overheads using category 9 yet also show the costs of the HACC program manager as a category 6 cost.

An appropriate apportionment method is applied. It is helpful to HACC if there is a separate charge for accommodation. This enables better understanding of the cost structure.

The appropriate method of apportionment will vary depending on the individual service provider. Some managers may be dedicated to a particular service while other managers are shared by various services. Some managers may manage several service types.

Mobile phone costs are relatively easily allocated, while other telephone costs can be allocated according to usage. There are numerous potential scenarios (see Attachment 3).

8. Income

The income relevant to each service type in the unit cost model is shown as service income. This enables service providers to assess the performance of each individual service. Income that is not service specific is only shown at the consolidation level.

Income streams that are not service specific include: -
Interest income earned on HACC grant funds
Interest earned on funded depreciation
Non-specific donations

These items are not part of the income structure of specific service provision.

Some donations could be service specific. See 8.4 - Other Income.

They are shown as part of the total business unit performance but not attributed to specific services.

Note that interest earned on the funds provided to meet depreciation expenses are used to increase the replacement reserve funds.

8.1 HACC Recurrent Income

HACC recurrent income is shown as the first item of income for each service type.

8.2 HACC Non-recurrent Income

HACC non-recurrent income provided to fund a pilot project would be shown as income for the pilot project along with the costs of conducting the pilot project.

The Policy “Funded Assets (Accrual Financial Reporting)” explains how to account for additional assets and non-recurrent income.

HACC non-recurrent income for the acquisition of additional assets is shown as service income in the year in which received. This treatment is required in order to comply with AASB 1004. It means that when an additional asset is purchased the provider will show a surplus in that year, as the entire grant towards the purchase will be reflected as income in that year.

The depreciation expenses of HACC assets will be funded in the AFL from 1 July 2007 for unit cost complying service providers.

The depreciation expense of assets used in service provision is included as a service cost.

HACC income for asset replacement (depreciation) is included as recurrent service income as part of the AFL.

Building depreciation is not be funded. Building maintenance costs are be funded.

8.3 Client Contributions

Client contributions are income and are reflected as such. Do not treat client contributions as cost reductions. Some service providers have offset client contributions against costs thereby reducing costs. This treatment understates both costs and income.

Client income is allocated to each service type. HACC acknowledges that it is often not practical to allocate each contribution. Total contributions can be apportioned to service types using an appropriate basis if each contribution cannot be allocated.

Fee waiving and fee reduction is practised by many service providers. Some providers show the full fee as income and the waived component as a cost. Other providers show the net fee as income. HACC does not prescribe how fee reduction is accounted for, either practice is acceptable.

8.4 Other Income (recurrent and non-recurrent)

Other income should be identified and itemised so that it can be understood.

Recurrent Other Income

We have already indicated that HACC does not require that volunteer labour be shown as a notional cost. Volunteers donate their time on an ongoing basis and where service providers have access to this valuable resource, it is part of the cost structure. However, some service providers may elect to show the notional cost of volunteer labour.

Other income should include a notional income amount equal to the notional cost of donated resources.

If a service provider is fortunate enough to receive premises and all utilities (electricity, rates, water etc.) free of charge this is very significant if we are to understand the unit cost structure. If these donated resources are ignored it will understate the sustainable level of unit costs into the future.

The estimated value of the donated resources should be included in the unit cost model as notional costs and an equivalent income amount, suitably described, shown as Other Income.

This is useful if assessing expansion and capacity of services. If a service outgrows the donated resources then the new resources have to be paid for.

Some service providers subsidise the HAAC program within their organisation. This is significant as the costs in the unit cost model are used to prepare the SSS (service specification schedule). The unit costs as shown in the SSS are funded. Where a service provider subsidises the HACC program then the full costs should be shown and a notional income amount included equivalent to the cost subsidy.

All income including client contributions and notional income are shown on the SSS.

Non-recurrent other Income

If a vehicle, or other depreciating asset, is received as a donation for use in the HACC program, the 'fair value' (see definitions Attachment 5) of the asset is shown as non-recurrent income and the asset treated as a fixed asset acquisition.

The annual depreciation is shown as a cost. The depreciation expense of assets used in service delivery is included as a service cost.

This treatment is similar to HACC funded additional assets except the funds are not shown as HACC funds. This treatment ensures that the total service costs are recognised, even if they are not incurred.

The depreciation expense of donated assets (as with building depreciation) is not funded by HACC as part of the AFL. These depreciation expenses will result in an accounting deficit. The unit cost model requires that this depreciation is shown separately to HACC funded depreciation. Any issues around donated asset depreciation must be discussed with your Contract Manager.

9.0 Notional Costs and Notional Income

Notional costs should be included in the unit cost model. (Some service providers have indicated that they would like to show the notional cost of volunteers in their model. This is not a HACC requirement.) When notional costs are included then an equal amount of notional income is included to ensure the integrity of the model.

Notional costs are of two types: -

- Actual costs not borne by the service provider. E.g. free accommodation or use of assets paid for by LotteryWest;
- Costs incurred but subsidised by the service provider E.g. depreciation on assets paid for by the service provider and provided 'free' for use in the HACC program. If the service provider seeks HACC funding for the assets then they must submit a GFA.

Service Specification Schedules (SSS) will show the unit costs inclusive of the notional costs. Hence the notional income must be shown together with the client contributions as other income on the SSS.

HACC services and their unit of measure (UOM) are: -

SERVICE	UOM
Allied Health (podiatry, physiotherapy etc.)	Hours
Assessment (eligibility, needs etc.)	Hours
Case Management	Hours
Centre Based Day Care	Hours
Client Care Coordination	Hours
Counselling Support, Information and Advocacy	Hours
Domestic Assistance	Hours
Home Maintenance	Hours
Nursing Care	Hours
Other Food Services	Hours
Personal Care	Hours
Respite Care (for carer)	Hours
Social Support	Hours
Formal Linen Service	Number of Collections
Meals (Home and Centre)	Number of Meals
Provision of Goods and Equipment	Number of Items Provided
Transport	Number of Individual Trips
Home Modification	Cost

How do we treat vehicle costs?

Vehicle usage can have many different forms.

Reimbursement to Support Workers = Travel Cost:

When vehicle costs are reimbursed to support workers as part of service delivery, the cost is a direct travel cost.

The reimbursement may be to permanent employees, casual employees or volunteers.

Vehicles Provided to Support Workers = Travel Cost:

The costs associated with providing vehicles to support workers to enable them to deliver services are a direct transport cost. Note that these are not package vehicles.

Vehicles Provided as Part of Salary Package = Employment Cost (Salary):

Vehicles that are provided as part of an employee's package are an employment cost. As such, the cost is included with the other costs such as salary and burdens associated with employing the person.

These vehicles may be owned and subject to depreciation or they may be leased. The value of the package is shown.

Package vehicles would typically only be provided to senior staff.

HACC funds, whether recurrent or non-recurrent, are not used to purchase package vehicles.

Vehicle Costs Reimbursed to Contractors = Purchased Service:

Vehicle costs paid to, or reimbursed to contractors are part of the purchased service cost. These costs are not travel costs.

Shared Vehicles:

If a vehicle is shared by services or service types, then the costs of operating the vehicle are split between the services using an appropriate basis. There are various methods available:

- Estimate the respective use of the vehicle by the different services. The actual running costs are then apportioned according to the estimated split.
- Maintain a log book of the actual use of the vehicle by the different services. Allocate the actual costs to services according to the log book. This alternative is more accurate. However, as with other aspects of the unit cost model we have to adopt a practical approach. Only apply this model where the usage and costs are significant and justify the effort of maintaining a log book.

- Operate the vehicle and its costs through the service type that makes most use of the vehicle. Other services are charged a usage rate when they make use of the vehicle. This is probably appropriate when the vehicle is used predominantly by one service but with minor, although significant, use by other services.
- Minor and insignificant use is possibly not worth trying to apportion costs.

Allocation and Apportionment of Overheads:

Allocation - this occurs where an overhead cost can be specifically identified and charged accurately where it belongs. E.g. the cost of operating a mobile phone can be identified and allocated to the appropriate service type. Some telephone accounts identify the call costs of specific extensions and call costs can be allocated.

However, most overhead type costs are not capable of allocation and are subject to apportionment.

Apportionment - this occurs where costs are not specifically identified as belonging to a specific service type and some method of apportionment is applied.

This would typically be the case for costs:

- Rental and other occupancy costs
- Electricity
- Cleaning
- Building Insurance
- Printing and Stationery
- Photocopying
- Staff Amenities
- Insurances
- Telephone (sometimes)
- Internet Costs

Where overhead costs can be allocated to specific service types they should be charged to the service type as overhead costs. These costs are categories 6, 7 and 8. Bear in mind that the focus is on determining the direct costs accurately. The overhead costs are important, but we accept there is estimation in their allocation and apportionment.

Recommendation:

Where costs are apportioned they should be controlled centrally and apportioned in bulk according to the chosen method. E.g. all occupancy costs may be apportioned according to the number of employees utilising the building. The total occupancy costs should be recorded and controlled centrally and then apportioned as a single line item - called 'occupancy'.

Do not apportion each separate component of occupancy - rent, electricity, water, cleaning etc.

Category 9 costs should be charged to services as one or two lines, perhaps 'accommodation' and 'other'.

Depreciation:

The unit cost model accepts that service providers are best placed to decide on the most appropriate rate and method of depreciation. Hence the model is not prescriptive on how to determine useful life and calculate depreciation.

The Policy "Funded Assets (Accrual Financial Reporting)" requires that assets be depreciated over the estimated useful life of the asset class (see Attachment 5 - Definitions for explanation of 'asset classes'). E.g. a service provider may determine the rate and method of depreciation for vehicles based on their usage and history. This will assist in determining the correct unit cost. The straight line method is preferred by HACC for HACC assets.

HACC requires that all depreciation costs are identified and explained by way of a note to the HACC Income Statement.

The annual depreciation expense for HACC funded assets (excluding buildings) will be funded from 1 July 2008 in the AFL for service providers compliant with the unit cost model. This is in addition to any funding of the original asset purchase.

HACC accepts that depreciation costs are often part of the overhead structure of organisations and these overhead costs are funded.

Non-HACC assets are used in the HACC program from time to time e.g. vehicles. HACC accepts that any charge for the use of such assets will include a depreciation component.

The unit cost model requires that the depreciation of HACC funded assets is shown separately. This facilitates reconciliation of movements in the asset reserve cash account.

Australian Tax Office depreciation rates are acceptable. The ATO provides depreciation rates for different asset classes.

Providers should only use the ATO rates if they have no better basis.

Note that leasing and rental costs can be included if they are an arm's length transaction.

Buildings:

Building depreciation is not funded; funds will be provided to ensure that buildings are maintained in a good state of repair. Building maintenance is a Category 7 cost. If the building is owned by a third party and provided 'free of charge', then show a notional rental cost and equal notional income.

If the building is owned but HACC funded or Lotterywest funded show a notional depreciation cost and equal notional income.

If there is an arm's length rental arrangement with a third party then the rent should be shown as a component of the unit cost. Arrangements with associated entities must be declared.

Some service providers may wish to charge an occupancy fee where the service provider permits part of a building to be used for the provision of HACC services. HACC will accept as part of the unit cost an apportionment of accommodation costs based on a reasonable rationale for the space used by the HACC program.

Other Fixed Assets:

HACC funded assets - HACC will fund depreciation.

100% Provider funded assets, used in HACC service delivery (100%) - then depreciation is only funded 100% by HACC after successful GFA application on replacement. HACC cannot be expected to fund depreciation on assets purchased by providers (without HACC funding) even though used in HACC service delivery. HACC approval is required via a GFA before funding is provided. (The service provider should show the depreciation cost, even though not funded, as part of their unit cost.)

Partial Provider funded assets, used in HACC service delivery 100% - providers can claim funding of depreciation for the HACC portion if HACC component can be demonstrated. This normally occurs where a HACC funded asset has been traded for a new asset and the shortfall funded by the provider or different party. If the original HACC funding occurred more than 5 years ago it is deemed a 'non-HACC asset'.

Provider assets not used in service delivery but part of the overhead structure - then depreciation is part of the funded overhead cost structure. It is identified and subject to audit.

100% Provider funded assets occasionally used in service delivery - the depreciation is assumed included in the usage charge. This would be the case where service provider vehicles are sometimes used in the HACC program.

Donated Assets (excluding buildings):

An amount equivalent to the fair value of the donated asset is shown as income when the asset is received. Such assets are not HACC funded and hence the depreciation is not funded. The service provider should show the depreciation as a notional cost as part of the unit cost model if the asset is used in the HACC program.

Definitions:

AASB:

Australian Accounting Standards Board refer www.aasb.com.au

AASB 116:

Publication of the Australian Accounting Standards Board dealing with "Property, Plant and Equipment".

AASB 1004:

Publication of the Australian Accounting Standards Board dealing with "Contributions".

Additional Asset:

An incremental asset that increases the pool of assets as opposed to a replacement asset. Additional assets can only be acquired through the GFA process.

Asset Class:

A term used in AASB 116 to group assets into like categories viz;

- Motor vehicles;
- Furniture and fixtures;
- Office equipment;
- Machinery;
- Land and Buildings.

Asset Replacement Reserve (Provision):

A provision account used in cash accounting to identify funds earmarked to replace assets.

Asset Replacement Reserve (Cash):

The actual cash funds held in a separate bank account and identified separately as an asset account in the ledger.

Business Case:

A structured proposal to justify requested expenditure. It includes the reasons for the proposal, the expected benefits, the options considered and the expected costs.

Deposit Account:

An interest bearing account. In the HACC context, this is where funds identified for future expenditure and not required immediately are kept. The best rate of interest with minimum risk should be sought recognising the requirement to access the funds.

Direct Costs (Categories 1 to 4):

These are the costs that move directly in proportion to the quantity of service delivered. They are normally marginal or variable costs and involve client contact. Sometimes fixed costs or semi fixed costs are also direct costs. E.g. motor vehicle lease and insurance costs or motor vehicle depreciation expense.

Fair Value:

This is defined in AASB 116 - Property, Plant and Equipment. 'Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.'

GFA:

This stands for Growth Funding Application. These are additional funds made available each year to service providers to cater for growth in service provision.

Notional Costs:

Notional costs are of two types: -

- Actual costs not borne by the service provider. E.g. free accommodation or use of assets paid for by LotteryWest;
- Costs incurred but subsidised by the service provider E.g. depreciation on assets paid for by the service provider and provided 'free' for use in the HACC program.

On-Costs:

Labour on-costs are those costs that are direct labour costs but usually not paid to the employee as normal pay. Examples are superannuation, workers compensation insurance, annual leave provisions.

In some circumstances, in remote areas, the cost of housing and provision of ALTA (annual leave travel assistance) are included in the labour on-costs.

Overheads:

Unlike the direct costs, overheads are the resources used by an organisation just to maintain its existence. They are the costs that enable the direct costs to be incurred and service provided. They are the Category 6 through Category 9 costs in the unit cost model.

Program:

A term used to describe the whole of the activities funded by Department of Health, Disability Services Commission, Department of Veterans Affairs, Department of Health and Ageing.

Replacement Asset:

An asset that takes the place of an existing asset. The existing asset is disposed of.

Service Types:

The support services delivered by service providers to their clients funded by the HACC Program e.g. meals, transport, domestic assistance, centre based day care etc.

Straight Line Depreciation:

Depreciation is defined in AASB 116 as the systematic allocation of the depreciable amount of an asset over its useful life.

Straight line depreciation is the method whereby the assets are written off in equal amounts each year over their estimated useful life.

HACC accepts alternative methods of depreciation where they more accurately reflect the pattern of consumption of assets.

Travel Costs:

These are the costs incurred when moving (travelling) between clients. They may include labour and vehicle or vehicle allowance costs.

Unit Cost:

Unit Cost is the actual cost to the service provider of providing a unit of service.

Net Unit Cost:

This is the unit cost after any client contribution.

Unit Price:

Unit Price is the amount HACC pays for a unit of service.