



Activity: Calculate your unit cost

Fill in the workbook below to calculate your unit cost.

The example given shows a daycare organisation that provides year round places to 30 children. The figures used are fictional and do not necessarily reflect accurate costs.

A. Which staff will you use on the contract? (Include management and supervision time)

	Name	Annual Salary		Employer NI		Pension contributions		Other payments		Total		% of their time spent on the contract	Cost for the year
1.	John Doe	£21,000	+	£2,100	+	£1,050	+	£0	=	£24,150	x	100	£24,150
2.	Jane Bloggs	£18,000	+	£1,800	+	£900	+	£0	=	£20,700	x	100	£20,700
3.	Jordan Thompson	£22,000	+	£2,200	+	£1,100	+	£0	=	£25,300	x	100	£25,300
4.	Jon Smith	£18,000	+	£1,800	+	£900	+	£0	=	£20,700	x	50	£10,350
5.	April Flowers	£30,000	+	£3,000	+	£1,500	+	£0	=	£34,500	x	50	£17,250

Total cost per year of contract staff

£97,750

	Name	Annual Salary		Employer NI		Pension contributions		Other payments		Total		% of their time spent on the contract	Cost for the year
1.		£	+	£	+	£	+	£	=	£	x		£
2.		£	+	£	+	£	+	£	=	£	x		£
3.		£	+	£	+	£	+	£	=	£	x		£
4.		£	+	£	+	£	+	£	=	£	x		£
5.		£	+	£	+	£	+	£	=	£	x		£
6.		£	+	£	+	£	+	£	=	£	x		£
7.		£	+	£	+	£	+	£	=	£	x		£
8.		£	+	£	+	£	+	£	=	£	x		£
9.		£	+	£	+	£	+	£	=	£	x		£
10.		£	+	£	+	£	+	£	=	£	x		£

Total cost per year of contract staff

£

A1. What proportion of your workforce will be working on this contract?

For example, if you have 6 full-time employees and 3 of them will be working on the contract full time and 2 will work half time, 66% of your workforce hours would be spent on the contract.

Contract working hours

Hours per week	x	Number of employees	=	
35	x	3	=	105
17.5	x	2	=	35
	x		=	
Total			=	140

Total working hours

Hours per week	x	Number of employees	=	
35	x	6	=	210
	x		=	
	x		=	
Total			=	210

Proportion of workforce working

on the contract: $\frac{140}{210} = 66\%$ A1

Contract working hours

Hours per week	x	Number of employees	=	
	x		=	
	x		=	
	x		=	
Total			=	

Total working hours

Hours per week	x	Number of employees	=	
35	x		=	
	x		=	
	x		=	
Total			=	

Proportion of workforce working

on the contract: $\frac{\text{Grey}}{\text{Orange}} = \text{Green}$ A1

B. In order to fulfil the contract; how much more will you be required to spend on:

	Expense	Budget	x	Number of staff/sessions/months	=	Total
1.	Travel	£1,000	x	5 staff	=	£5,000
2.	Training	£200	x	5 staff	=	£1,000
3.	Recruitment	£200	x	1	=	£200
4.	Materials	£160	x	50 weeks	=	£8,000
5.	Reporting costs	£90 (1/2 day per quarter)	x	4 quarters	=	£360
6.	Lunch/snacks	£500	x	50 weeks	=	£25,000

Total 'other' costs: £ 39,560 B

	Expense	Budget	x	Number of staff/sessions/months	=	Total
1.		£	x		=	£
2.		£	x		=	£
3.		£	x		=	£
4.		£	x		=	£
5.		£	x		=	£
6.		£	x		=	£

Total 'other' costs: £ B

C. What do you have budgeted for overhead costs?

	Expense	Monthly budget	x	12 Months	x	% from A1	=	Total
1.	Rent	£1,000	x	12	x	66%	=	£7,920
2.	Rates	£125	x	12	x	66%	=	£990
3.	Electric/Gas	£500	x	12	x	66%	=	£3,960
4.	Water	£22	x	12	x	66%	=	£174
5.	Maintenance	£40	x	12	x	66%	=	£317
6.	Depreciation	£84	x	12	x	66%	=	£665
7.	Office supplies	£12	x	12	x	66%	=	£95
8.	Finance costs	£60	x	12	x	66%	=	£475

Total cost of contract overheads: £ 14,596 C

	Expense	Monthly budget	x	12 Months	x	% from A1	=	Total
1.		£	x	12	x		=	£
2.		£	x	12	x		=	£
3.		£	x	12	x		=	£
4.		£	x	12	x		=	£
5.		£	x	12	x		=	£
6.		£	x	12	x		=	£
7.		£	x	12	x		=	£
8.		£	x	12	x		=	£

Total cost of contract overheads: £ 14,596 C

D. What is the annual cost of the contract?

1.	From A	Total cost per year of contract staff	£ 97,750
			+
2.	From B	Total 'other' costs	£ 39,560
			+
3.	From C	Total cost of contract overheads	£ 14,596
			=
		Total Annual cost of contract	£ 151,906

1.	From A	Total cost per year of contract staff	£
			+
2.	From B	Total 'other' costs	£
			+
3.	From C	Total cost of contract overheads	£
			=
		Total Annual cost of contract	£

To calculate unit cost, take the the total annual cost of the contract 'D' and divide it by the total number of 'units' you will be providing, i.e. number of daycare places, weekly homework club sessions or families reached by your service:

D $\frac{£ 151,906}{30}$ Units = **£ 5,064** UNIT COST

D $\frac{£}{\text{Red}}$ Units = **£** UNIT COST