



ACT
Government

AUSTRALIAN CAPITAL TERRITORY

**STANDARD COSTING
PARAMETERS
2016**

18 August 2016

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1.0 Standard Costing Arrangements

1.1 Benchmark Costing

Under the *Election Commitments Costing Act 2012* (the Act), the Director-General may be requested to cost election commitments during the ACT Legislative Assembly election process. For the purposes of this document, the position of Director-General is defined as the Under Treasurer of the ACT Government's Chief Minister, Treasury and Economic Development Directorate.

Consistent with Section 7 of the Act, this document, in conjunction with the *Guidelines for Costing Election Commitments 2016* (the Guidelines), sets out "benchmark" standard costs to assist in costing election commitments.

Treasury acknowledges that a benchmark cost may not be suitable in all circumstances and that it is important to consider the context and scale of activities to be costed. In particular, Treasury will consider whether a commitment represents a marginal increase in service levels or activity or a more significant incremental increase. Similarly, Treasury will take into account the scale of the increase vis-a-vis the underlying size and functions of the Directorate or agency.

In preparing costing requests parties should:

- Provide costs on an annual basis for the budget year (2016-17) and the following three financial years. Inclusion of costs for 2020-21 and future years is also acceptable.
- Separately identify revenue, expense and capital components.
- Indicate where expense or revenue levels are not expected to reach peak levels until after the end of the forward estimates period.
- Indicate whether Directorate/agency expenses associated with implementation of a proposal are to be absorbed or supplemented.
- Identify full-year, part-year and one-off effects.
- Generally provide point estimates; however, a costing range may be provided if that is considered more appropriate.

The Under Treasurer reserves the right to amend or update this document to reflect material changes that may occur following its public release.

1.2 Cost Elements

Standard or benchmark costs are as follows.

1.2.1 Employment of Frontline Staff (Average Total Cost)

\$99,130	per Bus Driver ^(a)
\$110,000	per Classroom Teacher ^(a)
\$155,000	per Fire Fighter ^{(a)(b)}
\$170,000	per Fire Station Manager ^{(a)(b)}
\$173,000	per Nurse ^(a)
\$141,000	per Police Officer (Constable rank) ^(c)
\$190,000	per Police Officer (Sergeant rank) ^(c)

Notes:

(a) Includes on-costs (workers compensation, superannuation, leave etc)

(b) Includes overtime provision

(c) Includes on-costs (workers compensation, superannuation, leave and enabling costs)

1.2.2 Employment of Frontline Staff – Indicative Crew Costs

\$446,000	per 16 Fire Fighter college recruits (includes uniform costs, overtime and all other training related expenses).
\$1,962,000	per Ambulance Crew, based on 15 paramedics, two rostered crew shifts per day (24/7) (includes employee costs, administrative oncosts, training and uniform related costs, and vehicle maintenance).

1.2.3 Hospital Related Operating Costs

\$455,000	per Acute Care bed ^(a)
\$165,000	per Hospital in the Home bed ^(a)
\$1,145,000	per Intensive Care Unit bed ^(a)
\$1,315,000	per Paediatric High Dependency bed ^(a)

Notes:

(a) The 2012 and 2016 costs are not directly comparable. The 2012 parameters provided marginal costs, while the 2016 parameters represent a gross cost. The 2016 costs include, for example: medical and supplies costs, pharmacy costs, pathology costs, cleaning, repairs and maintenance, equipment, food, linen and electricity and overhead costs (but not capital components). They also include the additional staff and oncosts beyond direct nursing salaries, such as a component towards the cost of registrars, wardsmen/administrative support, health professionals (providing pathology, pharmacy, radiology and imaging services), as well as allied health and bio-medical staff.

1.2.4 Vehicle Costs

\$250,000	per Ambulance Vehicle ^(a)
\$850,000	per ACT Fire and Rescue pumper (two axle heavy rescue pumper and equipment) ^(a)
\$433,842	per rigid ACTION bus ^{(a)(b)}
\$691,000	per articulated ACTION bus ^{(a)(b)}
\$10,500	per annum lease on a small passenger vehicle ^(c)

Note:

(a) Estimated capital costs – does not include vehicle maintenance, fuel and other running costs.

(b) Cost is GST exclusive.

(c) Based on 2016-17 average annual lease cost over four years for a 1.8 litre automatic, 4-cylinder motor vehicle, including routine servicing, registration, insurance, roadside assistance and a fuel budget of \$200 per month.

1.3 Wages and Salaries

An average salary cost for each generic administrative classification within the ACT Public Service is provided at [Attachment A](#). Specific occupational groups are not covered in this template. If required, these groups will be costed at the average or specific salary for that group and level.

1.4 Superannuation Contribution Rates

The benchmark ACT Government rate for superannuation for new employees is 10.5 per cent.

1.5 Leave Benefits

The benchmark for accruing benefits is 4 per cent. This includes 2.5 per cent for long service leave (ie 9 days per year) and an annualised rate of 1.5 per cent for leave loading.

1.6 Workers' Compensation

The cost of workers' compensation premiums varies depending on workforce structure. [Attachment B](#) provides indicative rates. These are applied to the average salary for the appropriate position level in Column "A" of the 2016-17 Average Salary Costing Template (at [Attachment A](#)).

1.7 Administrative On-Costs

The benchmark administrative oncost for new employees in 2016-17 is \$17,295. This estimate is based on the following:

	2016-17 \$
Administrative Component (including items such as desktop IT items and support, accommodation, insurance, training etc)	15,282
Corporate Component (Human Resource and Finance Services)	2,014
Total Administrative On-Cost	17,295

1.8 Depreciation Schedules for Different Asset Classes

Benchmark depreciation/amortisation for non-current assets as follows:

Class of Asset	Depreciation Method	Useful Life (Years)
Buildings	Straight Line	5-100
Infrastructure	Straight Line	5-100
Land Improvements	Straight Line	5-100
Leasehold Improvements	Straight Line	2-10
Plant and Equipment	Straight Line	2-20
Motor Vehicles	Straight Line	2-4
Externally Purchased Intangibles (Software)	Straight Line	2-5
Internally Developed Intangibles	Straight Line	2-5
Community and Heritage Assets	Straight Line	5-100

Non-current assets with a limited useful life are depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. The useful life commences when the asset is ready for use. When an asset is revalued, it is depreciated/amortised over its newly assessed remaining useful life.

Land, and some community and heritage assets have an unlimited useful life and are therefore not depreciated. Leasehold improvements are depreciated over the estimated useful life of each asset.

All depreciation is calculated after first deducting any residual values which remain for each asset.

Applicable Accounting Standards include:

- AASB 116 *Property, Plant and Equipment* – prescribes the accounting treatment for property, plant and equipment (PPE) including their recognition, and the determination of their carrying amounts, depreciation and impairment losses.
- AASB 138 *Intangible Assets* – defines an intangible asset and prescribes the recognition, measurement and disclosures applicable to intangible assets which are not dealt with specifically in another Standard.

1.9 Amortisation

Amortisation is used in relation to intangible assets and depreciation is applied to physical assets such as buildings, infrastructure assets, and plant and equipment. All major information technology systems exceeding \$50,000 in value are amortised over three years (ie 33 per cent per annum).

1.10 Other Items

1.10.1 Interest Rates

The benchmark interest rate is that publicly announced by the Reserve Bank of Australia (RBA). Consistent with the RBA's advice on 3 August 2016, the cash rate target is presently 1.5 per cent (correct at time of publication).

1.10.2 Cost of Funds

The benchmark interest rate for the cost of funds is presently 2.5 per cent. This will be the benchmark used by Treasury to cost the funding costs for capital works.

1.11 General Cost Escalators

The Chief Minister, Treasury and Economic Development Directorate's costings assume that expenditure will start in 2016-17 (ie the current budget period). The costs provided in this paper apply to 2016-17, but will need to be escalated at a general price escalator for 2017-18 and beyond. Treasury advice is that for 2017-18 and beyond, salary and non-salary running costs be escalated at the projected CPI growth rate of 2.5 per cent.

The table below provides up-to-date forecasts and projections for the ACT economy. Actuals are provided where available.

1.12 Economic Forecasts, Year-Average Percentage Change¹

	Actual	Estimate/ Actual	Forecasts	Projections		
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
ACT						
Gross State Product ²	1.4	2	2½	2½	2½	2½
State Final Demand ³	1.5	2½	2½	4	4	4
Employment	0.1	1.5*	1½	1½	1½	1½
Wage Price Index ⁴	1.9	1.9*	2	3½	3½	3½
Consumer Price Index	0.8	0.8*	1	2½	2½	2½
Population	1.5	1½	1½	1½	1½	1½
Australia						
Gross Domestic Product ^{3,5}	2.2	2½	2½	3	3	3

Sources: ABS Cat. No. 3101.0, 5206.0, 5220.0, 6202.0, 6345.0 and 6401.0; CMTEDD; Commonwealth Pre-election Economic and Fiscal Outlook 2016.

Notes: (*) Actual. Forecasts and projections are rounded to a ¼ of a percentage point, reflecting an appropriate level of accuracy in forecasting economic parameters. Projections are based on long-run trend assumptions.

1. Forecasts are on a through the year (tty) basis, unless otherwise specified.
2. Gross State Product is forecast on a real basis.
3. Year average basis.
4. Total hourly rates of pay excluding bonuses.
5. These are Commonwealth Pre-election Economic and Fiscal Outlook 2016 forecasts.

Additional economic data for the Australian Capital Territory (2015-16):

Employment:	212,800 persons (June 2016)
Gross State Product:	\$34.9 billion (2014-15)
Population:	393,013 persons (December 2015)

Attachment A – 2016-17 Average Salary Costing Template

Assumptions

- Salary figures based on average of salary classification increments.
- New staff superannuation rate is 10.5 per cent.

Position Level	Average Salary (a)	Superannuation (10.5%) (b)	LSL/LL (4%) (c)	Sub-Total (a) + (b) + (c) = (d)	Workers' Comp Rate* (e)	Total Workers Comp (a) x (e) = (f)	Total Salary and Salary On-Costs (d) + (f) = (g)	Admin On-Costs (h)	Total Salary, Salary on-costs and admin on-costs (g) + (h) = (i)	Number of Staff (FTE) (j)	Total Costs (i) x (j) = (k)
SOG A	134,862	14,161	5,394	154,417		0.0	154,417	17,295	171,712		0
SOG B	122,124	12,823	4,885	139,832		0.0	139,832	17,295	157,127		0
SOG C	102,363	10,748	4,095	117,206		0.0	117,206	17,295	134,501		0
ASO 6	82,373	8,649	3,295	94,317		0.0	94,317	17,295	111,612		0
ASO 5	74,908	7,865	2,996	85,770		0.0	85,770	17,295	103,065		0
ASO 4	68,270	7,168	2,731	78,169		0.0	78,169	17,295	95,464		0
ASO 3	61,133	6,419	2,445	69,997		0.0	69,997	17,295	87,292		0
ASO 2	54,719	5,746	2,189	62,653		0.0	62,653	17,295	79,948		0
ASO 1	48,305	5,072	1,932	55,309		0.0	55,309	17,295	72,604		0

Total

* The applicable Workers' Compensation rate should be used to calculate this figure. Relevant rates may be found at [Attachment B](#).

Attachment B – Indicative Benchmark 2016-17 Comcare Premium Rates

Directorate	Premium Rate
Justice and Community Safety	8.47%
JACS - Other	2.49%
Corrections	15.34%
Emergency Services Authority (ESA)	10.19%
ACT Fire and Rescue	10.52%
Rural Fire Service	6.20%
ACT Ambulance Service	10.52%
SES	10.17%
Admin, Other	5.07%
Education	2.94%
Secondary Colleges	2.29%
High Schools	4.64%
Primary / Combined Schools	2.06%
Special Schools	8.75%
Preschools	3.34%
Learning, Teaching and Student Engagement	3.53%
Tertiary Education, Corporate and Support Services	2.72%
Chief Minister, Treasury and Economic Development	2.23%
Chief Minister and Treasury (Core)	1.18%
Australian Capital Territory Insurance Authority (ACTIA)	1.47%
Asbestos Taskforce	0.70%
Access Canberra	3.20%
Access Canberra (Core)	3.21%
ACT Gambling and Racing Commission	0.70%
Shared Services	2.02%
Economic Development	2.34%
Economic Development (Core)	1.86%
Land Development Agency	0.70%
Property Group	6.37%
Cultural Facilities Corporation	3.91%
Arboretum	6.80%
Building and Construction Industry Training Board	0.72%
University of Canberra	1.37%
Canberra Institute of Technology	2.16%
Housing ACT	4.45%
Calvary Health Care	5.65%
Community Services Directorate	9.96%
Therapy ACT	2.13%
Disability Services	17.69%
Corporate and Executive	3.41%
Office for Children, Youth and Family Support	11.44%
Health Directorate	3.47%
Office of the Director-General	0.93%
Deputy Director-General: The Canberra Hospital and Health Services	3.33%
Mental Health, Justice Health and Alcohol and Drug	4.08%
Surgery, Oral Health and Medical Imaging	4.71%
Women, Youth and Children's Health	3.82%
Office of the Deputy Director-General: The Canberra Hospital and Health Services	2.13%
Medicine	2.13%
Pathology	1.30%

Directorate	Premium Rate
Critical Care	3.26%
Clinical Support Services	7.83%
Rehabilitation, Aged and Community Care	1.62%
Cancer, Ambulatory and Community Health Support	1.60%
Deputy Director-General Strategy and Corporate	6.21%
General Practice Program	6.93%
Business and Infrastructure	8.87%
People, Strategy and Services Branch	2.53%
Performance and Information	4.98%
Policy and Government Relations	0.86%
E-Health and Clinical Records	4.63%
Deputy Director-General Strategy and Corporate	0.35%
Population Health	1.87%
Financial Management	0.70%
Special Purpose Account	0.70%
Deputy Director-General Service and Capital Planning	0.89%
System Innovation Program	0.70%
Transport Canberra and City Services Directorate	4.61%
Corporate and Business Enterprises	4.79%
Ministerial Liaison and Executive Support	1.57%
Canberra Cemeteries	14.63%
Capital Linen Service	8.57%
Parks and Territory Services	5.43%
Yarralumla Nursery	19.94%
City Services	6.71%
ACT No Waste	4.05%
Libraries	1.04%
Parks and Territory Services Executive	0.70%
Licensing and Compliance	6.91%
Roads and Public Transport Division	3.00%
Roads ACT	5.14%
Asset Information and Management	1.00%
Roads and Public Transport Executive	0.70%
Public Transport	0.70%
Inner North Reticulation Network	0.70%
Capital Works Design and Delivery	3.05%
Environment and Planning	2.65%
Environment and Planning (Core)	0.70%
Parks, Conservation and Lands	5.94%
ACTION	13.58%
Legal Aid ACT	1.54%
ACT Auditor-General's Office	2.09%
Public Trustee for the ACT	1.62%
Independent Competition and Regulatory Commission	1.01%
Teacher Quality Institute	0.70%
ACT Government Executive	0.38%
ACT Legislative Assembly	0.70%
ACT Legislative Assembly Secretariat	0.70%
ACT Legislative Assembly Non-executive Members' Staff	0.70%
ACT Long Service Leave Authority	0.70%
Capital Metro Agency	0.70%
Elections ACT	0.70%