

Costing and Pricing of Library and Knowledge Services

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Project background

- Commissioned by National Library for Health 2008
- Now managed by SHA Library Leads (SHALL)
- Focus groups worked with external consultant, Lorraine Cooper, to identify:
 - library process stages;
 - time taken;
 - skill set used;
 - quantity of transactions
- Templates and training materials developed for NHS
- National Steering Group
 - Louise Goswami (lead), Linda Ferguson, David Copsey, Lorraine Cooper

Benefits of Costing - 1

- Exploring **cost efficiency** possibilities
- Workload planning and management
 - Maximising use of staff skills
 - Targeting professional skills set towards professional activities wherever possible
 - Undertaking tasks at the lowest and therefore least costly possible skill set
- Justifying service outcomes through cost, value and impact studies

Benefits of Costing - 2

- Prepare a **business case** to justify resources required to service
 - **staffed opening hours**
 - **activity demands of customers and users**
- Plan and control time input to projects and development work
- **Benchmark** cost, quality and outcomes of your library service compared to others of similar type and nature
- Inform **restructuring**, merger and right sizing discussions

Monitoring

Library Performance Management and Monitoring

Preparation and implementation of the annual library plan
Return of the annual library statistics
Special initiatives required within the NHS employing organisation

Bespoke

Bespoke "work"

Information Consultancy
One off customer requests
Development

Routine

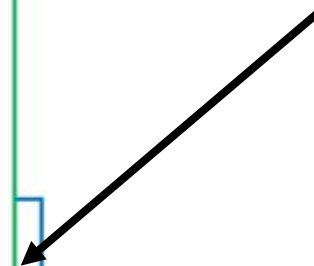
"Routine" Transactions

Process Cost
"Standard Cost"

Ready to serve

Opening Hours)	£ equiv
Professional Cover)	of Min
Information Materials)	Quality
		Thresholds

Notice the overlap?



The Core Cost Framework

- One Excel workbook, six worksheets
- Worksheets
 - Basic management information
 - Direct service requirements-staff
 - Direct service requirements-materials
 - Summary operating budget-process costs
 - Summary costings
 - Organisations support requirements
- Together they will provide resources required to service activity

Basic Management Information Spreadsheet – What Type of Presence?

- Starts from the premise of a *commissioned service*
- Asks the questions associated with *minimum quality thresholds*
 - How many weeks per year do we want the library open?
 - How many hours per week?
 - How many extended hours?
 - To what extent should these be staffed by professional staff?
- Information used to determine the **minimum staffing** requirement in hours at that site

Example Minimum Required Staff Hours

Hours required to meet commissioners' core staffed hours requirement

Core staffed hours required by commissioners.	2242
Lunchtime cover at agreed staffed days per year for one person (<i>Delete this figure where you close at lunch time</i>)	270
Additional break time for one person at half hour per person, per extended opening hours day	0
Total staffed hours required	2512
Exceptional local requirement for additional member of staff to be on duty (for instance for H & S reasons)	0.00
Hours due to staff in lieu of work undertaken on unsociable days/times.	5
Total staff hours required to meet Commissioners' core staffed hours requirement	2517

Time Staff Have Available

Three types of time available to staff:

- Non-productive time
- Indirect service activities time
- Direct service activities time

Non-Productive Time

- Starting point is total time available according to contracts.
- 253 days available after bank holidays (8) and two days off per week (weekends!)
- Deductions made for:
 - Annual leave
 - Sickness
 - Special leave
 - **Agreed** professional development

Worked Example

Calculation of Non Productive Hours

		1st Professional	2nd Professional	Para Professional
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		1st Professional	2nd Professional	Para Professional
Days Available	Days	253	253	253
Less Annual Leave	Days	33	29	27
Less Sickness	Days	10	10	10
Special leave (where applicable)	Days	0	0	0
Agreed professional development	Days	7	7	7
NET DAYS	Days	203	207	209
Hours Available @ 7.5 per day average	Hours	1523	1553	1568

What Are Indirect Service Activities Hours?

- The number of hours staff have to devote to the library after **non-productive hours** have been deducted
- **Indirect service activity hours** are those pieces of work that go on “behind” direct service provision
 - Management and supervision of staff
 - Communications and administration meetings
 - Non service activity related e-mails
 - Essential corporate meetings
- These are deducted from the **Non-Productive Hours** calculation to arrive at the time available for **Direct Service activities**

Deductions Made For Indirect Service Activities

Indirect Service Activities		1st Professional	2nd Professional	Para Professional
Management, supervision, staff appraisal, health and safety and other people management activities	Hours PA	188	23	22
Maximum communication and administrative meetings	Hours PA	94	94	47
Non service activity related emails, i.e. not included in process costing	Hours PA	138	0.00	0.00
Minimum essential corporate meetings	Hours PA	60	0.00	0.00
Total Indirect Service Activities	Hours PA	480	117	69
Indirect Service hours as % of hours	Hours PA	31.53%	7.50%	4.40%
Time available for direct service activities	Hours PA	1043	1436	1499

The figures in yellow cells are used to calculate the hourly rate costs on the basic management information spreadsheet

FTE and Staff Cost

The FTE needed to cover staffed opening requirements and minimum professionally qualified cover arrangements is calculated automatically for you

Minimum staff cost	Hours requirement	FTE	Total
Professional staff cover 1FTE	1100	1.00	£58,373.33
Subsequent professional FTEs to meet minimum professional cover threshold	582	0.40	£14,586.09
Commissioners' minimum professional staffing requirement	1682	1.40	£72,959.43
Para professional staff cover (including cover for breaks)	836	0.58	£13,586.56
	2517	1.98	£86,545.99

What Is Process Costing?

- Method for costing services delivered **time and time again**
- Where there are **known stages** in procedures
- **Sample period** examines skills set used for stages and time taken to complete a sample workload
 - Usually 5% of your annual workload
- Results extrapolated over the year and used to set Standard Costs
 - Staff time: Skill sets & Staff hourly rates
 - Information materials
 - Other supplies, services, materials and other costs

Library Services Suitable For Process Costing

- Information Consultancy
- User induction
- Current awareness and alerting
- User information skills training
- Document supply
- Acquisitions, including stock selection
- Cataloguing and classification
- Stock editing
- Shelving
- User registration
- Athens registration
- ICT logons
- Opening and closing routines
- Displays
- Publicity
- Focus groups
- Website and intranet content creation and maintenance
- Issues and renewals
- Reservations
- Answering enquiries

Document Supply Blank Template

Stage	Activity undertaken	Skills Set Responsible for this task	Average time spent on this part of the process in minutes
Stage 1	Prior Discussion with user either face to face or e-mail	Band	
Stage 2	Check Form (read hand writing, etc.)	Band	
Stage 3	Check catalogue	Band	
Stage 4	Check citation	Band	
Stage 5	Single search	Band	
Stage 6	Moderate complexity (2-4 sources)	Band	
Stage 7	Complex (5+ sources)	Band	
Stage 8	Fill in electronic request for any of above schemes	Band	
Stage 9	File form	Band	
Stage 10	Print off or e-mail electronic article	Band	
Stage 11	Photocopy or scan article	Band	
Stage 12	Receive request in paper or electronic form	Band	
Stage 13	Contact user	Band	
Stage 14	When request completed file in "Completed Requests" folder.	Band	
Stage 15	Hand or post to user	Band	
Stage 16	Chase non collection	Band	
Stage 17	Receive payment and complete income spreadsheets	Band	
Stage 18	Ongoing update ILL spreadsheet and/or request form	Band	
Stage 19	Archive form	Band	
Stage 20	Chase outstanding charges(averaged on per item basis	Band	
Total time Taken			0

Prepare A Projected Operating Budget

ILDS Projected Activity Levels		2913	
Costs	Hours	£	
Procedures and process staffing cost	1893.45	£31,625.71	
Information consultancy staffing cost	334.37	£5,584.82	£37,210.54
Variable Fees		£2,204.55	
Fixed Fees		£250.00	
Total Unit Cost		£39,665.09	
Average Unit Cost per Item	£13.62		

Costing and pricing

- Templates identify **costs**, they don't tell you the **price** you can charge
- **Price** may be more than, the same as, or less than cost
- Management decision

Wiki

- <http://nhscosting.pbworks.com> will move to the wiki that will be available through www.libraryservices.nhs.uk
- By invitation following training
- Must be providing library services for NHS staff
- Further templates under development
- FAQs

Further information

- linda.ferguson@nhs.net
- david.copsey@nhs.net
- Lorraine Cooper for similar work outside this current project, via Linda or David