

# Budgeting for change

Costing your change activity is a critical part of the planning process. You can use activity-based costing (ABC), an accounting method that recognises the relationship between costs, activities and products. ABC is often a primary tool used as an input to Business Case Analysis.

Before you start using the ABC method be aware that:

- Poor data quality will diminish the accuracy of costing.
- Having an incomplete understanding of how activities drive performance levels or outcomes can lead to incorrect allocation of resources.
- Insufficient detail in mapping business processes can lead to activities not being included.

## How to do it

- **Define customer/client services** – map the services delivered to clients, directly or indirectly, with a clear relationship to activities.
- **Link processes and services** – develop detailed process maps of the functions and activities conducted by employees to deliver services and also itemise additional non-labour costs.
- **Measure performance outcomes** – identify performance outcomes for each major service outcome.
- **Develop service and process costs** – identify direct and indirect labour and non-labour costs 'spent' by the activities for the measured level of performance. Report these as:
  - activity costs
  - process costs
  - service costs
  - labour costs
  - non-labour costs
  - total costs
  - performance costs.
- **Drive process standardisation/redesign** – model alternative process, activity and cost designs to achieve improved efficiency and effectiveness in service delivery (options analysis).
- **Present options analysis to managers/sponsor** – recommend preferred option for implementation by management and staff.
- **Reassign resources** (labour and non-labour costs).

