

# ENGINEUITY TUTORIAL



## Non Departmental Overheads



## Non Departmental Overheads

As well as the departmental overheads, there are also **non-departmental overheads** :-

- **Idle project managers** (Job Progression Screen)
- **Idle labour pool** (Job Progression Screen)
- **Bidding cost** (Procurement Screen)
- **Management consultant report**

We will take a look at each one.





# Non Departmental Overheads

**MAKING Job progression decisions (Labour) for period 5 in the Early Years**

Change period Key information Help

**IDLE LABOUR POOL**

**START OF THE PERIOD**

Number in the idle pool: 28

Number to layoff: 0

Number available for jobs in progress: 28

**AFTER DECISIONS**

Net transfers: 0

Number left in the idle pool: 28

## IDLE LABOUR

The company's own site-based labourers who are not currently allocated to a job in progress are held in the **Idle Labour Pool**.

Labour can reside in the pool for a number of reasons :-

- Own labour is **automatically transferred** to the pool upon completion of a job.
- They may have been deliberately transferred there by the construction manager, and not reallocated to site.

Idle labourers incur a cost whilst they are in the idle pool, so it is always more cost-effective to keep the idle labour pool as low as possible, using the company's own fully-trained staff on contracts that are in progress.

## KEY POINTS

Sometimes a decision is made to **deliberately keep excess labour** in the idle pool. This may happen if the company is expecting to win a labour-intensive job, and its cheaper to pay them for being idle in the short-term, rather than incur potentially higher costs for laying off and then retraining new staff in the future.



# Non Departmental Overheads

IDLE LABOUR POOL	
<b>START OF THE PERIOD</b>	
Number in the idle pool:	28
Number to layoff:	0
Number available for jobs in progress:	28
<b>AFTER DECISIONS</b>	
Net transfers:	0
Number left in the idle pool:	28

The cost per annum of keeping one idle labourer is shown in the **Industry parameters**.

In this example the cost of keeping 1 idle labourer each period is 1,500 (6,000 / 4).

**Hence, for 28 idle labourers the cost in the period is  $28 \times 1,500 = 42,000$ .**

OWN LABOUR	
New recruits hired to:	50 this period
Training cost for each new recruit:	2,500 per person
Labour payoff rate:	750 per person
Each idle labourer costs:	6,000 per annum



# Non Departmental Overheads

**Industry parameters**

FINANCE    OVERHEADS    **PROCUREMENT**    JOB PROGRESSION

**BIDDING COSTS** The cost of bidding for a job is: **0.2** % of the approximate job value

**BIDDING LIMITATIONS** In a period, the number of jobs in progress at the beginning of the period, plus the number won during bidding, cannot exceed: **10** jobs  
Forward workload cannot exceed: **10** times the capital base

**RISK**

Likelihood	Chance it hits
High	70 to 80 %
Medium	40 to 50 %
Low	20 to 30 %

**Legend:**  
Fixed for all periods (Yellow)  
Can vary each period (Red)

## BIDDING COST

Each job that the company bids for incurs a bidding cost, depending upon the approximate value of the job, defined in the **Industry parameters**.



# Non Departmental Overheads

**MAKING Procurement decisions for period 6 in the Early Years**

Change period Assessing performance Industry information Help

### PROCUREMENT RESTRICTIONS

#### Company Based Limitations

**NUMBER OF JOBS IN PROGRESS**

At the start of the period, the number of jobs in progress is: **3** (job progression screen)

The number of jobs in progress after bidding cannot exceed: **10** jobs

Hence, the maximum number of jobs that can be won is: **7** jobs during bidding

**VALUE OF WORK IN PROGRESS**

The initial forward workload is: **16,003,450** (job progression screen)

The current value of the capital base is: **4,212,484** (financial decision screen)

The current capital base can support forward workload of: **42,124,840** (10 x capital base)

Hence, the value of work that can be won cannot exceed: **26,121,390** during bidding

Job	Country	Type	BIM	Size	App Value	Duration	Description	Sector	Client	Job	Bid	Bid value
101	United Kingdom	BO	No	Small	5,000,000	3	Improvements to tennis facilities	Building & Commercial	Sport England	101	No	0
103	United States	BO	Yes	Small	5,000,000	2	Minor changes to Toyota Park	Building & Commercial	Chicago City Developments	103	Yes	5,096,184
108	United Kingdom	DB	Yes	Medium	10,000,000	3	Build state-of-art fencing complex	Building & Commercial	Sport England	108	Yes	10,608,950
109	Qatar	BO	Yes	Medium	10,000,000	3	New shopping complex	Building & Commercial	Qatar 2022	109	Yes	10,156,050
110	United Kingdom	BO	Yes	Small	6,000,000	3	New water vapour removal units	Energy	Crawford Petrochemicals UK	110	No	0
111	United Kingdom	BO	No	Medium	8,000,000	4	Construct A338 Ringwood bypass	Transport	New Forest County Council	111	No	0
113	New Zealand	BO	Yes	Large	20,000,000	4	Meat processing plant redevelopment	Industrial	NAMCO Meat Products	113	Yes	20,821,800
123	United Arab Emirates	BO	Yes	Medium	8,000,000	3	Hydro electric power plant upgrade	Energy	Emirates Energy	123	No	0
125	United Kingdom	BO	Yes	Small	3,000,000	2	Refurbish Blackwood primary school kit	Building & Commercial	Fenlands County Council	125	No	0

In the example shown the company have bid for 4 jobs, and the bidding cost for the period is :-

Job 103: 0.2% of 5,000,000 = 10,000  
 Job 108: 0.2% of 10,000,000 = 20,000  
 Job 109: 0.2% of 10,000,000 = 20,000  
 Job 113: 0.2% of 20,000,000 = 40,000  
**Total: 90,000**



# Non Departmental Overheads

**Industry parameters**

**FINANCE** | **OVERHEADS** | **PROCUREMENT** | **JOB PROGRESSION**

**CASH ACCOUNT**  
 Credit rate: 2 % per annum  
 Overdraft rate: 6.6 % per annum  
 Overdraft limit: 600,000

**CAPITAL BASE**  
 Increase limited to: 6 % this period  
 Sold off limited to: 20 % this period  
 Depreciation rate: 2.5 % per annum  
 Capital writing down: 25 % per annum

**INVESTMENTS**  
**Restrictions**  
 There cannot be more than: 6 investments at any point in time  
 For each investment the maximum increase in the investment is limited to: 100000 each period

**Benefits for jobs in progress**  
 A minimum amount of: 200000 needs to have been invested to obtain any benefits for jobs in progress

For investments that deliver build cost reductions, once the minimum amount has been invested to obtain benefits, and depending upon how much has been invested, the build cost reductions are between: 0.3 and 0.5 %

For investments that provide risk management services, once the minimum amount has been invested to obtain benefits, and depending upon how much has been investment, for risks that strike the risk cost reductions are between: 25 and 30 %

**Cease trading**  
 If an investment company ceases trading, the amount invested recovered is between: 25 and 30 %

**MISCELLANEOUS**  
 Cost of the management consultants report: 10,000 each period  
 Corporation tax rate: 25 %

Legend:  
 Fixed for all periods (Yellow)  
 Can vary each period (Pink)

**MANAGEMENT CONSULTANTS REPORT**

Each period an external management consultant carries out a detailed review of the company's activities, looking in particular for any problem areas.

The review is in the form of a report, and this has to be paid for, the cost being defined in the **Industry parameters**.

**Management Consultants Report**      Navigate to "Main menu/Measuring performance/Assessing performance/Management consultants report"

CLICK ON A REPORT LINE TO SEE IF ADDITIONAL HELP IS AVAILABLE

PRO [5] [ALL] [ALL] [ALL]

Category	Per	Status	Year/qtr	Job	In	Comment	Sub Category	Nature
PRO	5	Early Years	2024 (Q1)	74	UK	Bid rejected because it was too high	BIDDING	NEGATIVE
PRO	5	Early Years	2024 (Q1)	75	US	Bid rejected because it was too high	BIDDING	NEGATIVE
PRO	5	Early Years	2024 (Q1)	79	UK	Bid rejected because it was too high	BIDDING	NEGATIVE
PRO	5	Early Years	2024 (Q1)	81	UK	Bid accepted on price	BIDDING	POSITIVE
PRO	5	Early Years	2024 (Q1)	83	UK	Bid rejected because it was too high	BIDDING	NEGATIVE
PRO	5	Early Years	2024 (Q1)	87	UK	Bid rejected because it was too high	BIDDING	NEGATIVE





# Non Departmental Overheads

Financial Performance

Navigate to "Main menu/Measuring performance/Assessing performance/Financial analysis"

Management consultants report Graphical analysis

OPERATIONAL

SHAREHOLDERS

INVESTMENTS

Summary

Assets and liabilities

Per	Status	Year/qtr	Job performance				Company performance				Shareholders		Future outlook		
			Total value	Total cost	Gross profit	GP % cost	Overhead costs	OVH % of cost	Net operating profit	NOP % cost	Share price	Dividend % cost	Company value	Forward workload	Forward margin
1	History	2023 (Q1)	0	0	0		34,080		-30,580		0.93		4,844,420	0	0
2	History	2023 (Q2)	0	0	0		84,000		-80,522		1.06		4,646,054	21,681,700	937,916
3	History	2023 (Q3)	7,880,711	7,402,859	477,852	6.5 %	169,720	2.3 %	237,934	3.2 %	1.05	1.4 %	4,754,218	20,973,480	903,198
4	History	2023 (Q4)	12,720,600	12,293,440	427,161	3.5 %	155,000	1.3 %	213,947	1.7 %	1.04	0.9 %	4,852,965	20,831,500	905,458
5	Early Years	2024 (Q1)	13,025,620	12,384,630	640,992	5.0 %	247,720	1.3 %	213,947	1.7 %	1.04	0.9 %	4,852,965	30,317,150	1,168,737
6	Early Years	2024 (Q2)	9,640,023	8,925,667	714,356	7.4 %	247,720	1.3 %	213,947	1.7 %	1.04	0.9 %	4,852,965	30,317,150	1,168,737
7	Early Years	2024 (Q3)	14,262,650	13,523,850	738,800	5.2 %	247,720	1.3 %	213,947	1.7 %	1.04	0.9 %	4,852,965	30,317,150	1,168,737
8	Early Years	2024 (Q4)	20,819,720	19,725,490	1,094,224	5.3 %	247,720	1.3 %	213,947	1.7 %	1.04	0.9 %	4,852,965	30,317,150	1,168,737

The breakdown of overhead costs for the period, both departmental and non departmental is shown in the **Financial performance**.

PERIOD 8

CLICK HERE TO VIEW THE THE SUMMARY ABOVE TO SHOW THE PERIOD DETAILS

### JOB PERFORMANCE

Measured value:	20,921,750	?
Early completion bonus:	58,168	?
(less) Retention held:	248,400	?
Retention repaid:	88,201	?
Total value:	20,819,720	
(less) Costs:	19,725,490	?
<b>Gross profit:</b>	<b>1,094,224</b>	(5.5 % of job costs)

### COMPANY PERFORMANCE

(less) Overheads: 247,720 ? (1.3 % of job costs)

### FUTURE OUTLOOK

Forward workload: 30,317,150 ?

**Overhead Analysis for Period 8**

Department	Staffing levels					Period costs				
	Company staff			Agency	Total	Company staff			Agency	Total
	New	Paid Off	Own			Salaries	Recruit	Payoffs		
Marketing	1	0	9	0	9	63,000	5,040	0	0	68,040
Head Office	2	0	6	0	6	33,000	5,280	0	0	38,280
QHSE	1	0	4	0	4	30,000	5,400	0	0	35,400
Measurement	1	0	4	0	4	35,000	7,000	0	0	42,000

**NON-DEPARTMENTAL**

Cost of bidding:	54,000
Idle labour pool:	0
Idle project manager pool:	0
Management consultant report:	10,000
<b>Total:</b>	<b>247,720</b>