

# 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 (Project managers) for period 5 in the Early Years

Change period Key information Help

**IDLE PROJECT MANAGER POOL**

Last period		This period		
Name	Base	Name	Base	New
Ron Garvey	UK	Ron Garvey	UK	No

## IDLE PROJECT MANAGERS

Project managers employed by the company who are not currently allocated to a job in progress are held in the **Idle Project Manager Pool**.

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

- Project Managers are **automatically transferred** to the pool upon completion of a job.
- They may have been **deliberately recruited** by the personnel manager prior to being used on site, perhaps to prevent other companies from employing them (Later Years).

Project managers must be paid their salary whilst they are in the idle pool, which is a wasted cost, and it is important to try and allocate them to appropriate contracts.



# 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	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

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 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 %

Fixed for all periods

Can vary each period

## 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 kits	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: 1.6 % per annum  
Overdraft rate: 5.8 % per annum  
Overdraft limit: 650,000

**CAPITAL BASE**

Increase limited to: 12 % this period  
Sold off limited to: 26 % 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: 50 and 65 %

**MISCELLANEOUS**

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

Fixed for all periods  
Can vary each period

## 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]

[ALL]

Category	Per	Status	Year/qtr	Job	In	Comment	Sub Category	Nature
PRO	5	Early Years	2025 (Q1)	78	QAT	The expertise of The PW Partnership noticeably reduces build costs	BIDDING	POSITIVE
PRO	5	Early Years	2025 (Q1)	78	QAT	The BIM experience of The PW Partnership noticeably reduces build costs	BIDDING	POSITIVE
PRO	5	Early Years	2025 (Q1)	78	QAT	The job location compared to where the consultant is based slightly increases build costs	BIDDING	NEGATIVE
PRO	5	Early Years	2025 (Q1)	78	QAT	Bid accepted on price	BIDDING	POSITIVE
PRO	5	Early Years	2025 (Q1)	83	US	Bid rejected due to capital base not supporting the projected workload	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

			Job performance				Company performance				Shareholders		Future outlook		
Per	Status	Year/qtr	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	2024 (Q1)	0	0	0		34,080		-29,080		0.93		4,845,920	0	0
2	History	2024 (Q2)	0	0	0		70,000		-65,645		1.06		4,662,431	19,783,380	826,173
3	History	2024 (Q3)	6,904,933	6,780,843	124,090	1.8 %	127,720	1.9 %	-247	0.0 %	0.94	1.6 %	4,534,196	15,051,310	627,212
4	History	2024 (Q4)	11,039,530	10,451,260	588,273	5.6 %	129,000	1.2 %	350,539	3.4 %	1.09	0.9 %	4,781,791	20,822,000	886,934
5	Early Years	2025 (Q1)	11,037,440	10,801,880	235,563	2.2 %	204,270	1.9 %	30,162	0.3 %	1.12	1.5 %	4,630,569	30,512,920	1,265,528
6	Early Years	2025 (Q2)	13,261,360	12,764,620	496,739	3.9 %	201,170	1.6 %	221,333	1.7 %	1.20	0.9 %	4,717,664	28,166,920	1,130,604
7	Early Years	2025 (Q3)	11,878,210	11,106,770	771,437	6.9 %	209,310	1.9 %	424,535	3.8 %	1.39	1.1 %	4,997,540	30,131,270	1,219,148
8	Early Years	2025 (Q4)	17,959,820	17,206,740	753,074	4.4 %	237,720								

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

### PERIOD 8

#### JOB PERFORMANCE

Measured value: 18,118,240 ?

#### COMPANY PERFORMANCE

(less) Overheads: 237,720 ? (1.4 % of job costs)

#### FUTURE OUTLOOK

Forward workload: 25,775,640 ?

Forward margin: 1,024,003

## Overhead Analysis for Period 8

### DEPARTMENTAL COSTS

Department	Staffing levels					Period costs				
	Company staff			Agency	Total	Company staff				Total
	New	Paid Off	Own			Salaries	Recruit	Payoffs	Agency	
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:	44,000
Idle labour pool:	0
Idle project manager pool:	0
Management consultant report:	10,000
	237,720