



S2, WEEK 4: CAREERS, START-UPS AND PROJECT COSTINGS

KV6002: TEAM PROJECT AND PROFESSIONALISM



WHAT'S TO COME...

- Careers briefing (Dan Lewis).
 - General support.
 - Discipline specific provision.
 - Events and opportunities.
 - Post-graduation support and facilities.
- Start-up briefing (Ailsa Riddell).
 - Hatchery.
 - Guidance and support.
- Project costings (Lynne Conniss).
 - General principles and considerations for costings and pricing.
 - **Assumptions and requirements for the Terms of Reference assessment costings.**

EMPLOYMENT AND CAREER DEVELOPMENT

Date: 06 March 2019

Time: 14:00-16:00

Venue: ELA 002

- This workshop has been organised to **help you improve your future career and employability**, and will include a number of sessions throughout the academic year. The sessions will include internal and external speakers talking about how you can develop your skills, and internal, regional and nationwide support opportunities as well as inspiring talks from successful start-ups sharing their success journeys with you.
- **This week's talk** will be from Mr Graham Baty, Student and Graduate Enterprise Manager (Careers & Employment Service, SLS, Northumbria University). He will deliver **a session on the service offered by the University to its students/graduates interested in developing enterprising skills, entering self-employment or wanting to start a business**. This will include information on the type and level of support on offer internally, how to get started in self-employment/business start-up and the support available external to the University in the NE region.



PROJECT COSTINGS: LYNNE CONNISS

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BUDGET FORMATS

- **Company budgets:**
 - Covers twelve-month period and will include projects and other activities that take place during that time, as well as income and expenditure involved in running the company itself.
- **Project budgets:**
 - Looks specifically at income and expenditure relating directly to a specific project.
 - Covers the period of time that the project runs.
- This assessment requires **project budget/costings**.

PROJECT BUDGETING

- Project cost management.
 - Fixed and variable costs.
 - Direct and indirect costs.
- Estimating.
 - Analogous, parametric, bottom up.
- Project budget.
 - Relation to cash flow?
 - Monitoring and control.
- Read Kloppenborg Chapter 9: Budgeting Projects.
 - Kloppenborg, TJ. (2015) Contemporary project management. Third edition. Cengage Learning: Australia.
 - Available as eBook via library.

COSTING BASICS

- Costs are normally in two categories:
 - **Direct costs or variable costs.**
 - These are the costs that are directly related to the production of the products/services and vary dependent on the volume produced/extent of services.
 - Direct labour costs, material costs, direct production costs, logistics costs, travel, project-specific equipment/hardware/software etc.
 - **Indirect costs or fixed costs.**
 - These are the costs that the business incurs i.e. overheads.
 - Costs of business premises, administrative/managerial costs, costs of business services (insurance, vehicle leasing/maintenance, printing, Internet/IT services, software/hardware, advertising, accountancy services, general equipment costs etc.)
- **Total costs** for a given period are calculated by adding direct and indirect costs for the project in that period.

PRODUCT/SERVICE PRICING

Setting the right price for your product/service is a very important part of operating a business.

- Pricing is based on three principal considerations:
 1. What it costs **you** to produce/deliver the product/service.
 2. What the **customer** considers a good value price and will pay.
 3. What the **competition** is charging for the same/similar offering.
- **‘Cost plus’** pricing is the starting point for a business.
 - **Price = Total Costs + Profit ‘mark up’.**
 - Mark up varies with type of product/service and market.

RUNNING COSTS

- **Salary and wage-related overheads** such as: holiday allowance/pay; National Insurance; pension contributions.
- **Day-to-day office/business overheads** such as: office rent/rates; IT infrastructure, kit and equipment; power/lighting /heating; telephones (landlines, mobiles); postage and stationery; photocopying /printing; other overheads (e.g. hospitality); indirect overheads; marketing; admin, other charges etc.
- **Insurance**: employer liability and public liability (i.e. for visitors).
- **Other costs** such as: security; health and safety; finance and bank charges; legal services.

CONTINGENCY

- A budget should also include a **contingency to finance the unexpected.**
 - The contingency figure is usually between 5-10% of the total cost of the project.
- Contingency considerations should be **reflected in risk assessment.**

DAY RATE FOR BUSINESS / PERSON RATE PER DAY

- This is costing based on day rate as 'business' or for hiring out an 'employee' for the day.
 - Both these rates cover/include the daily running costs.
 - 'Person' day rate would depend on role/position of employee (i.e. senior higher rates, junior lower rates).
- Examples from one freelance agency.



ASSESSMENT I: TERMS OF REFERENCE COSTING REQUIREMENTS

WHAT YOU NEED TO DO FOR THE TERMS OF REFERENCE COSTINGS



TOR ASSESSMENT SPECIFICATION STATES...

- **Project costing:**

- Finally you are expected to calculate the notional cost for the development of the system. It is not notional cost in the sense you are not going to charge for the system and are not going to be paid to do it. You may assume you should be paid a **real living wage** for this activity (Living Wage Foundation (2018)).

- **Reference:**

- Living Wage Foundation, 2018, *What is the real living wage*, Available at: <https://www.livingwage.org.uk/what-real-living-wage> (Accessed 05/07/2018)

ASSUMPTIONS

- You are an **existing business**; we are not looking for start-up costs.
 - Assume you already have a fully serviced office space with a computer for each team member and other resources typically associated with the workplace.
 - Assume you have been awarded the project (i.e. no marketing costs, no time needed to 'bid' for or to plan the project).
- Each **team member is paid the same** (i.e. there is no hierarchy).
 - Use the [Living Wage Foundation](#) (see reference in previous slide).
- Assume employees **DO NOT have a pension scheme**.
- There is **no budget**; the actual cost of the project is required.
- We have **asked for costs not pricing**; therefore, no mark-up or profit margin should be added.
 - For the assessment, the Living Wage is deemed as the *minimum cost* (i.e. in reality, would pay wage that is commensurate with skill levels and experience but that is not required here).

RESEARCH REQUIRED

- Include **evidence** of:
 - Which fully serviced office space you have selected and how much this costs per day/week/month (depending on how the rates are advertised).
 - How you have arrived at the 'true' cost of an employee based on the National Living Wage.
 - How you have arrived at costings for insurance.
 - How you arrived at any project specific costs such as specialist hardware/software, travel, domain purchase and hosting (for web-based projects)... etc...
- You may use appendices where appropriate/necessary.
- **Sources** should be referenced (i.e. do not just include a list of URLs).

CALCULATE A 'DAY RATE' FOR EACH 'EMPLOYEE'

- Work out **running costs per day for your business** based on:
 - Cost of fully serviced office space.
 - Cost of insurance.
- Work out **on-cost wages for an employee per day** based on:
 - National Living Wage.
 - Employer contributions for National Insurance.
- Calculate the **'Day Rate' for each employee** based on:
 - $\text{Day Rate} = (\text{running costs per day} / \text{number of employees}) + \text{on-cost wages for an employee per day}$

PRESENTING PROJECT COSTS IN YOUR TOR

- Evidence research and working out.
- Then summarise:
 - The **day rate for each employee, number of staff, number of days required and total cost for staff time.**
 - Number of staff = the number in your team.
 - Number of days should be based on FT working equivalent, not duration (i.e. with part time hours).
 - **Project-specific costs.**
 - Itemise each.
 - Give quantities where appropriate and calculate sub-totals.
 - **Contingency cost.**
 - **Total for the project.**



QUESTIONS?

