

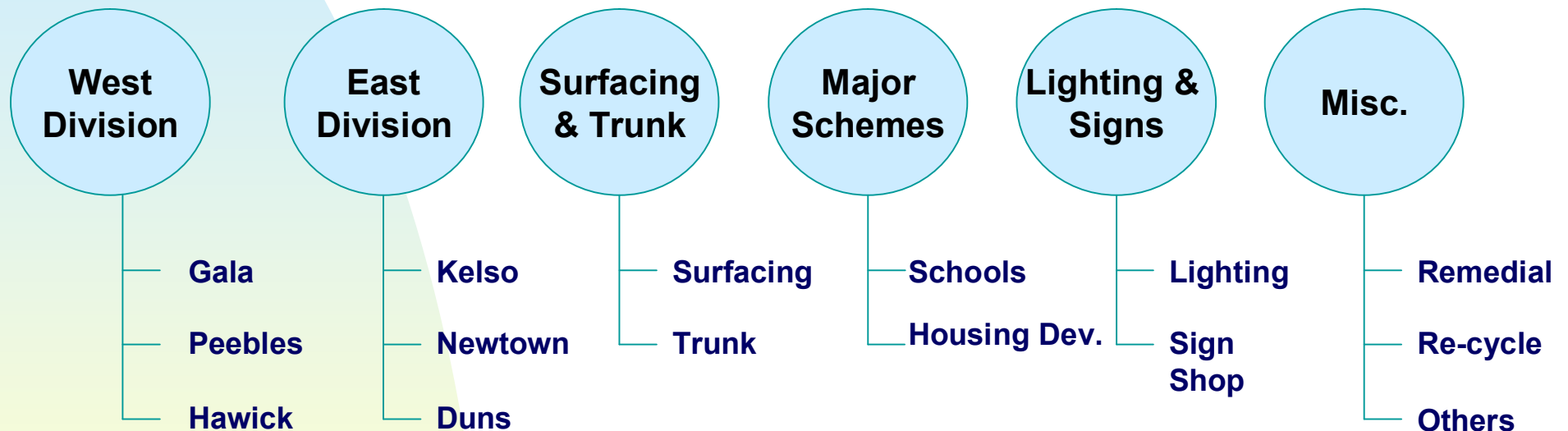
SBc Contracts : Analysis of Costs, Income & Surplus

TRADING COMMITTEE

3rd December 2007

SBC Contracts : Analysis of Costs, Income & Surplus

Servitor Cost Centres



Servitor Work Centres

- All of these Cost Centres can be engaged on both Internal and External work.

SBC Contracts : Analysis of Turnover

<u>Servitor Cost Centre</u>	<u>Turnover 2006/07</u>	<u>Labour Hours 2006/07</u>
West Division	3,021, 092	78,421
East Division	4,076, 449	106,496
Surfacing & Trunk	5,881, 086	70,602
Major Schemes	7,740, 661	66,912
Lighting & Signs	989,379	18,696
Winter Maintenance	1,761, 478	36,803
Miscellaneous	793, 254	34,877
TOTAL	24,263, 399	412, 807

SBc Contracts : Jobs Information

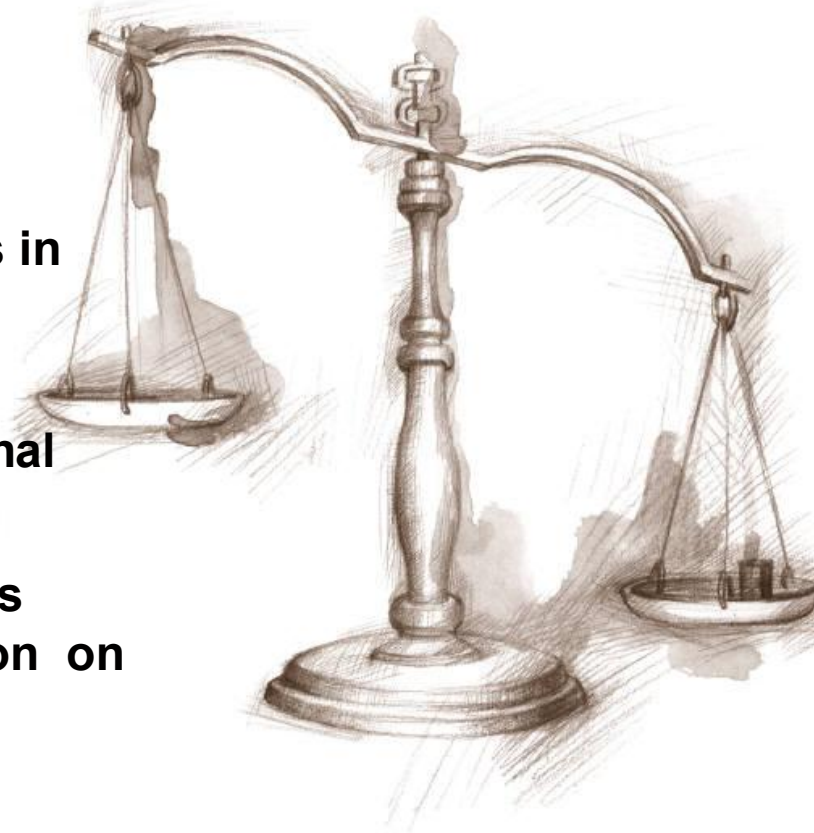
<u>Servitor Cost Centre</u>	<u>Number of Jobs</u> <u>2006/07</u>	<u>Average Job Value</u> <u>2006/07</u>
West Division	552	5,473
East Division	666	6,121
Surfacing & Trunk	638	9,218
Major Schemes	39	198,478
Lighting & Signs	674	1,468
Winter Maintenance	2	880,739
Miscellaneous	64	12,395
TOTAL	2,576	£9,419

SBc Contracts : JOB PROFITABILITY

2,576 Jobs Undertaken

INTERNAL

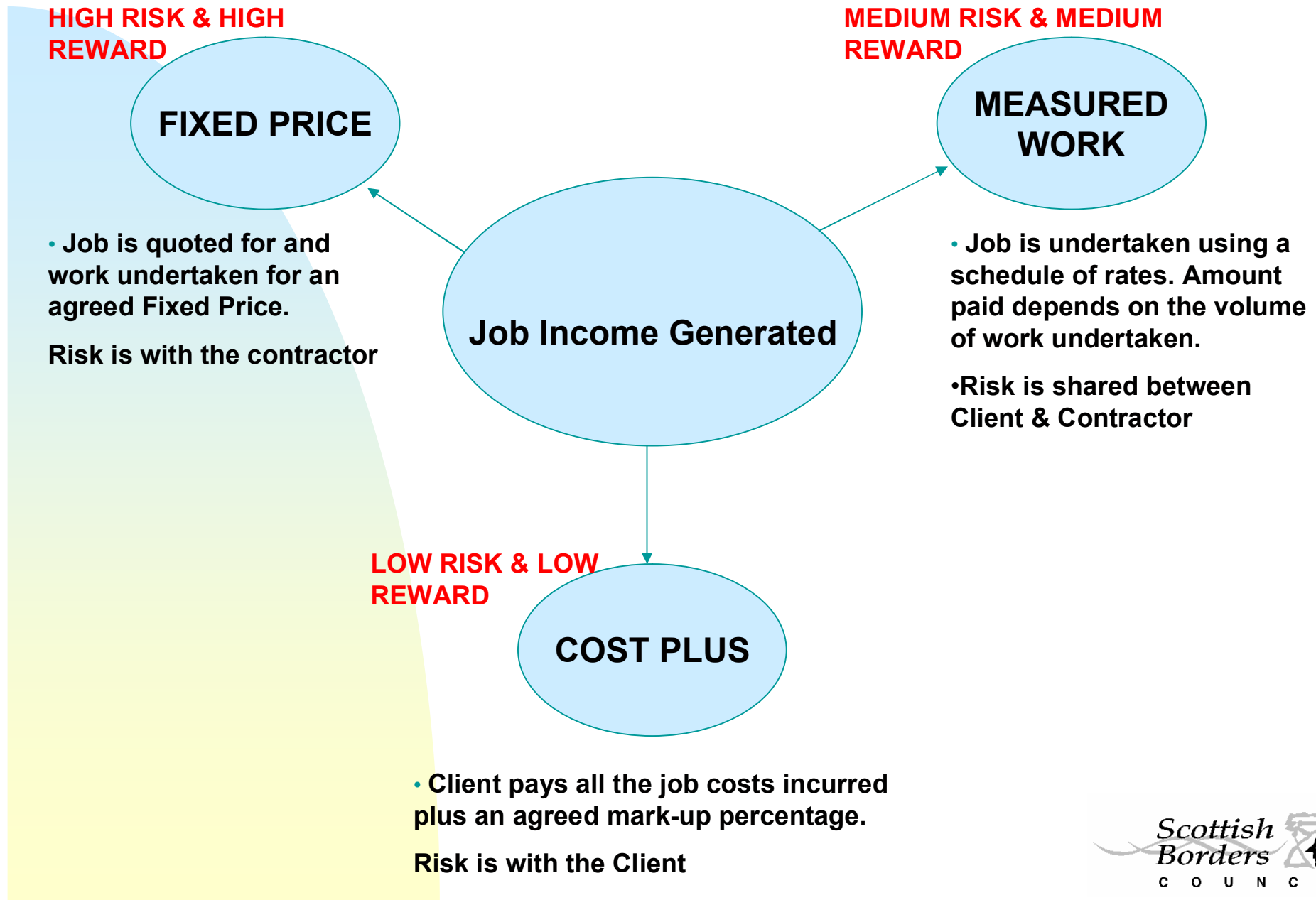
- 1,560 Internal Jobs in 2006/07
- Aim to offer “Best Value” to the internal client.
- Target for a surplus break-even situation on this family of jobs.



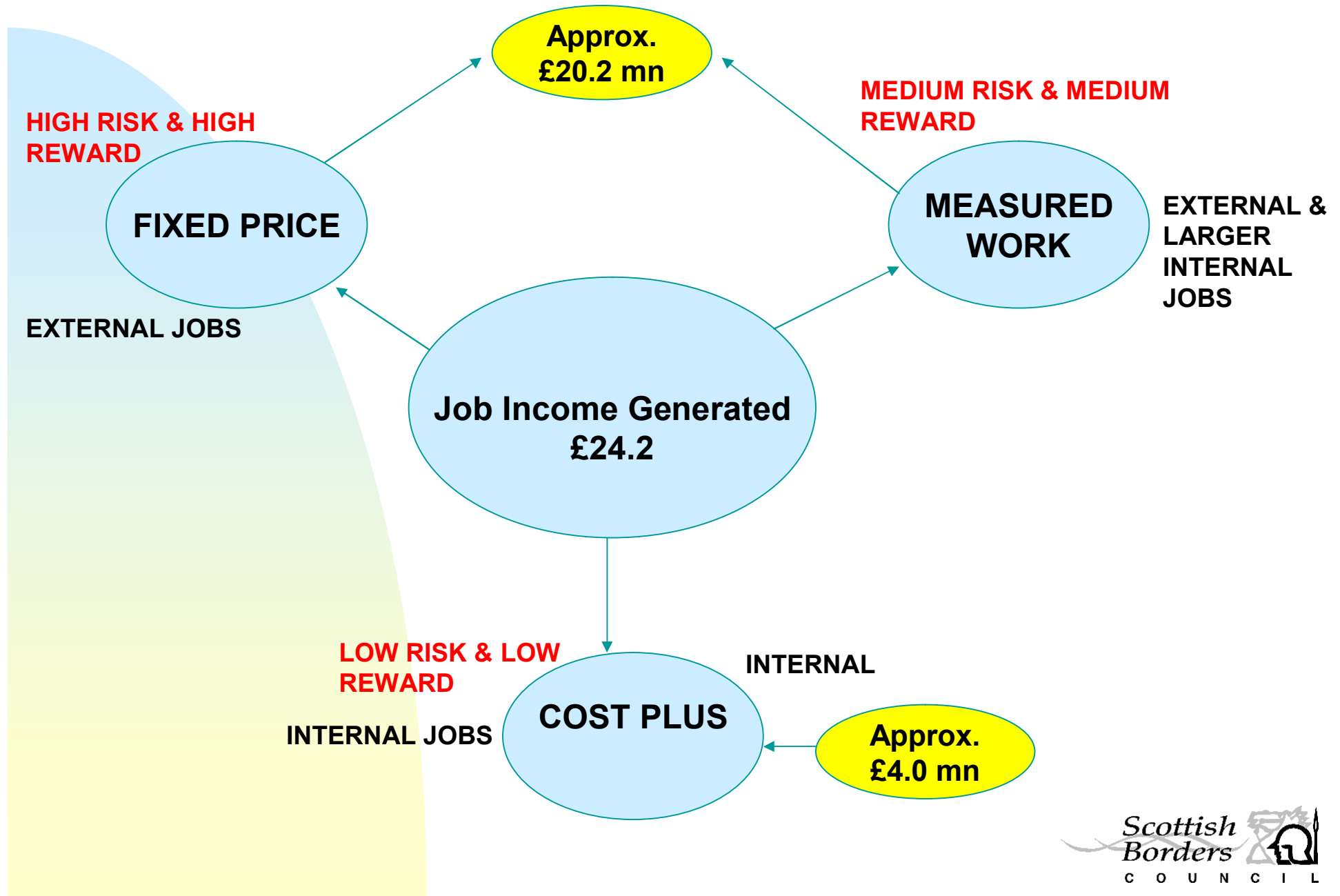
EXTERNAL

- 1,016 External Jobs in 2006/07
- Aim to offer Optimise Profits from external work.
- Target for all surplus generation to come from this family of jobs.

SBC Contracts : Analysis of Job Income Types



SBC Contracts : Analysis of Job Income Types



SBC Contracts : JOB PROFITABILITY

2,576 Jobs Undertaken

COSTS

- MATERIAL COSTS
- LABOUR COSTS
- OWN PLANT COSTS
- HIRED PLANT COSTS
- SUB-CONTRACTOR COSTS

= TOTAL JOB COSTS (**A**)



INCOME

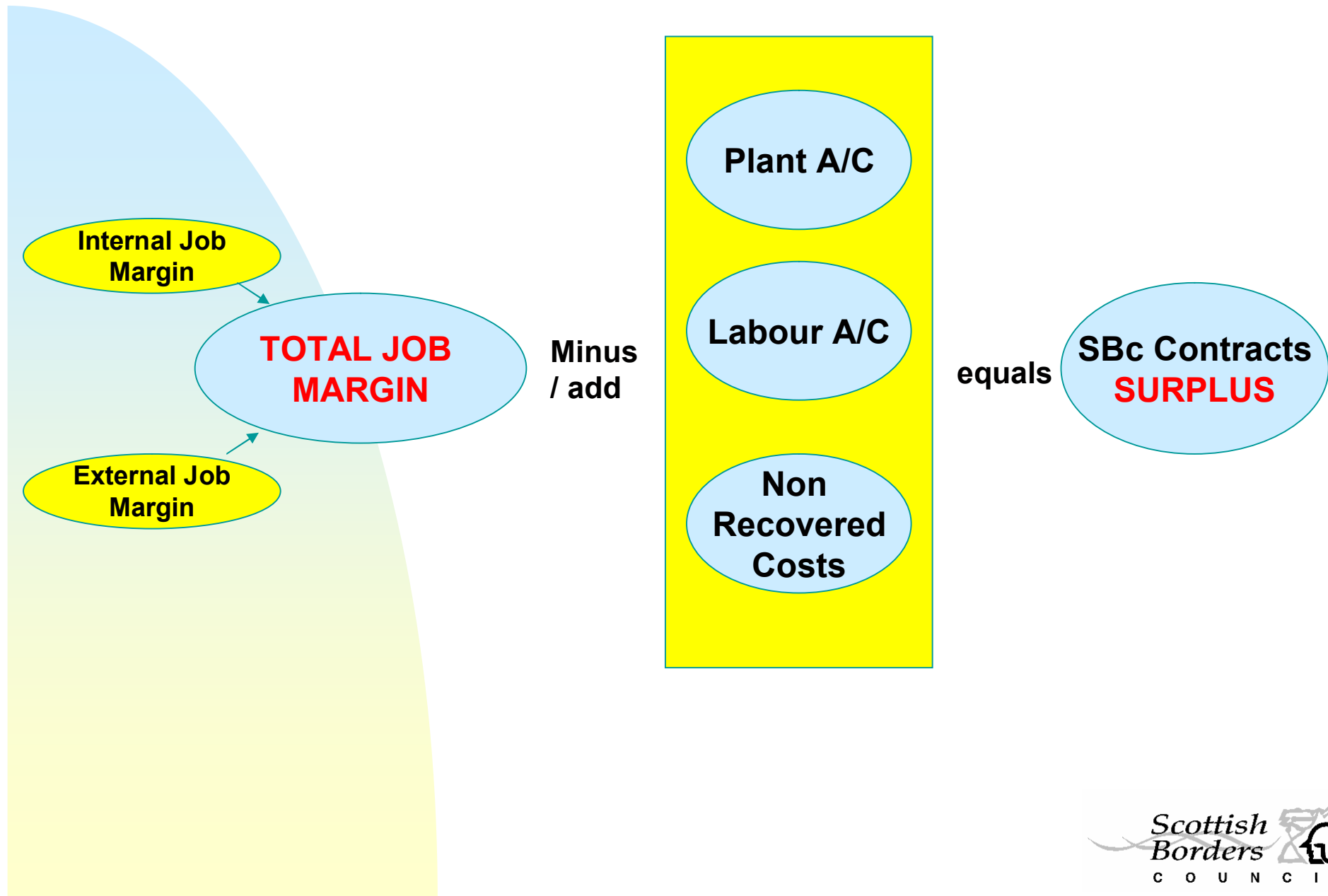
- FIXED PRICE TYPE
 - SCHEDULE OF RATES
 - COSTS PLUS
- (Depends on Job Type)

= INVOICED INCOME (**B**)

TOTAL of **B** – **A** = Job Profit or (Loss) Margin

The total amount of aggregated **Job Profit Margin** generated from all the jobs undertaken annually is available to cover the other costs of running the SBC Contracts business and to produce the annual **SURPLUS**.

SBc Contracts : Analysis of Job Margin, Other Costs & Surplus



SBc Contracts : Analysis of Other Costs

Plant A/C

- Covers over 500 items of plant, vehicles & machinery
- Recovery is generated via a plant rate which is re-set annually for each vehicle or group of vehicles.
- Influenced by the nature of the work, winter demand, major breakdowns

Labour A/C

- Covers the cost of around 260 employees of SBc Contracts.
- Recovery is generated via the hourly labour charge-out rate which are re-set annually.
- Labour account also recovers a range of Fixed and Variable Overhead expenses.
- Influenced by level of direct workers, nature of the work, market demand, overtime, interest charges etc.

Non Recovered Costs

- Covers a range of costs incurred in running the business which cannot be directly charged to jobs.
 - Training
 - Daily Vehicle checks
 - Remedial Work
 - Depot Maintenance
 - Agency staff
 - Re-cycling Centre costs
 - Vehicle maintenance
 - Small Plant Fuel

Servitor Cost Centre	Work Centre Or Description	Profit (Loss)			Notes
		Internal	External	TOTAL	
West Division	Gala	-£29,935	-£399	-£30,334	
West Division	Peebles	-£1,774	£25,221	£23,447	
West Division	Hawick	£6,893	£283	£7,176	
		-£24,816	£25,105	£289	
East Division	Kelso	£24,899	£138	£25,037	
East Division	Newtown	£8,873	£33,011	£41,884	
East Division	Duns	£22,219	-£2,431	£19,788	
		£55,991	£30,718	£86,709	
Surfacing Trunk	Surfacing Work Trunk	£101,124	£85,321	£186,445	
		£0	£328,382	£328,382	
		£101,124	£413,703	£514,827	
Major Schemes		£1,420	£325,670	£327,090	
		£1,420	£325,670	£327,090	
St Lighting	Street Lighting	£33,690	£0	£33,690	
St Lighting	Sign Shop	£1,338	£0	£1,338	
		£35,028	£0	£35,028	
MEASURED WORK TOTAL		£168,747	£795,196	£963,943	
Add other jobs	Dayworks	£79,186	£0	£79,186	4% of end Oct cost
	Winter	£3,836	£0	£3,836	4% of end Oct cost
	Non Recov Jobs	-£196,203	-£504,522	-£700,725	Pro rata projection
COST PLUS AND NON RECOV TOTAL		-£113,182	-£504,522	-£617,704	
GRAND TOTAL (ALL SERVITOR JOBS)		£55,565	£290,674	£346,239	
Servitor Jobs Surplus as a %		16.05	83.95	100.00	
Overhead	Labour Account	-£45,697	-£63,105	-£108,802	Pro rata projection
Adjustment	Plant Account	-£28,029	-£38,707	-£66,736	Pro rata projection
Total Overhead Account Balance		-£73,726	-£101,812	-£175,538	
ADJUSTED OCTOBER GRAND TOTAL		-£18,161	£188,862	£170,700	Assumes Interest Charges

**SBc Contracts
Surplus Position
April – Oct 2007**

Manager	Servitor Cost Centre	Work Centre Or Description	Profit (Loss)			Notes
			Internal	External	TOTAL	
Total	West Division	Gala	-£29,935	-£399	-£30,334	
	West Division	Peebles	-£1,774	£25,221	£23,447	
	West Division	Hawick	£6,893	£283	£7,176	
			-£24,816	£25,105	£289	
Total	East Division	Kelso	£24,899	£138	£25,037	
	East Division	Newtown	£8,873	£33,011	£41,884	
	East Division	Duns	£22,219	-£2,431	£19,788	
			£55,991	£30,718	£86,709	
Total	Surfacing	Surfacing Work	£101,124	£85,321	£186,445	
	Trunk	Trunk	£0	£328,382	£328,382	
			£101,124	£413,703	£514,827	
Total	Major Schemes		£1,420	£325,670	£327,090	
			£1,420	£325,670	£327,090	
Total	St Lighting	Street Lighting	£33,690	£0	£33,690	
	St Lighting	Sign Shop	£1,338	£0	£1,338	
			£35,028	£0	£35,028	
MEASURED WORK TOTAL			£168,747	£795,196	£963,943	
Add other jobs	Dayworks	Cost Plus	£108,000	£0	£108,000	Full year projection
	Winter	Cost Plus	£40,000	£0	£40,000	Full year projection
	Non Recov Jobs		-£336,348	-£864,895	-£1,201,243	Full year projection
COST PLUS AND NON RECOV TOTAL			-£188,348	-£864,895	-£1,053,243	
Projected Surplus (November-March)			£137,000	£548,000	£685,000	Split 20/80
GRAND TOTAL (ALL SERVITOR JOBS)			£117,399	£478,301	£595,700	
Servitor Jobs Surplus as a %			19.71	80.29	100.00	
Overhead	Labour Account		-£78,338	-£108,180	-£186,518	Full year projection
Adjustment	Plant Account		-£48,050	-£66,355	-£114,405	Full year projection
Total Overhead Account Balance			-£126,388	-£174,535	-£300,923	
PROJECTED YEAR END OUT-TURN →			-£8,989	£303,766	£294,777	Assumes Interest Charges

SBc Contracts Projected Surplus April 07 – March 08