# The cost of not knowing your job margin

A £3M-a-year made-to-order engineering firm, four people quoting and costing, around 220 jobs a year, costs reconciled monthly. Nothing is visibly broken — jobs ship, customers pay, the year end shows a profit — which is exactly why the leak survives. Here is where roughly £84,000 a year goes, with every calculation shown so you can re-run it on your own numbers.

| VERTICAL | REVENUE | TEAM | VOLUME |
|---|---|---|---|
| Made-to-order engineering | £3M / yr | 4 people quoting and costing | ~220 jobs a year |

STACK
**Sage 50 + estimating spreadsheets + paper job cards**

WHERE THE MONEY ACTUALLY GOES

## Rebuilding job costs after the fact — ≈ £20,000

- Month-end job-cost reconciliation: 2 people × 8 hrs × 12 months = 192 hours
- Chasing missing job cards, dockets and unreferenced supplier invoices: 3 hrs/week × 46 working weeks = 138 hours
- Rebuilding a single job's cost on request: 170 requests × 1 hour = 170 hours
- Total 500 hours × £22 loaded cost = £11,000
- Quotes priced from stale cost history — 0.30% of £3,000,000 turnover = £9,000 (held at a quarter of the under-quoting rate to avoid double-counting)

**≈ £20,000 a year — four experienced people reassembling numbers the business already paid to generate.**

## Jobs quoted below their true cost — ≈ £36,000

- Average job value: £3,000,000 ÷ 220 jobs = £13,636
- Share of jobs landing below their quoted cost base: 30% → 66 jobs
- Average shortfall: 4% of job value = £545
- 66 jobs × £545 = £35,970, call it £36,000
- Cross-check: £36,000 ÷ £3,000,000 = 1.2% of turnover

**≈ £36,000 a year — and it compounds, because the jobs you price lightest are the jobs you win most easily.**

### Unbilled extras and materials

**≈ £28,000**

- Jobs shipping with a chargeable extra that never reaches an invoice: 1 in 6 of 220 = 36 jobs
- Average value of the unbilled extra: £625 → 36 × £625 = £22,500 (0.75% of turnover)
- "Was this chargeable?" digging: 220 jobs × 0.5 hrs = 110 hours
- Month-end WIP-versus-invoiced check: 2 people × 4 hrs × 12 months = 96 hours
- Evidence hunts on disputed extras: 1 hr/week × 46 weeks = 46 hours
- 252 hours, call it 250 × £22 = £5,500
- £22,500 + £5,500 = £28,000

**≈ £28,000 a year — revenue that never happened, and you cannot see the absence of an invoice.**

TOTAL, PER YEAR **£84,000**

## What closing it looks like

→ Month end stops being a reconstruction: time and materials are booked to the job when they happen, not reassembled from paper six weeks later.

→ Quotes stop being priced from memory: every estimate is built against the actual cost of the last comparable job, so the rates correct themselves instead of drifting for two years.

→ Extras stop evaporating: a change agreed against the job becomes a line on the invoice, with the evidence attached if the customer queries it.

→ "How did that job do?" becomes a two-second answer instead of a two-hour dig — so people keep asking it.

→ Payback, honestly: a system at this scale sits in the £10k–£25k Growth band. Against an £84,000 leak it clears its cost inside the first year if you recover a third of it — but the recovery depends on the estimating rates actually being updated from the feedback the system produces.

THE ASSUMPTIONS BEHIND EVERY FIGURE

- Loaded labour cost of £22/hour. ONS puts median gross hourly pay excluding overtime for full-time employees at £19.67 (April 2025); employer Class 1 National Insurance at 15% takes that to about £22.60 before pension, so £22 is conservative for estimators and finance staff. Substitute your own.
- 46 working weeks a year, allowing for holiday and bank holidays.
- 30% of jobs land below their quoted cost base, at an average shortfall of 4% of job value. AACE 18R-97 puts even a Class 1 check estimate at −3% to −10% on the low side, so a 4% miss sits inside the tightest band in the standard.
- 1 job in 6 (about 17%) ships with a chargeable extra that is never invoiced, averaging £625. PMI's 2018 global survey found 52% of projects experienced scope creep; this assumes only a third of changed jobs lose the charge.
- 170 ad-hoc requests a year to rebuild a single job's cost — roughly four a week across 220 jobs.
- Figures are rounded and illustrative. They describe a representative operation of this size, not a named client.

**How to read this.** This is a worked example of a representative operation — not a named client. Every figure above is a transparent calculation, shown so you can substitute your own numbers and argue with the result. No testimonials, no invented results.

## Run it against your real numbers.

The free Operations Leak Audit does this exercise on your actual operation: where it leaks, what that costs, and what closing it would involve. No commitment — you keep the findings either way.

Book a free Operations Leak Audit

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