

SLE - One-off costs - all phase 1 for period April - end of Nov 2013

APPENDIX A

	Projecton Accuracy H/M/L/VL	SLE £000's
<u>1 Costs to be funded from existing budgets (opportunity costs)</u>		
1.1 Share of Oracle template - assume cost of template shared with 5 SLEs	L	150
1.2 Project management - internal staff time	H	45
Total opportunity costs		<u>195</u>
<u>2 Additional external one-off set up costs</u>		
1.1 Legal advice (Eversheds) on legal structure, shareholders agreement and contract between SLE and Councils	M	75
1.2 Pensions advice from fund actuary	H	25
1.3 Financial advice on tax	H	20
1.4 Chief Executive: 4 months June - Sept 2013	H	40
1.5 Director of Corporate Services: 3 months July to Sept 2013	H	25
1.6 External recruitment cost of Chief Exec (25% of first year salary)	H	30
1.7 Other costs	M	15
Total additional one-off costs per business case		<u>230</u>
Assume £30k can be shave of total above		<u>-30</u>
Total additional one off costs		<u>395</u>
<u>East Funding Arrangements</u>		
East share 50% of total one off costs		198
Less amount funded from existing capital budgets (Oracle)		-100
Balance of new funding required		<u>98</u>
Cheshire East Funding from: new one off revenue funding*		38
Cheshire East Funding from: new capital funding*		60

*included in current budget proposals for 13-14

Breakdown of additional costs and savings		Phase 1 Transition 8/4/13- 30/11/2013 6 months	Phase 1 SLE Operational 1/10/13 31/3/14 6 mnths	Review	Phase 2 Commercialisation 2014-15	Phase 2 Commercialisation 2015-16	2016-17	2017-18
Projecton Accuracy H/M/L/VL		£000	£000		Year	Year	Year	Year
			1		2	3	4	5
					£000	£000	£000	£000
Phase 1 - Establishment of SLE								
One off costs £395k								
<u>Additional on-going staff costs</u>								
Chief Executive (1 @ Director 1)	H		60		120	120	120	120
PA to chief executive (1 @ G5)	H		12		23	23	23	23
Synergies from the implementation of a single TOM for HR/Finance/ICT								
Director of Business Development (1 @ G17)	M		-50		-100	-100	-100	-100
Director of Corporate Services (1 @ G15)	H		0		0	0	0	0
Business Performance Manager (1 @ G12)	H		38		76	76	76	76
Additional marginal cost of existing support services due to dis-economies of scale								
(a) Finance - Separate accounts, VAT/PAYE returns, budgeting, cashflow and banking arrangements etc..	M		25		49	49	49	49
(b) HR - separate T&Cs and HR policies	M		25		49	49	49	49
© Legal	M		14		27	27	27	27
Cost of CWaC/CEC Members and/or officers acting as NED, Company Secretary or shareholders to the SLE								
Cost of company secretary role provided by CWaC/CEC	M		8		15	15	15	15
Statutory audit costs	H		10		20	20	20	20
External tax and financial advice	H		8		15	15	15	15
Benchmarking data to support contract (gartner/PwC)	M		13		25	25	25	25
other incidental costs	M		3		5	5	5	5
<u>Pensions</u>								
Increase in future service funding rate from 16% to 25% phasedover 5 years on gross pay budget of approx £8.4m - marginal additional cost above councils stabilised rate (rises 0.5% pa)*								
	M		42		168	252	335	419
NET IMPACT BY YEAR			250		583	667	751	834
Phase 2 - Commercialisation of SLE								
Director of Business Dev/Marketing	H				94	94	94	94
Additional Sales Income	L				-50	-150	-200	-200
<u>Add a new factory</u>								
Total set up costs (one off)	M				500			
Ongoing revenue savings	M					-360	-360	-360
<u>Add a new partner</u>								
Total set up costs (met 100% by partner)	VL							
Projected on going savings from ICT	VL					-1,180	-1,180	-1,180
Projected on going savings from HR/Finance	VL				-297	-297	-297	-297
Net Impact Year by Year			250		830	-1,226	-1,192	-1,109
Cheshire East Phase 1 Additional Revenue Budget Req			125					
Cheshire East Phase 2 Additional Revenue Budget Req					290	-613	-596	-555
Cheshire East Phase 2 Additional Capital Budget Req					125			
<u>Note</u>								
* Figures shown are the additional marginal costs of moving to an SLE over and above the existing stabilisation rate of 0.5%. However, if the current stabilisation rate moved to 1% (to reflect downturn in gilt returns then the additional marginal costs would reduce to figures shown).								
			21		84	126	168	210