



## **Rural Suffolk Council (incorporating the Lowestoft variations)**

**Independent Validation of the submission supporting the  
financial case for reorganisation**

**19<sup>th</sup> September 2008**

**Final Report**

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Final Report	Independent Validation of the DCLG spreadsheet submission supporting the financial case for reorganisation	19 September 2008
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# **1 Introduction**

## **1.1 Background**

The Department for Communities and Local Government (DCLG) announced its intention to challenge the existing structure of local government within England in 2006, with the publication of a White Paper that invited bids from Councils to:

- Improve two-tier governance structures of governance; or
- Set out the business case for restructuring into a unitary governance structure.

Following a process of appraising bid submissions from a range of county and district councils against the CLG's stated criteria, a number were invited to proceed, some rejected and in other areas, including Suffolk and Norfolk, the Government asked the Boundary Committee to review the local government structure across a wider geography.

Two approaches for unitary governance have been identified by the councils in Suffolk. The approach preferred by the boundary committee is for two Unitary Councils. This proposal is for one area broadly encompassing areas around Ipswich and Felixstowe being served by one unitary authority, currently being termed "North Haven" by the Boundary Committee, with the rest of Suffolk forming another Unitary Council, known as "Rural Suffolk". An alternative approach identified by the Committee is for a single Unitary Council across the whole of Suffolk.

This validation report considers the financial proposals submitted in respect of Rural Suffolk, in the context of the 2-Unitary Suffolk solution. The Boundary Committee has further asked the Councils to consider the implications of excluding or including an area around Lowestoft within the Rural Suffolk area. As the Councils have taken an approach which essentially identifies the marginal implications of inclusion or exclusion, we have prepared a single report focused in the main body around Rural Suffolk excluding Lowestoft, with our view on the implications on our risk assessment of the model that includes Lowestoft addressed by way of an appendix.

## **1.2 Objectives of the Review**

".. risk register and risk assessment for the implementation of unitary status including an assessment of the effect of the risk of underachieving projected savings and incurring higher than expected costs. "

We have done so using the same methodology used in 2007 to validate the Ipswich unitary business case, amongst others. The detail of this is provided below.

## **1.3 Our Approach**

### **1.3.1 Overview**

We have analysed the calculations supporting the submissions.

This incorporates a two-stage assessment of the financial case:

- At the detail level, to test whether the assumptions and calculations supporting the estimates of transition costs estimates and predicted savings are robust;
- At the summary level, whether the issues (if any) highlighted against individual components could materially affect the ability of the reorganisation to deliver payback of the costs of reorganisation within a relatively short period following transition;

We consider the latter criterion to be the ‘acid test’, and are in line with the October 2006 invitation to Councils by DCLG, which we understand still represents the overall template for this process.

### 1.3.2 Detailed Approach

The approach to arrive at our validation assessment is outlined below:

1. **Data gathering & underlying assumptions** -
2. **Initial scoping & understanding** – after an initial review of the base data and assumptions Deloitte reaffirmed their interpretation and understanding of the financial submission. In particular, it gathered additional assumptions where £nil values were input in the spreadsheet or supporting calculations were not immediately evident.
3. **Evidence gathering** – Deloitte used a range of sources to inform the development of both risk assessment and validation of the robustness of the case. These predominantly focused on the principle of evidence through benchmarking the financial submission against bids submitted during the 2007 round or validating the underlying methodology for cost/saving derivation.
4. **Initial risk assessment** – the evidence gathered was then utilised to undertake the risk-based assessment of the financials in the spreadsheet. This was provided to the Councils as a draft to allow for them to review the initial findings and pass comment on the accuracy of the stated assumptions in their case that we had validated.
5. **Final Assessment** – after discussion of the highlighted risks associated with individual components, we provided a view at the summary level of the extent to which adverse scenarios relating to these risks might impact upon the ability of the reorganisation to deliver the predicted payback of transitional costs.

### 1.3.3 Evidence & Validation Approach

Sources of validation have been stated throughout the report, but the main sources are as follows:

- IPF Ltd and ‘cipfastats’ benchmarking datasets;
- Published Statement of Accounts;
- The financial cases of other bids for unitary status;

- Experience and academic literature from the previous round of Local Government Review (LGR) in England; and
- Raw data received from comparative Unitary Councils.

Our methodology focused on challenging the base financial assumptions and method of calculation, through posing a consistent set of questions as follows:

- Are base budget and reserve estimates validated by audited accounts?
- Does the derivation of cost/savings in the spreadsheet have consistencies with the other District-led bids?
- Does the derivation of cost/savings in the spreadsheet have consistencies with the successful County Council-led bids?
- Do benchmarks from prime or third party sources provide a degree of comfort over the financial projections – especially in relation to staffing structure?
- Does academic research or experience of the previous round of reorganisation provide any consistencies of method of calculations and quantum of cost/savings incurred?
- Does our experience and observation of similar or relevant programmes support the derivation of components of the cost and savings estimates and the assumptions that underpin them – e.g. around ICT costs or real estate assumptions?

## 2 Summary of Assessments

### 2.1 Overall Assessment

Following our review of the spreadsheet submission supporting the bid for Rural Suffolk, and taking in consideration:

- The timescale which the financial case was developed and the spreadsheet populated; and
- The extent to which reliance has been put on financial information provided by the relevant Councils;

We believe that the overall financial case submitted should be classified as **intermediate** risk.

## 3 Detailed Validation Analysis

### 3.1 Approach & Understanding

This section sets out the analysis we undertook on the information supplied to us. In order to derive an overall risk assessment for the financial case we validated the individual sections of the spreadsheet as follows:

- **Base data** – financial data entered for the original cost of services for the region and the starting reserves levels;
- **One-off costs** – costs resulting from restructuring that are one-off and in generally, but not exclusive to, the transition years of reorganisation;
- **Ongoing costs** – ongoing costs incurred as a direct result of restructuring;
- **Ongoing reductions** – estimated ongoing savings identified as a result of the restructuring;
- **Capital** – capital expenditure as a direct result of restructuring and the impact on revenue expenditure; and

In order to provide an overall assessment all these sections have been validated upon a risk-based approach. We have classified the degree of risk associated with each component as ‘high’, ‘intermediate’ or ‘normal’, by matching our judgement against the following characteristics:

- **Normal** - typically this will mean that the financial estimate and method has consistency with other submissions, benchmarked data and/or is consistent with experience of the previous round of LGR or academic research undertaken. We would expect that the potential for adverse variances in practice is either low, or relatively easy to manage or mitigate for each component.
- **Intermediate** - this risk assessment indicates that the validation analysis has provided a broadly acceptable degree of comfort around the values submitted in the spreadsheet but a moderate risk exists to the potential for the actual cost to vary during reorganisation. This might mean that there is a likelihood that benefits may be realised later, or to a lower value. In general, a medium assessment indicates that this risk is acceptable but specific measures should be put in place on implementation – these are indicated in the analysis where appropriate.
- **High** - this risk assessment indicates that the validation analysis has failed to provide the acceptable level of comfort around either the financial inputs or the method that has derived it in comparison to other submissions, benchmarks or experience. A high risk in relation to the potential variance of the estimate contained in the spreadsheet during transition will demand either a significant mitigating strategy to be put in place, and/or a revision of the timetabling of associated planned benefits.

Overall risk assessments presented in section 2 are based upon the findings of sections 3 in order to provide a comprehensive and fully considered assessment.

## 3.2 Base Data

### 3.2.1 Validation & Risk Assessment

The table below summarises the validation of the base data that is presented within the DCLG spreadsheets for Ipswich Unitary Authority:

ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Risk Rating	Validation Summary
BD	Base Data	Not Applicable	<b>Normal</b>	<ul style="list-style-type: none"><li>• The base data included within the submission is drawn from the Finance and General Statistics - 2007-8 budget books of the relevant Councils;</li><li>• Apportionments of councils are calculated using 2006 population figures</li></ul>

### 3.3 One-Off Costs

#### 3.3.1 Spreadsheet Submission

ID	Category	Sub-Category	LUY1	LUY2	Year 1	Year 2	Year 3	Year 4	Total 2008/09 – 2013/14 £m
			2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	
			£m	£m	£m	£m	£m	£m	£m
OO-1	Staffing	Redundancy			0.8	0.7	0.2	0.2	1.9
OO-2	Staffing	Early Retirement and pension fund contributions			0.3	0.3	0.1	0.1	0.8
OO-3	Staffing	Relocation			0.1	0.3	0.4	0.6	1.4
OO-4	Staffing	Recruitment		0.2	0.1	0.0			0.3
OO-5	Accommodation	All costs							
OO-6	Information Technology	Staffing							
OO-7	Information Technology	IT – revenue costs of hardware and software etc		1.0	3.0	1.7			5.7
OO-8	Change Mgmt & Shadow Planning	Staffing		1.2	1.0				2.2
OO-9	Change Management	Shadow/ Planning							
OO-10	Contingency	N/A		0.3	0.3	0.3	0.3	0.3	1.5
OO-11	Contract Novation	N/A		1.0	0.3				1.3
OO-12	Localisation	Staffing			0.6	0.6			1.2
OO-13	Communications & Branding	N/A		0.4	0.1				0.5
OO-14	Closedown	Staff							
OO-15	Other Costs	Closedown			0.2				0.2
OO-16	Other Costs	Training			0.7				0.7
OO-17	Other Costs	Fire Authority Set up		0.3	0.1				0.4
<b>TOTAL</b>				<b>4.4</b>	<b>7.6</b>	<b>3.9</b>	<b>1</b>	<b>1.2</b>	<b>18.1</b>

### 3.3.2 Assumptions & Underlying Calculation

ID	One-Off Cost Category	Total 2008/09 – 2013/14 £m	Assumption / Basis for Calculation																										
OO-1	Staffing – Redundancy Cost	1.9	<ul style="list-style-type: none"> <li>Staffing reduction of 138 FTEs;</li> <li>Natural wastage is assumed to be 15% for Chief Executives and Directors, 30 % all other Staff;</li> <li>Redundancy calculations based on 15yrs service per post;</li> </ul>																										
OO-2	Staffing – Early Retirement / Pension Fund	0.8	<ul style="list-style-type: none"> <li>Pension Costs only applicable to staff members over 55</li> <li>Pension Costs were calculated based on employees redundancy pay multiplied by 1.4</li> <li>The calculation of the age profile of the new organisation has been based upon the existing structure of Suffolk County Council</li> </ul>																										
OO-3	Staffing – Relocation	1.4	<ul style="list-style-type: none"> <li>Assumed that 15% of staff will leave in year 1 as a result of the re-organisation, based on HR experience of the Schools team office base move;</li> <li>20% of staff will not be entitled to allowance as their new base will be closer to home;</li> <li>15% natural wastage year on year due to staff turnover.;</li> <li>And 20% of staff won't come in to the office five days a week due to part time hours, flexible working practices incl home working or attendance at meetings at other bases.</li> </ul>																										
OO-4	Staffing – Recruitment	0.3	It is anticipated that recruitment consultants will need to be employed for some of the top positions (particularly the Chief Executive's post) hence a one-off additional cost of £0.3m has been included in the business case to allow for this. It has been assumed that £0.2m will fall in 2009/10 and £0.1m in 2010/11.																										
OO-5	Accommodation – All costs	0	No detail here: However included in Ongoing costs																										
OO-6	IT - Staffing	0	No detail provided																										
OO-7	IT – Hardware & Software	5.7	<p>Hardware and Software estimates include staffing requirements</p> <p><u>Staffing</u></p> <ul style="list-style-type: none"> <li>Costs attributed to Integrating ICT services shared services functions</li> <li>Cost breakdown:</li> </ul> <table border="1" data-bbox="643 1512 1444 1731"> <thead> <tr> <th>Area</th> <th>2010/11</th> <th>2011/2012</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Joining and Integrating systems and services</td> <td>£1.8m</td> <td>£0.8m</td> <td>£2.6m</td> </tr> <tr> <td>Standardising Core HR, Finance, Revs &amp; Bens and Payroll systems</td> <td>£0.6</td> <td>£0.3</td> <td>£0.9m</td> </tr> <tr> <td><b>Total</b></td> <td><b>£2.4m</b></td> <td><b>£1.1</b></td> <td><b>£3.5m</b></td> </tr> </tbody> </table> <p><u>Hardware &amp; Software</u></p> <p>Transformation Costs are as follows</p> <table border="1" data-bbox="643 1825 1348 1892"> <thead> <tr> <th></th> <th>2009/10</th> <th>2010/11</th> <th>2011/12</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Transformation</td> <td>£0.95m</td> <td>£0.60m</td> <td>£0.60m</td> <td>£2.15m</td> </tr> </tbody> </table> <p>An additional £350,000 will be incurred in year 1 to disaggregate the Lowestoft system</p>	Area	2010/11	2011/2012	Total	Joining and Integrating systems and services	£1.8m	£0.8m	£2.6m	Standardising Core HR, Finance, Revs & Bens and Payroll systems	£0.6	£0.3	£0.9m	<b>Total</b>	<b>£2.4m</b>	<b>£1.1</b>	<b>£3.5m</b>		2009/10	2010/11	2011/12	Total	Transformation	£0.95m	£0.60m	£0.60m	£2.15m
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ID	One-Off Cost Category	Total 2008/09 – 2013/14 £m	Assumption / Basis for Calculation												
OO-8	Change Management - Staffing	2.2	<ul style="list-style-type: none"> <li>Ongoing costs assumed at 30%;</li> <li>SCC 1 April 2007-2008 used for costing. Taken midpoint for SMG/Grade /Grade 3</li> </ul> Staff Requirements: <table border="1" data-bbox="798 560 1284 770"> <thead> <tr> <th>Requirements</th> <th>Number Required</th> </tr> </thead> <tbody> <tr> <td>Director</td> <td>1</td> </tr> <tr> <td>SMG</td> <td>13</td> </tr> <tr> <td>Grade 4</td> <td>1</td> </tr> <tr> <td>Grade 3</td> <td>1</td> </tr> <tr> <td><b>Total</b></td> <td><b>16</b></td> </tr> </tbody> </table>	Requirements	Number Required	Director	1	SMG	13	Grade 4	1	Grade 3	1	<b>Total</b>	<b>16</b>
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Director	1														
SMG	13														
Grade 4	1														
Grade 3	1														
<b>Total</b>	<b>16</b>														
OO-9	Change Management – Shadow/ Planning	0	No detail provided												
OO-10	Contingency	1.5	Contingency fund estimated at £0.3m per year												
OO-11	Contract Novation	1.3	<ul style="list-style-type: none"> <li>Based on the Rural Suffolk share of the total costs of contract novation</li> <li>Contracts will potentially need to be split two to four ways (Rural, Haven, Norfolk, Central Fire Authority)</li> </ul>												
OO-12	Localisation – Staffing	1.2	<ul style="list-style-type: none"> <li>Rural Suffolk will contain 16 boards meeting annually.</li> <li>It is assumed that each board will have an extra support resource during the transition years (2010-12)</li> <li>Each resource is estimated at costing £36,000 including On Costs</li> </ul>												
OO-13	Localisation – Other Costs	0	No detail here: However included in Ongoing costs												
OO-14	Comms & Branding	0.5	<ul style="list-style-type: none"> <li>Activity to be managed by In-house communications team;</li> <li>Specialist creative brand, identity, marketing &amp; signage installation to be outsourced;</li> <li>All services, buildings &amp; signage can be re-branded, including implementation of partnership branding.</li> <li>Assumption - 70% of costs 2009/10 and 30% 2010/11</li> </ul>												
OO-15	Closedown – Other	0.2	<ul style="list-style-type: none"> <li>Unitary Suffolk estimated as the salaries &amp; ongoing costs for 8 FTEs at approx £50k each to oversee the financial closedown &amp; auditing process of the abolished authorities.</li> <li>Rural Suffolk is scaled down to 68% of the costs to Unitary Suffolk</li> </ul>												
OO-16	Other - Training	0.7	Assumed provision of £100 per employee for induction into the newly formed council new ways of working												
OO-17	Other – Fire Dept Set up	0.4	One off costs estimated at £0.38m: £0.32m in yr 1 £0.06m in yr 2												

### 3.3.3 Validation

#### OO-1 - OO-6 – Staffing

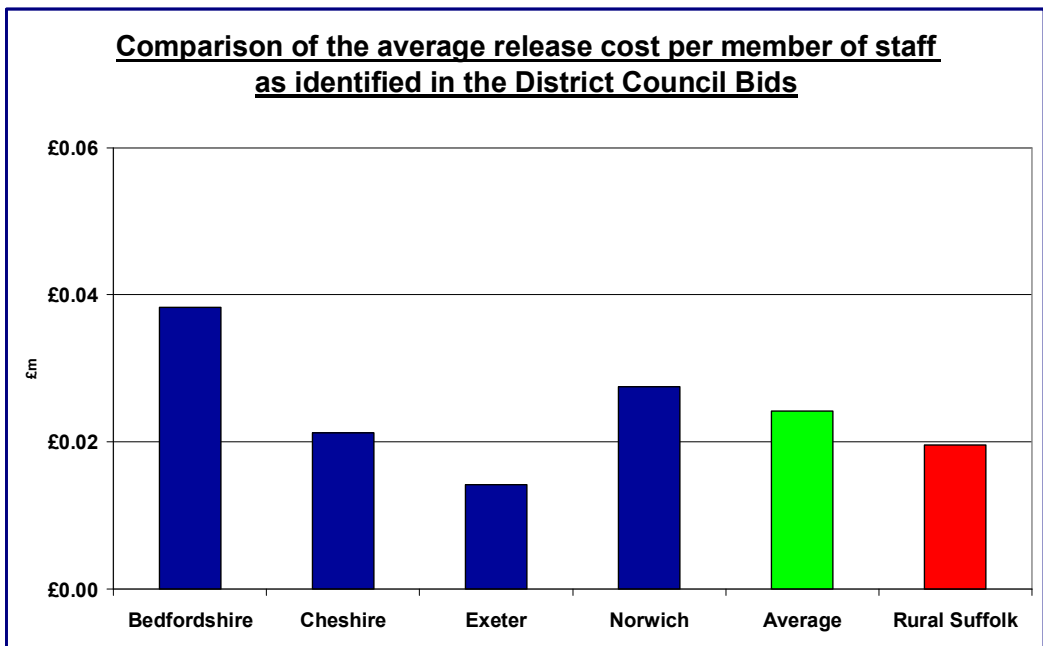
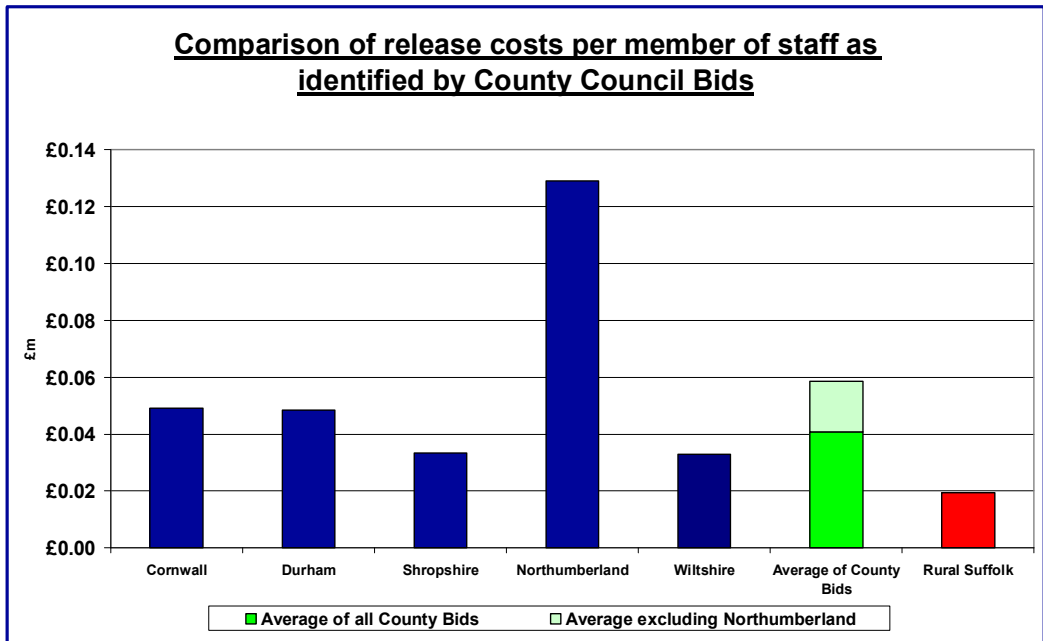
Staffing costs consist of Release costs (Redundancy and Retirement Pensions), Relocation Costs and Recruitment Costs.

**Release Costs** have been calculated by the following high level process:

1. Staffing requirements were identified and compared with the existing staff numbers to determine the number of excess staff.
2. The number of FTEs surplus in total is used in further calculations.
3. Natural wastage is assumed to be 15% for Chief Executives and Directors, 30 % all other Staff;
4. Redundancy calculations are based on 15yrs service per post; using average salaries
5. Surplus staff are assumed to have to have the same demographic profile as current staff.
6. All staff over 55 and with continuous improvement since 31 March 2008 are eligible for early retirement.
7. Suffolk Unitary Borough Council (IBC) and Suffolk County Council have recently adopted similar payment methods for early retirement and redundancy; hence the costs are estimated using IBC levels. The other councils have different policies but the effect of not including these is seen to be minimal.

This is consistent with the North Haven calculation methodology, as it attempts to profile the age groups of the released staff to calculate pension costs. However, the relative grades of released staff and the subsequent differences in redundancy payments are not taken into account; this would have been in the optimal approach.

The chart below illustrates a comparison of the total release costs identified for redundancy and early retirement per staff member released by Rural Suffolk and the District-led and County-led submissions from 2007.

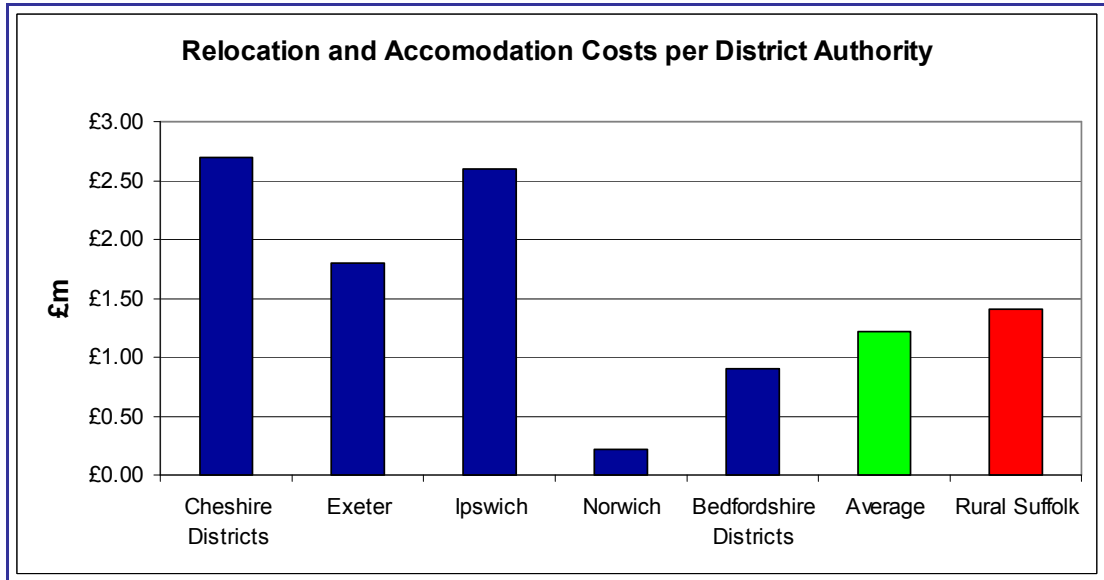


The average level of expenditure identified for redundancy and early retirement by Suffolk Unitary is lower than the average rate for the 2007 District and County Council submissions. If the outlying result of Northumberland is excluded the average rate applied by Rural Suffolk is closer, but still substantially below the average of the benchmarking class.

**Relocation and Accommodation Costs**

Relocation costs are calculated assuming that annual turnover is 15% with an additional 15% in year one, 20% will not be eligible for the allowance and 20% of staff will work part time.

When compared with Relocation costs for other councils (below), the relocation costs are higher than average. However if Norwich's 2007 submission (a significant outlier) is not considered then relocation costs are in line with other bids.



## Recruitment

Recruitment costs are estimated to be £0.2m in year one and £0.1m in year two. This is comparable to Northumberland who have recruitment costs of £0.3m. It is estimated that between 7 and 30 senior staff will need to be recruited.

Research undertaken by the Chartered Institute of Personnel and Development (CIPD) placed the average cost of recruitment of one post to be approximately £4,000. This results in recruitment costs of £120,000 in the case where 30 staff need to be recruited, substantially less than Rural Suffolk's estimate.

ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Risk Rating	Validation Summary
OO-1	Redundancy	1.9	Intermediate	<ul style="list-style-type: none"> <li>Release costs have been calculated in a thorough manner; however they could have been improved by including different costs for different levels of staff. This leaves scope for some variation in the figures.</li> <li>The figures are generally close to average when compared to other bids, but are on the lower side when compared with county bids.</li> <li>These factors result in the intermediate rating</li> </ul>
OO-2	Early Retirement and pension fund contributions	0.8		
OO-3	Relocation	1.4	Intermediate	<ul style="list-style-type: none"> <li>Relocation costs utilise percentage assumptions as opposed to detailed analysis.</li> <li>However, figures are in line with other submissions.</li> <li>As such an intermediate rating has been given</li> </ul>
	Accommodation	0		

ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Risk Rating	Validation Summary
OO-4	Recruitment	0.3	Normal	<ul style="list-style-type: none"> <li>Figures are consistent with Northumberland and higher than CIPD estimates.</li> </ul>

### OO-7 IT – Hardware and Software

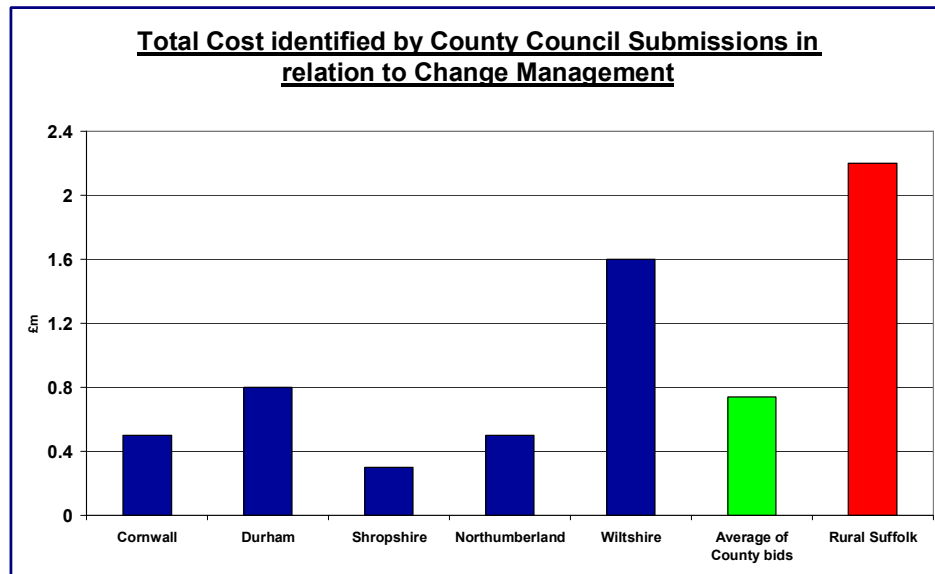
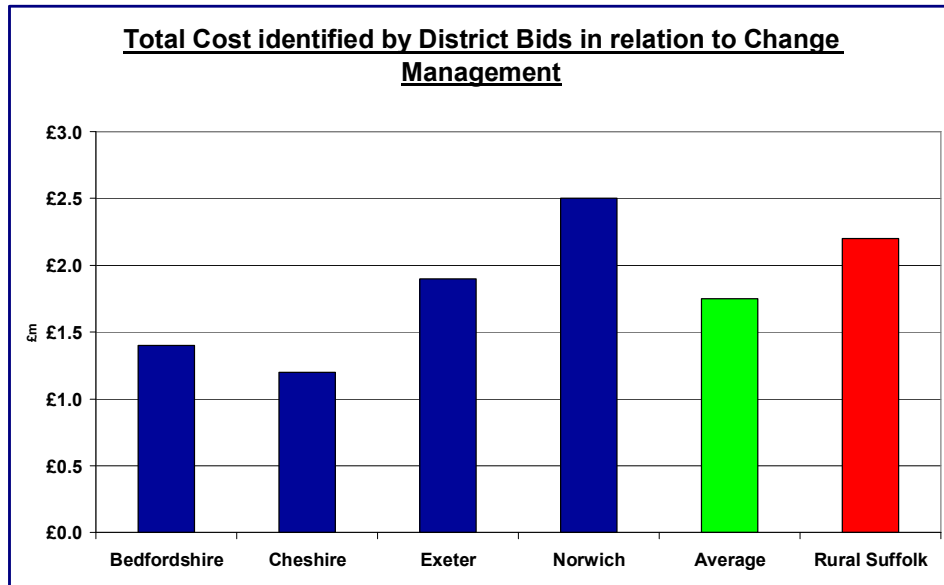
IT Costs have been calculated by analysing the requirement for transition projects and hardware. These are estimates provided by Suffolk County Council and include costs of disaggregating services. 60% of all Hardware has been capitalised.

ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Risk Rating	Validation Summary
OO-7	IT – Hardware and Software	5.7	Normal	<ul style="list-style-type: none"> <li>It is not clear how IT costs have been estimated, hence there could be variance. SOCITM figures have been used by other bids.</li> <li>IT hardware costs compare reasonably against other bids</li> </ul>

### OO-8 – OO-9 Change Management and Shadow Planning

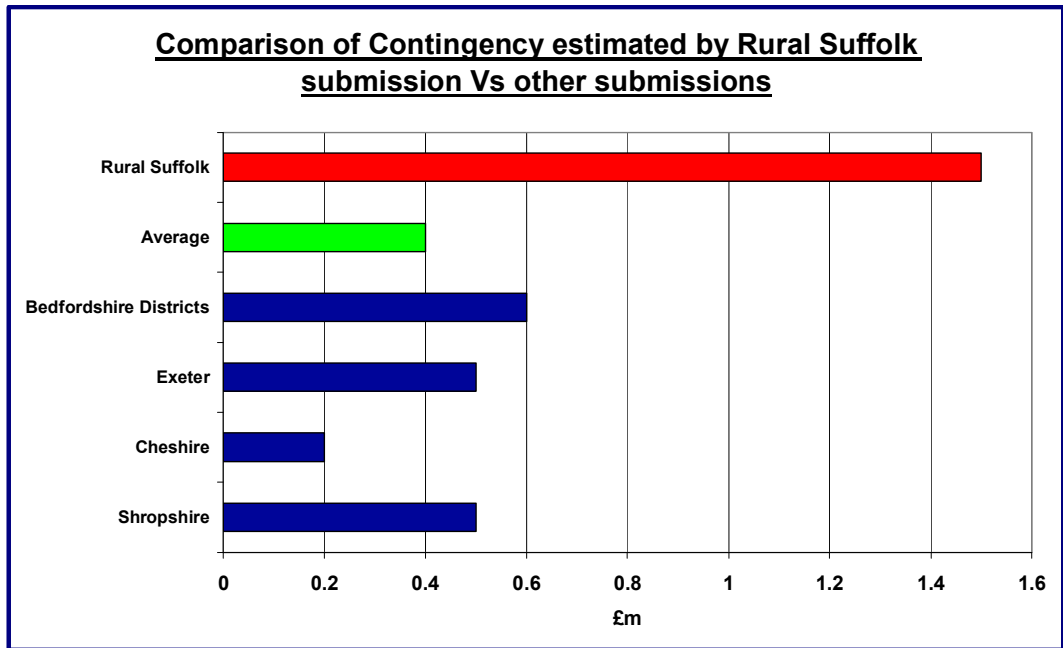
A team of 16 staff has been created to conduct change management activities. This includes 13 senior managers.

The charts below show the relative costs attributed to change management. Rural Suffolk estimates are in line with 2007 district bids but substantially higher than county bids.



ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Risk Rating	Validation Summary
OO-8	Change Management	2.2	Normal	<ul style="list-style-type: none"> <li>Change Management requirements have not been taken into account in detail, although the team consists of 13 senior managers and therefore should cover requirements.</li> <li>Costs are higher than average and hence should cover change management costs.</li> </ul>

**OO-10 – OO-11– Contingency and Contract Novation**



ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Risk Rating	Validation Summary
OO-10	Contingency	1.5	Normal	<ul style="list-style-type: none"> <li>Costs are calculated using benchmarks.</li> <li>The cost estimate represents a comparatively cautious estimate, and hence provides a substantial buffer.</li> <li>Hence, contingency costs are seen to have a normal risk.</li> </ul>
OO-11	Contract Novation	1.3	Normal	<ul style="list-style-type: none"> <li>Share of rural costs of contracts.</li> <li>As it assumes that contracts will need to be split 4 ways, requiring additional time to novate 3,000 contracts.</li> </ul>

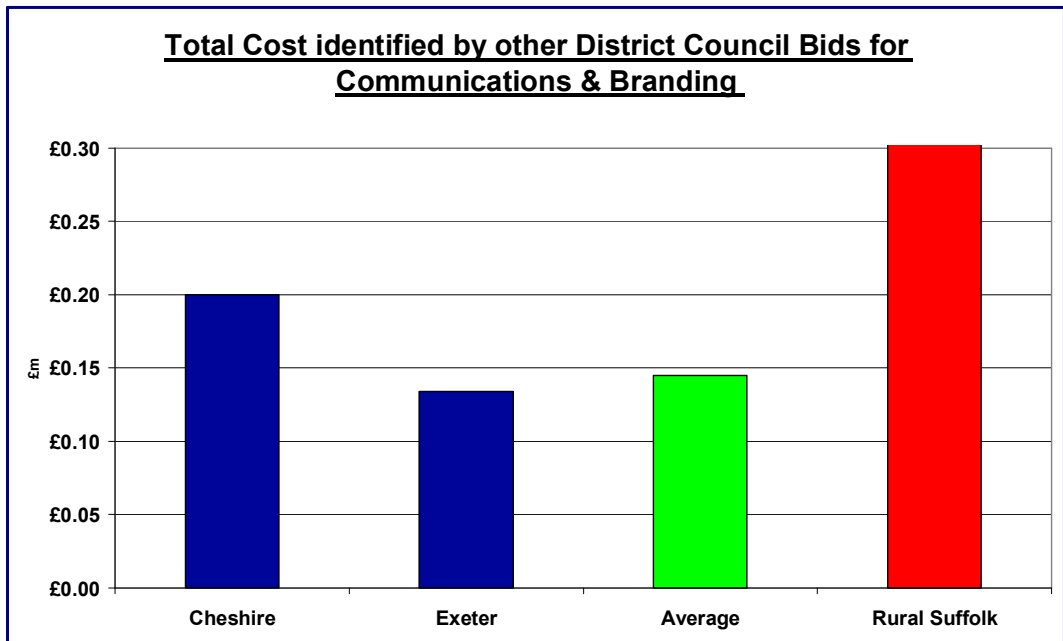
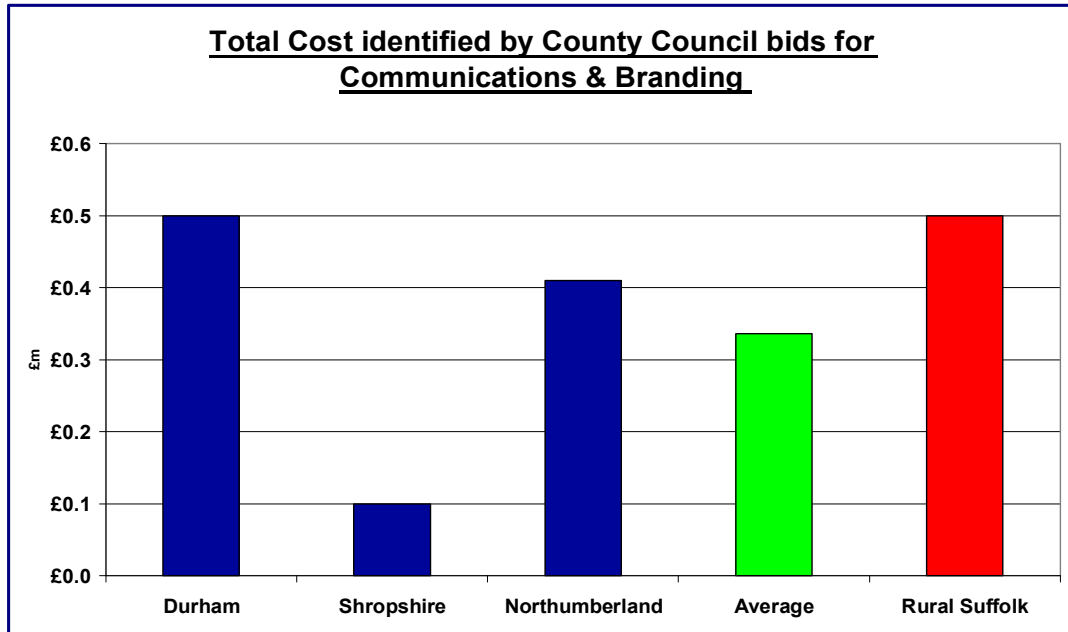
**OO-12 – Localisation**

ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Risk Rating	Validation Summary
OO-12	Localisation	1.2	Normal	<ul style="list-style-type: none"> <li>Set up of 16 boards across Suffolk, each requiring 0.5 Community officers and 0.5 support staff.</li> <li>The requirement for additional support costs has been recognised.</li> </ul>

**OO-13 – Communications and branding**

£0.5m has been allowed for re-branding, which is to be incurred by the in-house communications team. Some services will be outsourced.

These estimates are amongst the highest amongst the benchmarking group. Current activity in Cheshire suggests this re-branding can be undertaken comfortably within this overall figure.



ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Risk Rating	Validation Summary
OO-13	Communications and branding	0.5	Normal	<ul style="list-style-type: none"> <li>Costs are calculated with the consideration of all services required.</li> <li>However, as costs are high in comparison to other bids there is a reduced chance of adverse variation in actual figures.</li> </ul>

#### OO-14 – Closedown

ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Risk Rating	Validation Summary
OO-14	Closedown	0.2	Intermediate	<ul style="list-style-type: none"> <li>The calculation basis is in line with other bids and a team has been established to conduct closedown.</li> <li>Whilst we note a rounding error in the calculations, in comparison with the North Haven estimate of £0.6m closedown costs, this may be ambitious.</li> </ul>

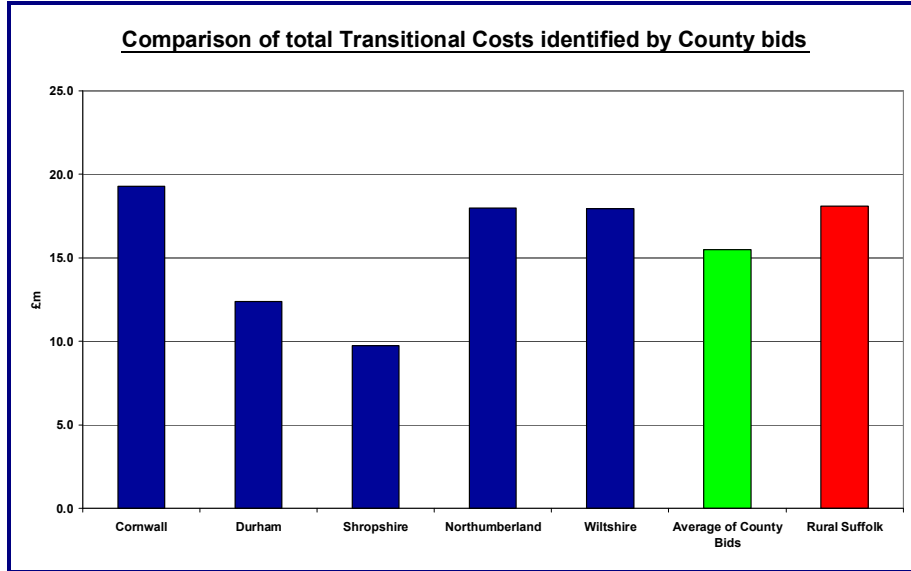
#### OO-15 – 17 Other Costs

ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Risk Rating	Validation Summary
OO-16	Training	0.7	Normal	<ul style="list-style-type: none"> <li>£100 per new employee due to induction</li> <li>This is in line with estimates provided in 2007 round, and unlikely to be subject to substantial variation</li> </ul>

ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Risk Rating	Validation Summary
OO-17	Fire authority set up	0.4	Normal	<ul style="list-style-type: none"> <li>Fire authority set up costs is based on detailed calculations undertaken by the Suffolk County Council.</li> </ul>

## Total Transitional Costs

The total transitional costs for county bids are presented below:



Rural Suffolk has estimated costs of transition above the average of other submissions. However this is not substantially higher and is in line with many of the 2007 county submission.

## 3.4 Ongoing Costs

### 3.4.1 Spreadsheet Submission

ID	Category	Sub-Category	LUY1	LUY2	Year 1	Year 2	Year 3	Year 4	Total 2008/09 – 2013/14 £m
			2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	£m
			£m	£m	£m	£m	£m	£m	£m
OC-1	Staffing	Pay Harmonisation			0.6	0.6	0.6	0.6	2.4
OC-2	Staffing	Relocation							
OC-3	Accommodation	Additional staff							
OC-4	Accommodation	All costs			0.1	0.1	0.1	0.1	0.4

ID	Category	Sub-Category	LUY1	LUY2	Year 1	Year 2	Year 3	Year 4	Total 2008/09 – 2013/14 £m
			2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	
			£m	£m	£m	£m	£m	£m	
OC-5	IT	Staff							
OC-6	IT	Revenue Cost of Hardware & Software							
OC-7	Localisation	Staffing			0.5	0.5	0.5	0.5	2.0
OC-8	Localisation				1.0	1.0	1.0	1.0	4.0
OC-9	Other	Dividing County Services			1.9	1.9	1.9	2.1	7.8
OC-10	Other	Combined Fire Authority			0.2	0.2	0.2	0.2	0.8
<b>TOTAL</b>					<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>17.4</b>

### 3.4.2 Assumptions & Underlying Calculation

ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Assumption / Basis for Calculation
OC-1	Staffing – Pay Harmonisation	2.4	<ul style="list-style-type: none"> <li>Costs for Pay Harmonisation estimated based on experience to date in the County. Implementing single status estimated at £300 per person</li> <li>Applying it to the number of District staff within the new council produced a figure of £1m p.a. for unitary Suffolk.</li> <li>This figure is reduced to reflect the projected reduced staff numbers in Rural Suffolk</li> </ul>
OC-2	Staffing – Relocation	0	
OC-3	Accommodation – Additional Staff	0	
OC-4	Accommodation – All costs	0.4	<ul style="list-style-type: none"> <li>It is assumed that rather than provide new hot-desks District Council office space could be retained;</li> <li>Costs will be incurred from 2010/11;</li> </ul>

ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Assumption / Basis for Calculation															
			<ul style="list-style-type: none"> <li>Revenue costs per station was estimated at £450;</li> </ul> Summary of annual costs <table border="1"> <thead> <tr> <th>Area</th> <th>No of desks</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>New Hot Desks</td> <td>100</td> <td>£45,000</td> </tr> <tr> <td>End Ho new capacity</td> <td>66</td> <td>£29,700</td> </tr> <tr> <td>New Shire Hall</td> <td>50</td> <td>£22,500</td> </tr> <tr> <td><b>Total Annually</b></td> <td><b>216</b></td> <td><b>£97,200</b></td> </tr> </tbody> </table>	Area	No of desks	Total	New Hot Desks	100	£45,000	End Ho new capacity	66	£29,700	New Shire Hall	50	£22,500	<b>Total Annually</b>	<b>216</b>	<b>£97,200</b>
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New Shire Hall	50	£22,500																
<b>Total Annually</b>	<b>216</b>	<b>£97,200</b>																
OC-5	IT – Staff	0																
OC-6	IT – Revenue Cost of Hardware & Software	0																
OC-7	Localisation - Staffing	2.0	<ul style="list-style-type: none"> <li>Rural Suffolk assumed to hold 16 Boards per year.</li> <li>It is assumed that each board will be provided a support resource at £36,000</li> </ul>															
OC-8	Localisation	4.0	<ul style="list-style-type: none"> <li>Assumed that Rural Suffolk is apportioned 57% of the total budget for the whole of Suffolk;</li> <li>All costs are recurrent;</li> <li>Annual local budgets was estimated as follows:</li> </ul> <table border="1"> <thead> <tr> <th>Locality Budgets</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Gross Budget for whole of Suffolk</td> <td>£2.5m</td> </tr> <tr> <td>Less Existing Budget in SCC</td> <td>£-0.75m</td> </tr> <tr> <td>Net Budget each year from 2010/11</td> <td>£1.8m</td> </tr> <tr> <td>Apportionment %</td> <td>57%</td> </tr> <tr> <td>Net Annual Budget for Rural Suffolk</td> <td>£1.0m</td> </tr> </tbody> </table>	Locality Budgets	Amount	Gross Budget for whole of Suffolk	£2.5m	Less Existing Budget in SCC	£-0.75m	Net Budget each year from 2010/11	£1.8m	Apportionment %	57%	Net Annual Budget for Rural Suffolk	£1.0m			
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Net Annual Budget for Rural Suffolk	£1.0m																	
OC-9	Other – Dividing County Services	7.8	<ul style="list-style-type: none"> <li>Assumed that the cost associated with the strategic commissioning (the service office) will need to be duplicated;</li> <li>Domiciliary Care costs in rural Suffolk are also predicted to be higher due to the service users being harder to reach;</li> <li>Transport costs in rural Suffolk will be higher due to longer journeys and less competition</li> </ul>															
OC-10	Other – Combined Fire Authority	0.8	<ul style="list-style-type: none"> <li>Ongoing costs estimated at £0.2 per year.</li> </ul>															

ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Risk Rating	Validation Summary
OC-1	Pay Harmonisation	2.4	Normal	<ul style="list-style-type: none"> <li>An approach in line with other bids has been taken where by single status costs are estimated and then applied to number of district staff within the new council.</li> </ul>
OC-2	Relocation	0	Normal	<ul style="list-style-type: none"> <li>All relocation costs are covered in one-off costs.</li> </ul>
OC-4	Accommodation	0.4	Normal	<ul style="list-style-type: none"> <li>The costs of new hot desks required in each year have been estimated depending on venue, we</li> </ul>

<b>ID</b>	<b>Cost / Saving</b>	<b>Total 2008/09 – 2013/14 £m</b>	<b>Risk Rating</b>	<b>Validation Summary</b>
				presume any variation would only be as a result of major variations in staff movements
OC-6	Hardware and Software	0	Normal	<ul style="list-style-type: none"> <li>• It is anticipated that support levels will be met by current budgets.</li> <li>• Harmonisation of applications should allow greater specialisation with fewer staff overall.</li> </ul>
OC-7	Localisation - Staffing	2.0	Normal	<ul style="list-style-type: none"> <li>• Rural Suffolk is assumed to have 16 boards which will require £36,000 of support costs each every year and additional support costs.</li> </ul>
OC-8	Localisation	4.0	Normal	<ul style="list-style-type: none"> <li>• 57% of all existing locality budgets have been attributed to Rural Suffolk.</li> <li>• We are unclear whether there is an element of duplication with the staffing costs identified above - if so then this would be an overestimate of the costs required and lower the actual risk further.</li> </ul>
OC-9	Dividing county services	7.8	Normal	<ul style="list-style-type: none"> <li>• Cost of duplicating strategic commissioning and domiciliary care. However, it may be the case that more resources are required but not duplication.</li> <li>• Transport costs will be higher due to longer journeys but flexible working may avoid the need to start and finish in the office.</li> </ul>
OC-10	Fire Authority	0.8	Normal	<ul style="list-style-type: none"> <li>• Fire authority set up costs is based on detailed calculations undertaken by the Suffolk County Council.</li> </ul>

### 3.4.3 Validation & Risk Assessment

## 3.5 Ongoing Reductions

### 3.5.1 Spreadsheet Submission

ID	Category	Sub-Category	LUY1	LUY2	Year 1	Year 2	Year 3	Year 4	Total 2008/09 – 2013/14 £m
			2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	
			£m	£m	£m	£m	£m	£m	£m
OR-1	Corporate & Democratic	Members' allowances			0.4	0.4	0.4	0.4	1.6
OR-2	Corporate & Democratic	Support Staff			-0.1	-0.2	-0.2	-0.2	-0.7
OR-3	Corporate & Democratic	Senior Staff			1.2	2.5	2.5	2.5	8.7
OR-4	Corporate & Democratic	Information Technology				0.1	0.3	0.4	0.8
OR-5	Corporate & Democratic	Procurement			0.2	0.4	0.5	0.7	1.8
OR-6	Corporate & Democratic	Other			0.4	0.7	0.7	0.7	2.5
OR-7	Other Services	Highways, Roads and Transport Services				0.1	0.2	0.3	0.6
OR-8	Other Services	Housing Services (GF only)							
OR-9	Other Services	Cultural and related Services							
OR-10	Other Services	Environmental Services			0.7	1.0	1.1	1.3	4.1
OR-11	Other Services	Shared Services				0.7	1.4	2.1	4.2
OR-12	Other	Property				0.2	0.6	0.9	1.7
<b>TOTAL</b>					<b>2.8</b>	<b>5.9</b>	<b>7.5</b>	<b>9.1</b>	<b>25.3</b>

### 3.5.2 Assumptions & Underlying Calculation

ID	Saving	Total 2008/09 – 2013/14 £m	Assumption / Basis for Calculation								
OR-1	Member's Allowances	1.6	<ul style="list-style-type: none"> <li>Current member allowances taken from 2007/08 financial statements (where published) otherwise taken 06/07 and uplifted by 3% - estimated at <b>£1.6m annually</b></li> <li>One Suffolk Allowances estimated at <b>£1.2m annually</b>.</li> <li>This produces a saving of <b>£0.4m annually</b>.</li> <li>Suffolk CC considers this a high-end estimate, taking into account the variables that surround their decision-making structure and the consequent uncertainty as to the number of SRAs it will generate. Also, it does not take into account mileage and subsistence claims.</li> </ul>								
OR-2	Support Staff	-0.7	<ul style="list-style-type: none"> <li>Yearly savings are estimated as follows: <table border="1" data-bbox="687 772 1358 922"> <thead> <tr> <th>Team</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Current Team Costs</td> <td>12.6</td> </tr> <tr> <td>New Team Costs</td> <td>12.8</td> </tr> <tr> <td><b>Annual Staff Saving</b></td> <td><b>-0.2</b></td> </tr> </tbody> </table> </li> <li>The District/Borough budgets 2008/09 are based on actuals submitted by the districts.</li> <li>Costs are based on the Rural team being 57% of the current County and district teams</li> <li>The calculations provided assumed that first year saving will be half the figure above to ensure no loss of service in year one</li> </ul>	Team	£m	Current Team Costs	12.6	New Team Costs	12.8	<b>Annual Staff Saving</b>	<b>-0.2</b>
Team	£m										
Current Team Costs	12.6										
New Team Costs	12.8										
<b>Annual Staff Saving</b>	<b>-0.2</b>										
OR-3	Senior Staff	8.7	<ul style="list-style-type: none"> <li>Current senior staff profile contains 122 Directors and Heads of Services.</li> <li>The proposal is to reduce that figure to 32 while maintaining the same number of Chief Executive officers.</li> </ul> <p>On costs assumed at 30%</p>								
OR-4	IT	0.8	<ul style="list-style-type: none"> <li>ICT savings estimated at 20% of current total IT costs in the county.</li> <li>This is estimated to be realised through a combination of staff reduction and through sharing of infrastructure and contracts.</li> </ul>								
OR-5	Procurement	1.8	<p>Savings to be obtained through:</p> <ul style="list-style-type: none"> <li>Re-negotiating or re-tendering existing contracts, based on the aggregated volume of spend of the new authority.</li> <li>Reducing the total number of suppliers.</li> <li>Reducing processing costs, including order placing and invoice processing.</li> <li>Consistent application of best practice procurement techniques across all categories of spend.</li> <li>Challenging levels of demand and specifications.</li> <li>Using outsourced service providers where these can offer better value for money than undertaking works in-house.</li> </ul>								
OR-6	Other	2.5	<p>Other savings are a combination of External Audit and Insurance savings</p> <p><u>Insurance</u></p> <ul style="list-style-type: none"> <li>It is assumed that Rural Suffolk accounts for 60% of the total cost to the District Council;</li> <li>Apportionment based on population</li> <li>The new structure would lead to a reduction in total costs to Rural Suffolk due to the reduced asset base;</li> <li>This would result in an annual saving of <b>£0.4m</b></li> </ul> <p><u>External Audit</u></p>								

ID	Saving	Total 2008/09 – 2013/14 £m	Assumption / Basis for Calculation																									
			<ul style="list-style-type: none"> <li>External audit fees estimated based on apportioned Unitary Suffolk fees (57%)</li> <li>Future fees based on expected gross spend and fixed elements currently charged to unitary councils</li> <li>Future fees estimated to reduce by 3.7% annually thereafter</li> <li>Savings are assumed to start in year 2</li> </ul> <p>Workings:</p> <table border="1"> <thead> <tr> <th></th> <th>2010/11</th> <th>2011/12</th> <th>2012/13</th> <th>2013/14</th> </tr> </thead> <tbody> <tr> <td>Existing Fees</td> <td>£0.94m</td> <td>£0.94m</td> <td>£0.94m</td> <td>£0.94m</td> </tr> <tr> <td>Estimated Future Fees</td> <td>£0.94m</td> <td>£0.66m</td> <td>£0.63m</td> <td>£0.60m</td> </tr> <tr> <td>Anticipated Savings</td> <td>£0.00m</td> <td>£0.28m</td> <td>£0.31m</td> <td>£0.34m</td> </tr> <tr> <td><b>Total “Other” Savings (Including Insurance)</b></td> <td><b>£0.4m</b></td> <td><b>£0.7m</b></td> <td><b>£0.7m</b></td> <td><b>£0.7m</b></td> </tr> </tbody> </table>		2010/11	2011/12	2012/13	2013/14	Existing Fees	£0.94m	£0.94m	£0.94m	£0.94m	Estimated Future Fees	£0.94m	£0.66m	£0.63m	£0.60m	Anticipated Savings	£0.00m	£0.28m	£0.31m	£0.34m	<b>Total “Other” Savings (Including Insurance)</b>	<b>£0.4m</b>	<b>£0.7m</b>	<b>£0.7m</b>	<b>£0.7m</b>
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OR-7	Education – Service Costs	0																										
OR-8	Social Services – Service Costs	0																										
OR-9	Highways, Roads and Transport Services	0.6	<ul style="list-style-type: none"> <li>Assumed that savings are to be achieved as a result of contract renegotiation of Street Cleaning and Verges and Grounds Maintenance contracts</li> </ul>																									
OR-10	Housing Services (GF only)	0.0																										
OR-11	Cultural and related Services	0.0																										
OR-12	Environmental Services	4.1	<p>Environmental savings can be broken down into savings achieved through the unification of Waste services through a joint waste authority, as well as the staff savings through the provision of a unified Environmental Health &amp; Trading Standards body</p> <p><u>Waste Services</u></p> <ul style="list-style-type: none"> <li>Management savings are assumed to start in full in the first year. All other savings are phased in over the following years (20% year 1, 40% year two, etc)</li> <li>10% Annual savings assumed in collection of Dry Recyclables, Botanical Waste and Residual Waste-Contract renegotiation</li> <li>Total Waste savings summarised below</li> </ul> <table border="1"> <thead> <tr> <th></th> <th>2010/11</th> <th>2011/12</th> <th>2012/13</th> <th>2013/14</th> </tr> </thead> <tbody> <tr> <td><b>Total Waste Savings</b></td> <td><b>£0.5m</b></td> <td><b>£0.7m</b></td> <td><b>£0.8m</b></td> <td><b>£1.0m</b></td> </tr> </tbody> </table>		2010/11	2011/12	2012/13	2013/14	<b>Total Waste Savings</b>	<b>£0.5m</b>	<b>£0.7m</b>	<b>£0.8m</b>	<b>£1.0m</b>															
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ID	Saving	Total 2008/09 – 2013/14 £m	Assumption / Basis for Calculation																				
			<p><b>Environmental Health &amp; Trading Standards</b></p> <ul style="list-style-type: none"> <li>• It is estimated that 1 Strategic Manager would be required in each District/Borough 50% of time</li> <li>• This results in a savings of 0.34 full time staff in Rural Suffolk by apportioning the saving achieved in each District/Borough based on population – Salary £55,000 each;</li> <li>• It is estimated that 9 Environmental Health Senior Managers would be required across the Districts/Boroughs</li> <li>• This results in a savings of 5.31 full time staff in Rural Suffolk by apportioning the saving achieved in each District/Borough based on population– Salary: £40,000 each;</li> <li>• On costs are estimated at 30%</li> <li>• Assumed that 50% of the saving will be achieved in 2010/11, the full amount thereafter</li> </ul> <p>Summary</p> <table border="1" data-bbox="600 846 1331 1088"> <thead> <tr> <th>Savings Summary</th> <th>Unitary Savings</th> <th>Average Salary £'000</th> <th>Oncosts 30% £'000</th> <th>Total £'000</th> </tr> </thead> <tbody> <tr> <td>Strategic Manager</td> <td>0.34</td> <td>55</td> <td>16.5</td> <td>24.3</td> </tr> <tr> <td>Senior Manager</td> <td>5.31</td> <td>40</td> <td>12</td> <td>276.1</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td></td> <td></td> <td><b>300</b></td> </tr> </tbody> </table>	Savings Summary	Unitary Savings	Average Salary £'000	Oncosts 30% £'000	Total £'000	Strategic Manager	0.34	55	16.5	24.3	Senior Manager	5.31	40	12	276.1	<b>Total</b>				<b>300</b>
Savings Summary	Unitary Savings	Average Salary £'000	Oncosts 30% £'000	Total £'000																			
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<b>Total</b>				<b>300</b>																			
OR-14	Shared Services	4.2	<ul style="list-style-type: none"> <li>• Shared Services savings estimated at 20% of current total IT costs in the county.</li> <li>• Main proportion of Property and Facilities savings are to be realised from reductions in staff. (eg: rationalising the asset base and resulting staff reductions)</li> <li>• Human Resources and Finance functions savings to be achieved through a combination of economies of scale with staff, some aggregation of systems and processes</li> <li>• Revenues and Benefits department savings to be realised through the provision of one service and one set of processes and policies-, one system, a reductions in staff, system costs and overall running costs. Assumption is that service will still be delivered locally, as is the case currently</li> </ul> <p>Summary</p> <table border="1" data-bbox="600 1518 1267 1704"> <tbody> <tr> <td>Property and Facilities</td> <td>£0.3m</td> <td>£0.6m</td> <td>£0.9m</td> </tr> <tr> <td>Human Resources</td> <td>£0.1m</td> <td>£0.1m</td> <td>£0.2m</td> </tr> <tr> <td>Finance</td> <td>£0.1m</td> <td>£0.3m</td> <td>£0.4m</td> </tr> <tr> <td>Revenues and Benefits</td> <td>£0.2m</td> <td>£0.4m</td> <td>£0.6m</td> </tr> <tr> <td><b>Total Savings</b></td> <td><b>£0.7m</b></td> <td><b>£1.4m</b></td> <td><b>£2.1m</b></td> </tr> </tbody> </table>	Property and Facilities	£0.3m	£0.6m	£0.9m	Human Resources	£0.1m	£0.1m	£0.2m	Finance	£0.1m	£0.3m	£0.4m	Revenues and Benefits	£0.2m	£0.4m	£0.6m	<b>Total Savings</b>	<b>£0.7m</b>	<b>£1.4m</b>	<b>£2.1m</b>
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OR-15	Other – Property	1.7	<ul style="list-style-type: none"> <li>• Savings are estimated to be generated through reductions in staff numbers, better staff/desk ratios, provision of hot-desks for out of HQ/area office working and disposal of least efficient office buildings.</li> <li>• Revenue savings on property estimated at £150 per sq meter</li> <li>• Savings are estimated to be phased in 7ths, with 1/7th in 2011/12, 3/7th in 2012/13, 5/7th in 2013/14 and the whole amount in 2014/15</li> </ul>																				

### 3.5.3 Risk Assessment and Validation

ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Risk Rating	Validation Summary
OR-1	Members allowances	1.6	Intermediate	<ul style="list-style-type: none"> <li>The saving is based upon estimates of the future allowance costs, however it includes uncertainty in the figures used as documented in the assumptions.</li> </ul>
OR-2	Staff reductions – support staff	(0.7)	High	<ul style="list-style-type: none"> <li>The calculation has been undertaken via an apportionment of the county-wide budgets, however this has resulted in an increase in staff costs. If this is in fact the case we believe there may be additional costs incurred in 2009/10, rather than this increase being halved</li> </ul>
OR-3	Staff reductions – senior staff	8.7	Normal	<ul style="list-style-type: none"> <li>A reduction in the numbers of senior staff from 122 to 32. This represents a saving of approximately £24.1k including oncosts per annum per FTE which is within expected levels and can be managed in the context of pay rates applied to new posts.</li> </ul>
OR-4	IT	0.8	Intermediate	<ul style="list-style-type: none"> <li>ICT savings are estimated to be 20%.</li> <li>Although this approach is not detailed, this is a widely recounted savings figure for authorities sharing services.</li> </ul>
OR-5	Procurement	1.8	Intermediate	<ul style="list-style-type: none"> <li>Savings via better sourcing in line with most other Councils agendas</li> <li>Best practice calculation would have identified a percentage of addressable spend.</li> </ul>
OR-6	Other	2.5	Normal	<ul style="list-style-type: none"> <li>Reduction in insurance due to fewer assets</li> <li>Reduction in audit costs due to smaller organisation</li> <li>Both these assumptions appear reasonable as a marginal calculation on current SCC costs</li> </ul>
OR-7	Highways, roads and transport services	0.6	Intermediate	<ul style="list-style-type: none"> <li>Assumes a reduction via the renegotiation of contracts.</li> <li>Little supporting evidence for this.</li> </ul>
OR-10	Environmental Services	4.1	Normal	<ul style="list-style-type: none"> <li>Calculations are based on a detailed analysis of savings that can be achieved and a phased approach to when they will be realised.</li> </ul>
OR-11	Shared Services	4.2	Intermediate	<ul style="list-style-type: none"> <li>A savings figure of 20% is used to assess savings via shared services.</li> <li>Although this is not a detailed approach experience elsewhere suggests that substantial savings available in the back office and transactional processes</li> </ul>
OR-12	Other – Property	1.7	Intermediate	<ul style="list-style-type: none"> <li>Savings are based on an estimate of £150 per square meter</li> <li>Savings are envisaged through changes in ways of working</li> <li>The effect of changes are phased</li> </ul>

## 3.6 Capital

### 3.6.1 Spreadsheet Submission

ID	Category	Sub-Category	LUY1	LUY2	Year 1	Year 2	Year 3	Year 4	Total 2008/09 – 2013/14 £m
			2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	
			£m	£m	£m	£m	£m	£m	£m
C-1	Capital Expenditure	Property Investment			1.3				1.3
C-2	Capital Expenditure	ICT Investment			2.7				2.7
<b>TOTAL</b>					<b>4.0</b>				<b>4.0</b>
C-3	Capital Funding	Capital Receipts							
C-4	Capital Funding	Prudential Borrowing			1.3				1.3
C-5	Capital Funding	Other			2.7				2.7
<b>TOTAL</b>					<b>4.0</b>				<b>4.0</b>
C-6	Revenue Consequences	Cost of Prudential borrowing				0.1	0.1	0.1	<b>0.3</b>
C-7	Revenue Consequences	Loss of interest revenue				0.1	0.1	0.1	<b>0.3</b>
<b>TOTAL</b>						<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>

### 3.6.2 Assumptions & Underlying Calculation

ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Assumption / Basis for Calculation
C-1	Property Investment	1.3	<ul style="list-style-type: none"> <li>Capital costs are based on the principle that Endeavour House has the capacity to increase numbers of (hot) desks once wireless ICT capability has been installed (cost of wireless not included)</li> <li>Capacity has been assessed as 100% of Constantine, Endeavour, Grafton House and the PSV site and then additional capacity required to accommodate increased</li> </ul>

ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Assumption / Basis for Calculation
			staff numbers has then been established.
C-2	ICT Investment	2.7	<ul style="list-style-type: none"> <li>The balance to be funded as part of LGR Business case = £6m</li> <li>Assumed that 60% will be capitalised</li> </ul>
C-3	Capital Receipts	0.0	
C-4	Prudential Borrowing	1.3	<ul style="list-style-type: none"> <li>Property relocation to be funded through a prudential borrowing scheme equivalent to the property investment requirement</li> </ul>
C-5	Other	2.7	<ul style="list-style-type: none"> <li>This sum equates to the capital receipts resulting from the sale of property as a result of the unitary restructuring</li> </ul>
C-6	Cost of Prudential borrowing	0.3	<ul style="list-style-type: none"> <li>Prudential borrowing interest repayment estimated at £0.1m per year</li> </ul>
C-7	Loss of interest revenue	0.3	<ul style="list-style-type: none"> <li>ICT refurbishment is to be funded partly from reserves provision. The sum here factors for the loss in interest resulting from this reduction in the reserves.</li> </ul>

### 3.6.3 Risk Assessment and Validation

ID	Cost / Saving	Total 2008/09 – 2013/14 £m	Risk Rating	Validation Summary
C-1	Property Investment	1.3	Normal	<ul style="list-style-type: none"> <li>A detailed analysis has taken place which identifies capital costs per desk and then applies these to the number of desks required.</li> </ul>
C-2	ICT Investment	2.7	Normal	<ul style="list-style-type: none"> <li>60% of Hardware assumed to be capitalised as in one-off costs.</li> </ul>
C-4	Prudential borrowing	1.3	Normal	<ul style="list-style-type: none"> <li>Amount required to increase property requirement</li> </ul>
C-5	Other	2.7	Intermediate	<ul style="list-style-type: none"> <li>Capital receipts from the sale of property which will be required for additions to rural Suffolk main sites. Key issue is to what extent the estimates of potential receipts have taken into account a stagnant/falling property market</li> </ul>
C-6	Cost of prudential borrowing	0.3	Normal	<ul style="list-style-type: none"> <li>Interest rate of 7.5% assumed with £0.1m payments per year</li> </ul>
C-7	Loss of interest revenue	0.3	Normal	<ul style="list-style-type: none"> <li>As part of refurbishment is funded by reserves, this factors in the loss of interest.</li> </ul>

## 4 Sensitivity Analysis

We have modelled a scenario where:

- an ‘on target’ variance is applied to the cost and savings components classified as normal risk;
- an adverse variance is applied to those classified as intermediate risk;
- a significantly adverse variance is applied to those with a high risk rating.

This section costs this scenario in order to assess whether the financial effect has a material impact on the ability to recover reorganisation costs in the period of transition.

### 4.1 One-Off Costs

ID	Category	Sub-Category	Total 2008/09 – 2013/14 £m	Sensitivity Level	Sensitivity Percentage	Value With Sensitivity (£m)
OO-1	Staffing	Redundancy	1.9	INTERMEDIATE	15%	2.19
OO-2	Staffing	Early Retirement and pension fund contributions	0.8	INTERMEDIATE	15%	0.92
OO-3	Staffing	Relocation	1.4	INTERMEDIATE	15%	1.61
OO-4	Staffing	Recruitment	0.3	NORMAL	5%	0.32
OO-7	Information Technology	IT – revenue costs of hardware and software etc	5.7	NORMAL	5%	5.99
OO-8	Change Mgmt & Shadow Planning	Staffing	2.2	NORMAL	5%	2.31
OO-10	Contingency	N/A	1.5	NORMAL	5%	1.58
OO-11	Contract Novation	N/A	1.3	NORMAL	5%	1.37
OO-12	Localisation	Staffing	1.2	NORMAL	5%	1.26
OO-13	Communications & Branding	N/A	0.5	NORMAL	5%	0.53
OO-15	Other Costs	Closedown	0.2	INTERMEDIATE	15%	0.23
OO-16	Other Costs	Training	0.7	NORMAL	5%	0.74
OO-17	Other Costs	Fire Authority Set up	0.4	NORMAL	5%	0.42
<b>TOTALS</b>			<b>18.1</b>			<b>19.44</b>

## 4.2 Ongoing Costs

ID	Category	Sub-Category	Total 2008/09 – 2013/14 £m	Sensitivity Level	Sensitivity Percentage	Value With Sensitivity (£m)
OC-1	Staffing	Pay Harmonisation	2.4	NORMAL	5%	2.52
OC-2	Staffing	Relocation	0.0	NORMAL	5%	0
OC-4	Accommodation	All costs	0.4	NORMAL	5%	0.42
OC-7	Localisation	Staffing	2.0	NORMAL	5%	2.1
OC-8	Localisation		4.0	NORMAL	5%	4.2
OC-9	Other	Dividing County Services	7.8	NORMAL	5%	8.19
OC-10	Other	Combined Fire Authority	0.8	NORMAL	5%	0.84
<b>TOTALS</b>			<b>17.4</b>			<b>18.27</b>

## 4.3 Ongoing Reductions

ID	Category	Sub-Category	Total 2008/09 – 2013/14 £m	Sensitivity Level	Sensitivity Percentage	Value With Sensitivity (£m)
OR-1	Corporate & Democratic	Members' allowances	1.6	INTERMEDIATE	15%	1.36
OR-2	Corporate & Democratic	Support Staff	-0.7	HIGH	30%	-0.91
OR-3	Corporate & Democratic	Senior Staff	8.7	NORMAL	5%	8.27
OR-4	Corporate & Democratic	Information Technology	0.8	INTERMEDIATE	15%	0.68
OR-5	Corporate & Democratic	Procurement	1.8	INTERMEDIATE	15%	1.53
OR-6	Corporate & Democratic	Other	2.5	NORMAL	5%	2.38
OR-7	Other Services	Highways, Roads and Transport Services	0.6	INTERMEDIATE	15%	0.51
OR-10	Other Services	Environmental Services	4.1	NORMAL	5%	3.90
OR-11	Other Services	Shared Services	4.2	INTERMEDIATE	15%	3.57
OR-12	Other	Property	1.7	INTERMEDIATE	15%	1.45
<b>TOTALS</b>			<b>25.3</b>			<b>22.74</b>

## 4.4 Capital Costs

ID	Category	Sub-Category	Total 2008/09 – 2013/14 £m	Sensitivity Level	Sensitivity Percentage	Value With Sensitivity (£m)
C-1	Capital Expenditure	Property Investment	1.3	NORMAL	5%	1.37
C-2	Capital Expenditure	ICT Investment	2.7	NORMAL	5%	2.84
C-4	Capital Funding	Prudential Borrowing	(1.3)	NORMAL	5%	(1.3)
C-5	Capital Funding	Other	(2.7)	INTERMEDIATE	10%	(2.43)
C-6	Revenue Consequences	Cost of Prudential borrowing	0.3	NORMAL	5%	0.32
C-7	Revenue Consequences	Loss of interest revenue	0.3	NORMAL	5%	0.32
		<b>TOTALS</b>	<b>0.6</b>			<b>1.12</b>

## 4.5 Payback Period

We compare the unadjusted payback period, (i.e. ignoring the phasing of costs and savings), with and without these sensitivities and note that in both scenarios the Council achieves payback of transition costs within three years.

On this basis we do not propose to adjust the overall risk assessment for the financial case.

Payback Period Without Sensitivities	Payback With Sensitivities	Overall Risk Rating
1.75 years	2 years	INTERMEDIATE

## 5 Summary of Validation & Risk Assessment

The table below summarises the overall risk assessment of the sub-sections of the DCLG spreadsheet that has been validated as a part of this report:

ID	Report Section	Cost / Saving	Total 2008/09 – 2013/14 £m	Risk Rating	Validation Summary
BD	3.2	Base Data	n/a	NORMAL	<ul style="list-style-type: none"> <li>The base data included within the submission is drawn from the Finance and General Statistics - 2007-8 budget books of the relevant Councils;</li> <li>The risk associated with this is therefore normal</li> </ul>
OO	3.3	One-Off Costs	18.1	INTERMEDIATE	<ul style="list-style-type: none"> <li>One-off costs have been assessed against benchmarks of other submissions and have proven consistent with method of calculation.</li> </ul>
OC	3.4	Ongoing Costs	17.4	NORMAL	<ul style="list-style-type: none"> <li>On-going costs have been assessed against risk criteria and have been assessed as normal risk.</li> </ul>
OR	3.5	Ongoing Reductions	25.3	INTERMEDIATE	<ul style="list-style-type: none"> <li>Reductions have been assessed to have a risk rating of intermediate</li> </ul>
C	3.6	Capital	9.2	INTERMEDIATE	<ul style="list-style-type: none"> <li>Costs have been assessed against experience of other submissions and have proven sound in their method of calculation.</li> </ul>

## 6 APPENDIX – including Lowestoft

### 6.1 Introduction

The report investigated the case for Rural Suffolk excluding the Lowestoft area. In that scenario all costs and savings relevant to Lowestoft are assumed to be transferred to the relevant Norfolk Council(s). This appendix addresses the case for including Lowestoft within the original submission through an apportionment of Suffolk County’s budget

### 6.2 Summary conclusion

Given this apportionment methodology, we believe that the overall risk associated with the case for the “Lowestoft-inclusive” and “–exclusive” options is essentially the same.

### 6.3 Apportionment

The apportionment of Lowestoft costs and savings are based on the different population proportions as per the 2001 census. The values are summarised in the table below

District	Population
Babergh	59,096
Mid Suffolk	79,643
Suffolk Coastal	58,766
Forest Heath	55,510
St Edmundsbury	98,193
Waveney (Less Lowestoft)	40,642
<b>Total</b>	<b>391,850</b>

## 6.4 One Off Costs

Rural Suffolk Excluding Lowestoft

ID	Category	Sub-Category	LUY1	LUY2	Year 1	Year 2	Year 3	Year 4	Total	
			08/09	09/10	10/11	11/12	12/13	13/14	08/09 - 13/14	
			£m	£m	£m	£m	£m	£m	£m	
OO-1	Staffing	Redundancy			0.8	0.7	0.2	0.2	1.9	
OO-2	Staffing	Early Retirement and pension fund contributions			0.3	0.3	0.1	0.1	0.8	
OO-3	Staffing	Relocation			0.1	0.3	0.4	0.6	1.4	
OO-4	Staffing	Recruitment		0.2	0.1				0.3	
OO-5	Accommodation	All costs								
OO-6	Information Technology	Staffing								
OO-7	Information Technology	IT – revenue costs of hardware and software etc		1.0	3.0	1.7			5.7	
OO-8	Change Mgmt & Shadow Planning	Staffing		1.2	1.0				2.2	
OO-9	Change Management	Shadow/ Planning							0.0	
OO-10	Contingency	N/A		0.3	0.3	0.3	0.3	0.3	1.5	
OO-11	Contract Novation	N/A		1.0	0.3				1.3	
OO-12	Localisation	Staffing			0.6	0.6			1.2	
OO-13	Communications & Branding	N/A		0.4	0.1				0.5	

Rural Suffolk Including Lowestoft

LUY1	LUY2	Year 1	Year 2	Year 3	Year 4	Total	
08/09	09/10	10/11	11/12	12/13	13/14	08/09 - 13/14	Delta
£m	£m	£m	£m	£m	£m	£m	
		0.9	0.9	0.3	0.3	2.4	20.83%
		0.4	0.4	0.1	0.1	1.0	20.00%
		0.1	0.3	0.4	1.2	2.0	30.00%
	0.2	0.1				0.3	0.00%
	0.6	3.0	1.8			5.4	-5.56% <sup>1</sup>
	1.0	0.9				1.9	-15.79% <sup>2</sup>
	0.3	0.3	0.3	0.3	0.3	1.5	0.00%
	1.0	0.3				1.3	0.00%
		0.6	0.6			1.2	0.00%
	0.5	0.1				0.6	16.67%

OO-14	Closedown	Staff																
OO-15	Other Costs	Closedown			0.2							0.3					0.3	33.33%
OO-16	Other Costs	Training			0.7							0.7					0.7	0.00%
OO-17	Other Costs	Fire Authority Set up		0.3	0.1							0.3	0.1				0.4	0.00%
<b>TOTAL</b>				<b>4.4</b>	<b>7.6</b>	<b>3.9</b>	<b>1.0</b>	<b>1.2</b>	<b>18.1</b>			<b>3.9</b>	<b>7.8</b>	<b>4.3</b>	<b>1.1</b>	<b>1.9</b>	<b>19.0</b>	<b>2.69%</b>

<sup>1</sup> An additional £350,000 will be incurred in year 1 to disaggregate the Lowestoft IT system

<sup>2</sup> The case where Lowestoft is excluded results in 2 additional Senior Management resources (midpoint £58k + 30% on costs) in year 1 and 2

The table above displays the differences between the case where Lowestoft was excluded from the Rural Suffolk submission (as in the body of the report) against the case where Lowestoft is included. All differences can be attributed to the lower cost requirements resulting from the apportionment of a lower population in the case where Lowestoft was excluded.

## 6.5 Ongoing Costs

Rural Suffolk Excluding Lowestoft

Rural Suffolk Including Lowestoft

ID	Category	Sub-Category	LUY1	LUY2	Year 1	Year 2	Year 3	Year 4	Total	LUY1	LUY2	Year 1	Year 2	Year 3	Year 4	Total	Delta
			08/09	09/10	10/11	11/12	12/13	13/14	08/09 - 13/14	08/09	09/10	10/11	11/12	12/13	13/14	08/09 - 13/14	
			£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
OC-1	Staffing	Pay Harmonisation			0.6	0.6	0.6	0.6	2.4			0.6	0.6	0.6	0.6	2.4	0.00%
OC-2	Staffing	Relocation															
OC-3	Accommodation	Additional staff															
OC-4	Accommodation	All costs			0.1	0.1	0.1	0.1	0.4			0.1	0.1	0.1	0.1	0.4	0.00%
OC-5	IT	Staff															
OC-6	IT	Revenue Cost of Hardware & Software															
OC-7	Localisation	Staffing			0.5	0.5	0.5	0.5	2.0			0.6	0.6	0.6	0.6	2.4	16.67%
OC-8	Localisation				1.0	1.0	1.0	1.0	4.0			1.2	1.2	1.2	1.2	4.8	16.67%
OC-9	Other	Dividing County Services			1.9	1.9	1.9	2.1	7.8			1.8	1.8	1.8	2.0	7.4	-5.41% <sup>1</sup>
OC-10	Other	Combined Fire Authority			0.2	0.2	0.2	0.2	0.8			0.2	0.2	0.2	0.2	0.8	0.00%
<b>TOTAL</b>					<b>£4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.5</b>	<b>17.4</b>			<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.7</b>	<b>18.2</b>	

<sup>1</sup> There is a further disaggregating of county services resulting from the apportionment of Lowestoft to Norfolk, therefore a higher cost is realised

The table above displays the differences between the case where Lowestoft was excluded from the Rural Suffolk submission (as in the body of the report) against the case where Lowestoft is included. All differences can be attributed to the lower cost requirements resulting from the apportionment of a lower population in the case where Lowestoft was excluded.

## 6.6 On Going Reductions

Rural Suffolk Excluding Lowestoft

ID	Category	Sub-Category	LUY1	LUY2	Year 1	Year 2	Year 3	Year 4	Total
			08/09	09/10	10/11	11/12	12/13	13/14	08/09 - 13/14
			£m	£m	£m	£m	£m	£m	£m
OR-1	Corporate & Democratic	Members' allowances			0.4	0.4	0.4	0.4	1.6
OR-2	Corporate & Democratic	Support Staff			-0.1	-0.2	-0.2	-0.2	-0.7
OR-3	Corporate & Democratic	Senior Staff			1.2	2.5	2.5	2.5	8.7
OR-4	Corporate & Democratic	Information Technology				0.1	0.3	0.4	0.8
OR-5	Corporate & Democratic	Procurement			0.2	0.4	0.5	0.7	1.8
OR-6	Corporate & Democratic	Other			0.4	0.7	0.7	0.7	2.5
OR-7	Other Services	Highways, Roads and Transport Services				0.1	0.2	0.3	0.6
OR-8	Other Services	Housing Services (GF only)							
OR-9	Other Services	Cultural and related Services							
OR-10	Other Services	Environmental Services			0.7	1.0	1.1	1.3	4.1

Rural Suffolk Including Lowestoft

LUY1	LUY2	Year 1	Year 2	Year 3	Year 4	Total	
08/09	09/10	10/11	11/12	12/13	13/14	08/09 - 13/14	
£m	£m	£m	£m	£m	£m	£m	Delta
		0.5	0.5	0.5	0.5	2.0	20.00%
		0.8	1.6	1.6	1.6	5.6	-112.50% <sup>1</sup>
		1.5	3.4	3.4	3.4	11.7	25.64%
			0.2	0.3	0.5	1.0	20.00%
		0.2	0.4	0.6	0.8	2.0	10.00%
		0.4	0.8	0.8	0.8	2.8	
			0.1	0.2	0.3	0.6	0.00%
		0.8	1.2	1.4	1.6	5.0	18.00%

OR-11	Other Services	Shared Services				0.7	1.4	2.1	4.2				0.8	1.6	2.4	4.8	12.50%
OR-12	Other	Property				0.2	0.6	0.9	1.7				0.2	0.7	1.2	2.1	19.05%
<b>TOTAL</b>					2.8	5.9	7.5	9.1	25.3			4.2	9.2	11.1	13.1	37.6	

<sup>1</sup>Support staff requirements when excluding Lowestoft are greater than current budget

The table above displays the differences between the case where Lowestoft was excluded from the Rural Suffolk submission (as in the body of the report) against the case where Lowestoft is included. All differences can be attributed to the lower savings to be realised resulting from the apportionment of a lower population in the case where Lowestoft was excluded.

## 6.7 Capital

Rural Suffolk Excluding Lowestoft

ID	Category	Sub-Category	LUY1	LUY2	Year 1	Year 2	Year 3	Year 4	Total
			08/09	09/10	10/11	11/12	12/13	13/14	08/09 - 13/14
			£m	£m	£m	£m	£m	£m	£m
C-1	Capital Expenditure	Property Investment			1.3				1.3
C-2	Capital Expenditure	ICT Investment			2.7				2.7
<b>TOTAL</b>					<b>4.0</b>				<b>4.0</b>
C-3	Capital Funding	Capital Receipts							
C-4	Capital Funding	Prudential Borrowing			1.3				1.3
C-5	Capital Funding	Other			2.7				2.7
<b>TOTAL</b>					<b>4.0</b>				<b>4.0</b>
C-6	Revenue Consequences	Cost of Prudential borrowing				0.1	0.1	0.1	0.3
C-7	Revenue Consequences	Loss of interest revenue				0.1	0.1	0.1	0.3
<b>TOTAL</b>						<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>

Rural Suffolk Including Lowestoft

LUY1	LUY2	Year 1	Year 2	Year 3	Year 4	Total	
08/09	09/10	10/11	11/12	12/13	13/14	08/09 - 13/14	Delta
£m	£m	£m	£m	£m	£m	£m	
		1.5				1.5	13.33%
		2.7				2.7	0.00%
		<b>4.2</b>				<b>4.2</b>	
		1.5				1.5	13.33%
		2.7				2.7	0.00%
		<b>4.2</b>				<b>4.2</b>	
			0.1	0.1	0.1	0.3	0.00%
			0.1	0.1	0.1	0.3	0.00%
			<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	

The table above displays the differences between the case where Lowestoft was excluded from the Rural Suffolk submission (as in the body of the report) against the case where Lowestoft is included. All differences can be attributed to the lower capital requirement resulting from the apportionment of a lower population in the case where Lowestoft was excluded.