LCN Fund Full Submission

Supplementary Answer Form

Tick if this answer is Confidential: ☐

Tick if this answer has been provided verbally: ☐

Project code:	Smarter Network Storage	Question Number	UKPN006
Question date	30 August 2012	Answer date	4 Sep 2012
Submission section question relates to	Full Submission Workbook		
Topic	Project Cost Summary		
Question	Please provide a description of how costs per person have been calculated together with a sample calculation.		
Notes on question			
Answer	Costs per person have been calculated according to the following steps: 1. The total salary costs, including pension allowances and costs, average performance bonuses, and NI contributions is determined, based on rolling 12 month payroll history extracted from our SAP accounting system. 2. This total is divided by the number of Productive Hours in a year, as defined below, to generate an hourly rate. 3. The current daily rate is then calculated by multiplying this figure by 7.4 (assuming 37 hours per week across 5 days) 4. A daily rate for each year of the project is then calculated, assuming levels of inflation according to the rates below. 5. To provide a simple means of calculating total person costs, a blended average rate from these annual rates is then used to multiply the estimated person-days of effort. A full example calculation is provided below for a theoretical employee with an annual salary of approximately £42,500:		

1. Total salary costs, including pension allowances and costs, performance bonuses, and NI contributions is approximately £67,932
2. Hourly rate is then 67932/1509.6 = £45
3. Daily rate is then 45 x 37/5 = £333
4. Inflation is applied to calculate the approximate daily rate across future years for the project:
   2012/13: 333
   2013/14: 340
   2014/15: 348
   2015/16: 358
   2016/17: 369
5. An average daily rate is calculated from an average of these, equating to approximately £345. Total costs are then estimated using this figure multiple an estimate of days effort.

Productive Hours calculation:

Working hours per year, assuming 37 hour working week
= 37 x 52 = 1924 hours
Deductions are then made for average levels of holiday and sickness according to the table below:

Total hours per employee	**1924**
Holiday	(28.00)
Bank Holiday	(8.00)
Sickness	(5.00)
Medical Appointment	(1.00)
Other Leave	(4.00)
Face 2 Face	(6.00)
Union Meetings	(2.00)
Health & Safety Meetings	(1.00)
Staff Roadshows	(1.00)
Total Productive Hours	**1,509.6**

Inflation rates assumption:

2013 2.024%
2014 2.420%
2015 3.000%
2016 3.000%

Where roles do not yet have specific identified individuals assigned, day rates deemed appropriate to the level of skill or experienced have been used.

Attachments	
Verbal Clarifications (Consultants)	