

## Statement of Payback Period North Haven Unitary Council

1. The proposed business model for North Haven envisages limited preparatory work in 2008/09 and 2009/10, preceding the establishment of the new unitary in 2010/11. This upfront investment is included in the calculation of the payback period for North Haven.
2. Calculation of payback period:

	2008/09	2009/10	2010/11	2011/12	2012/13
	£m	£m	£m	£m	£m
Net savings/costs(-)	-0.5	-3.1	-2.9	5.9	9.2
Savings outside the reorganisation	0.9	2.1	2.9	3.1	3.1
Annual Saving/Cost(-)	0.4	-1	0	9	12.3
Cumulative Saving/Cost(-)	0.4	-0.6	-0.6	8.4	20.7

3. Payback/breakeven occurs in the year that the cumulative cost of the restructuring becomes positive. The brought forward cost of the restructuring is then divided by the savings in that year and multiplied by 12. The payback period is thus, the number of years elapsed from the start of the restructuring plus the number of months calculated.
4. In this case cumulative savings become positive in year two, so the payback period is one year plus the one month it takes to payback the accumulated deficit, in year two.
5. **Payback period: One year and one month.**