

Current Cost of Service, Forecast Trading Position Year 1 and impact of implementing growth proposals
Detailed expansion of table 6 high level business case

STATUS QUO	Service budget 15-16	Year 1 16-17	Year 2 17-18	Year 3 18-19	Year 4 19-20	Year 5 20-21	(Saving) or Growth 5 year
	£000	£000	£000	£000	£000	£000	£000
Income	£000	£000	£000	£000	£000	£000	£000
Fees & Charges	0	0	0	0	0	0	0
CEC Management Fee	2,082	2,085	2,082	2,082	2,082	2,082	(3)
Loss of income - ASB & CL grants shown separately from Management fee	0	(56)	(147)	(225)	(291)	(344)	1,063
Retained by CEC for direct payment		(190)	(330)	(287)	(251)	(220)	1,278
Total Income	2,082	1,839	1,605	1,570	1,540	1,517	2,339
Expenditure	£000	£000	£000	£000	£000	£000	£000
Staffing Costs - direct	981	832	981	981	981	981	(149)
Other direct costs	788	780	341	321	304	293	(1,902)
Total Direct Cost	1,769	1,612	1,322	1,302	1,285	1,274	(2,051)
Gross Profit	312	226	283	267	254	243	287
Other running costs							
Staffing costs - indirect	173	147	173	173	173	173	26
Other running costs	139	91	139	139	139	139	48
Total Indirect Costs	312	238	312	312	312	312	75
Net Profit (loss)	0	(11)	(29)	(45)	(58)	(69)	(213)

New Company impact							
SECTION REDACTED DUE TO COMMERCIAL CONFIDENTIALITY							
	0	(78)	(78)	(78)	(78)	(78)	(390)
Total net impact of Company activity	0	(38)	47	121	153	148	431

Adjusted Net Profit / (Loss)	0	(49)	17	76	95	79	218
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Benefits to Cheshire East Council (not directly to the ASDV - indirect influence)							
SECTION REDACTED DUE TO COMMERCIAL CONFIDENTIALITY							
Total of other savings	0	0	319	956	1,593	2,230	5,098

Benefits to the public purse (not directly to the ASDV - indirect influence)							
SECTION REDACTED DUE TO COMMERCIAL CONFIDENTIALITY							

Notes
Figures for 2016-17 reflect Lifelong Learning transferring with effect from 1st September 2016
2016-17 reduced for 6 months only for Lifelong Learning / ASB . Also Includes £500k additional budget for developing skills in 2016-17
ASB & CL reduction in grant (6 months only in 2016-17) Amount of grant retained by CEC for payment to 3rd parties falls in direct proportion to the reduction in the grant available (6 months only for 2016-17)
Total loss of income over 5 years
ASB reduction in grant and retention by CEC links to reduction in delivery costs. Costs relating to £500k additional budget in 2016-17 are included here
Gross profit figure reduced due to ASB
Net profit figure deteriorated due to impact on top slice / margins of ASB grant.

total benefit of company

net variance from current position

Total of other savings	0	1,019	1,108	1,408	1,486	1,589	6,611	
Savings associated with ASDV, Cheshire East and benefits to the public purse	0	970	1,125	1,484	1,581	1,668	11,926	
GVA generated								
SECTION REDACTED DUE TO COMMERCIAL CONFIDENTIALITY								
Total GVA generated	0	103,853	103,853	103,853	103,853	103,853	519,266	

Please give details about assumptions made above relating to current costs, anticipated variations to expenditure and income in Year 1 of ASDV and what is included in expenditure and income in respect of growth. Please also include any adverse impacts that may occur such as corporation tax/VAT and any impact on the trading position that may occur if the ASDV is not established.

No provision has been made for salary increases since the figures above solely illustrate the difference between staying within the council and moving to a WOC. It is assumed that any pay increases would be identical. Therefore the figures above are at current prices and exclude any inflationary increase, career advancement or performance pay.

Companies budget has been increased by £83k, from 2016/17, to reflect the cost of Directors Remuneration (£15k), Insurance (£5k) Audit Fees (£10k), Marketing (£25k) and Pensions deficit (£23k).

Loss of income - Amounts available from the Skills Funding Agency/ EFA are expected to reduce and consequently a reduction in ASB and CL grants has been built in: £56k in 16/17 (6 months only), £147k in 17/18. Assumed reductions from 18/19 onwards continue at similar rate. Note that impact on service is only 20% as 80% would be mitigated by reducing the amount used to fund external providers.

Retained by CEC (because of the restrictions imposed by the Skills Funding Agency / EFA)- Of the ASB and CL grants a proportion will be retained by CEC to pay third parties directly (approximately 54%).

For projects such as Geothermal, Fairer Power and Connecting Cheshire budget costs are recurrent for the entire life of the project. e.g. there is currently a commitment of £140k per annum by CEC to cover the project costs for delivering the OVO contract for the remainder of that contract (4 years). The amounts payable per project to Skills and Growth will be reviewed as part of the annual management fee negotiations to ensure that the company can continue to deliver these projects.

Business rates and GVA are based on the creation of an additional 800 jobs each year. The underlying statistics on which the calculations are based are taken from Ekosgen using ONS and Cheshire East Council data and http://neweconomymanchester.com/stories/832-unit_cost_database

The rationale behind the benefits to the public purse are described on a separate tab.

Business rates - during next year CEC will be able to retain approx 77.5% of the growth of anything over and above our stretch growth target of 0.5%

It should be noted that a number of the profit streams will arise from commercial activity and therefore the company may become liable for corporation tax in due course.