

Enterprise M3 Board Meeting

31 January 2017

Finance Report – Item 14

Enterprise M3 Board members are asked to:

Note the current 2016/17 year end forecast and actual position on operational revenue funds held by Enterprise M3.

Note the proposed outline budget for the 2017/18 financial year.

1 Executive summary

1.1 The purpose of this report is to give Board members a brief update on the 2016/17 forecast financial outturn position, provide an update on the current expenditure/ income and proposed an initial outline budget for 2017/18.

2 2016/17 Forecast Outturn and Actual spend

2.1 Enterprise M3 has been operating with two revenue accounts (Operational and GEF) that fund the day to day activities of the Local Enterprise Partnership. The projected outturn position is set out in Appendix 1 and is based on actual income and expenditure to date and known and predicted future activity.

2.2 The original budget agreed by the Board on the 31st March 2016 agreed a draw from reserves of £293,700. The latest projections indicate a smaller draw on reserves of £51,500 This reduction is mainly due to an increase in the forecasted income to be received in the current financial year and delayed research/consultancy spend.

2.3 As discussed at the previous Board meeting on the 29th November 2016, variations from the original budget are summarised below:

Item of expenditure	Variance	Description
Staff salaries	+£85,000	No Change from Board meeting on 29th November 2016- This increase for the year is mainly due to increased resources over and above the amount forecast this time last year for the Enterprise Zone Director and Communications and Marketing Manager posts being created. The EZ costs are partially offset by income from EZ partners (see below)
Agency staff	-£18,200	No Change from Board meeting on 29th November 2016- A reduction in the projected agency support costs is mainly due to a lower than expected need for professional support. This figure will be monitored and adjusted to reflect the upcoming work detailed in the Enterprise M3 business plan.
Research, studies and consultancy	-£11,000	£5,000 reduction in forecasted spend from Board meeting on 29th November 2016 – Elements of the Strategic Economic Plan refresh have been moved into 2017/18 and have reduced the spend for the current financial year.

Stakeholder engagement and events	+£8,000	No Change from Board meeting on 29th November 2016- The increase in forecasted expenditure is due to additional business events to engage businesses such as the partner event held at Farnborough International and extension of SELP (EU advice) membership for this year only.
Accountable body	+£3,750	No Change from Board meeting on 29th November 2016 - Due to increases in LGF projects and complexity of a small few, the expected costs are to increase for 2016/17.
Running Costs	+£10,000	No Change from Board meeting on 29th November 2016- General expenses costs have increased including purchase of space alongside Growth Hub in Guildford.
Operational income	+£356,100	An additional £43,000 has been added to the forecasted income after the board meeting on the 29th November 2016 – Income is expected to exceed the budget by 39%. This increase since the last board meeting, is mainly due to a £37,000 application fee income received from Surrey County Council for the Wider Staines upon Thames Sustainable Transport Package. Enterprise M3 has also reached an agreement with Enterprise Zone partners to recover £49,000 towards the costs of the developing the outline business case and implementation plan. The remainder is made up of contributions from the recovery of Enterprise Zone Programme Director costs (£42,000), recharges from HCC for incorrectly charged agency fees in 2015/16 (£50,000) and sponsorship from Local Authorities towards the Careers and Enterprise Programme (£2,500). Recoverable due diligence costs from Farnborough International have come in lower than expected and the forecast reduced by £15,000. Enterprise M3 is also forecasting recovering £25k from Government towards our ERDF and ESF programmes.

3 Revenue expenditure 2016/17

- 3.1 The current position on the Enterprise M3 accounts is detailed in Appendix 1. This shows the original budget, forecasted expenditure and current expenditure as at the 31st December 2016. In summary as at the 31st December 2016, Enterprise M3 had received income of £1,096,801 (77%), and had spent £643,975 (48%)
- 3.2 The Enterprise M3 Board is asked to note that a number of costs have been incurred to date that are yet to be transferred by Hampshire County Council and Rushmoor Borough Council. These relate to Seconded staff, due diligence, accountable body service charges and total approximately £191,000. These charges will all be transferred from the Enterprise M3 accounts before the end of the year.
- 3.3 We anticipate a spend of £1,100,000 by year end representing 82% of budget.

4 2017/18 Budget

- 4.1 Board members are asked to **agree** the budget for the 2017/18 financial year, as set out within Appendix 2. As in previous years, the Enterprise M3 board are presented with an outline budget for the following financial year, this enables the LEP greater confidence when planning anticipated resources to enable the delivery of Strategic Economic Plan objects and Local Growth Fund Programme.
- 4.2 It is expected that the new Finances, Resources and Audit Committee board sub group will play a key role overseeing the 2017/18 budget, challenging spend and championing future sustainability through increased income and expenditure savings.

4.3 A full detailed budget for 2017/18 will be presented at the board meeting in March.

Income

4.4 Enterprise M3 is forecasting income of £995,000 in 2017/18.

4.5 Board members should note that Enterprise M3 has received confirmation of core funding (£250k) and capacity funding (£250k) for 2017/18 from Government.

4.6 Aside from the core/capacity funding mentioned above, Enterprise M3 is forecasting an additional £495,000 income in 2017/18. This comprises of £180,000 in total from the 14 local authorities and 2 county councils, a further £30,000 in total from 6 further education colleges in the region and £50,000 in total from 5 Higher education University's. These contributions support the LEPs running costs and enable Enterprise M3 to continue leading/supporting local and regional projects. Partners have committed to continue this funding for future years but review expenditure yearly.

4.7 Application fee income of £100,000 have been forecast for potential Local Growth Fund 3 projects submitting their business cases in 2017. This income is dependent on an announcement from central government confirming the Enterprise M3 LGF round 3 allocation and is therefore a risk that this figure will fluctuate depending on how many projects are progressed in 2017/18.

4.8 We are also expecting to receive £60,000 funding from Enterprise Zone partners towards the cost of the Enterprise Zone Director post currently being recruited.

4.9 Finally, the team have negotiated a £45,000 fee with Government to facilitate the Growth Hub and manage the contract. We are also forecasting to recover £30,000 match funding from Government through our ESF and ERDF technical assistance programmes.

Expenditure

4.10 The forecast expenditure for 2017/18 is £1,103,100 and expenditure of £183,900 for the GEF revenue fund.

4.11 Total employee costs have increased from the previous financial year, due to the recruitment of two additional full time posts. This increase is partially offset by contributions from partners.

4.12 The budgeted expenditure for due diligence in 2017/18 is £100k, and is broken down into £80K from operational budget and £20k from the GEF. This figure is slightly lower than the 2016/17 forecasted spend due to a reduction in GEF projects needing due diligence analysis in 17/18.

4.13 The budgeted expenditure for research, studies and consultancy in 2016/17 is £163.5k. The current forecasted expenditure includes the SEP refresh, Careers & Enterprise coordinator contract and studies to further develop our LGF programme. This figure is currently lower than 2016/17 forecast expenditure due to a smaller amount of planned consultant studies and events.

4.14 The budget for stakeholder engagement and events has been reduced from the previous year due to fewer events being organized directly by the team in the upcoming year. The contract for the SEP review requires the consultants to run a number of consultation events on behalf of enterprise M3.

4.15 We are expecting running costs to remain at a similar level to previous years and have only increased the printing budget to cover the annual report, and SEP refresh.

- 4.16 The budget expenditure for accountable body support costs for 2017/18 is £70k split between £35k operational fund and £35k GEF. Enterprise M3 have entered into service agreements with HCC who will provide core services to the LEP for a reduced fee.
- 4.17 We will continue to monitor 2017/18 spend on an ongoing basis and adjust forecasts accordingly as the year progresses. A budget update will be presented to the Finances, Resources and Audit Committee board sub group (outline set out at para 4.19) on a quarterly basis where current forecasts, spend and income will be challenged by the group and objectives set for the team to deliver future value for money, find efficiency savings and seek new opportunities to collect income for the LEP. The chair of this group will present a finance paper to the board, with commentary explaining any significant variances.

Alex Piper
19 January 2017

**APPENDIX 1
ENTERPRISE M3 LOCAL ENTERPRISE PARTNERSHIP: REVENUE FUNDS 2016/17**

	Original Budget	Latest forecast	Actual December
Core Funding grants (from government)	500,000	500,000	500,000
Partner contributions - Local Authority, FE and HE	260,000	260,000	210,000
One-off other income	165,000	521,086	386,801
Transfer from GEF reserve	318,449	138,449	0
Total income	1,243,449	1,419,535	1,096,801
Core Staff -	557,138	642,210	462,497
Expert Support	122,302	140,462	70,186
Due Diligence	95,000	95,000	0
Research, studies and consultancy	233,500	222,500	31,999
Stakeholder engagement and events	59,000	66,940	23,086
Sponsorship of events	10,000	10,000	0
Accountable Body	63,750	67,500	9,378
General Expenses	30,000	30,000	10,306
Running costs	48,000	58,000	36,523
Total expenditure	1,218,690	1,332,611	643,975
Net expenditure/ (Surplus)	293,690	51,526	

APPENDIX 2 – 2017/18 Revenue budget

		Budget	2016/17 Forecast Actual
2017/18		£	£
INCOME			
Core Funding grants (from government)			
	Core Funding	500,000	500,000
Partner contributions		260,000	260,000
	<i>Local Authorities</i>	<i>180,000</i>	<i>180,000</i>
	<i>Further Education</i>	<i>30,000</i>	<i>30,000</i>
	<i>Higher Education</i>	<i>50,000</i>	<i>50,000</i>
Specific one-off grants		235,000	521,086
	<i>Application fee - LGF based on £10m</i>	<i>100,000</i>	
	<i>Enterprise Zone Manager contributions</i>	<i>60,000</i>	
	<i>ESF/ERDF Match Funding</i>	<i>30,000</i>	
	<i>Growth hub management fee</i>	<i>45,000</i>	
Transfer from GEF Reserve		183,860	138,449
TOTAL INCOME		1,178,860	1,419,535
EXPENDITURE			
Employee costs		835,457	782,672
	<i>Staff salaries</i>	<i>747,457</i>	<i>642,210</i>
	<i>Agency staff</i>	<i>88,000</i>	<i>140,462</i>
Professional support		362,500	
	<i>Due Diligence</i>	<i>100,000</i>	<i>95,000</i>
	<i>Research, studies and consultancy</i>	<i>163,500</i>	<i>222,500</i>
	<i>Stakeholder engagement and events</i>	<i>29,000</i>	<i>66,940</i>
	<i>Accountable body</i>	<i>70,000</i>	<i>67,500</i>
General Expenses		30,000	30,000
Running Costs		59,000	58,000
TOTAL EXPENDITURE		1,286,957	1,332,611
NET INCREASE/ (DECREASE) IN FUNDS		(108,097)	