

Enterprise M3 Board Meeting

27 July 2017

Finance Report: April-June 2017/18 – Item 15

The Enterprise M3 Board is asked to:

NOTE – The 2017/18 year end forecasted and quarter one actual position on revenue funds held by Enterprise M3.

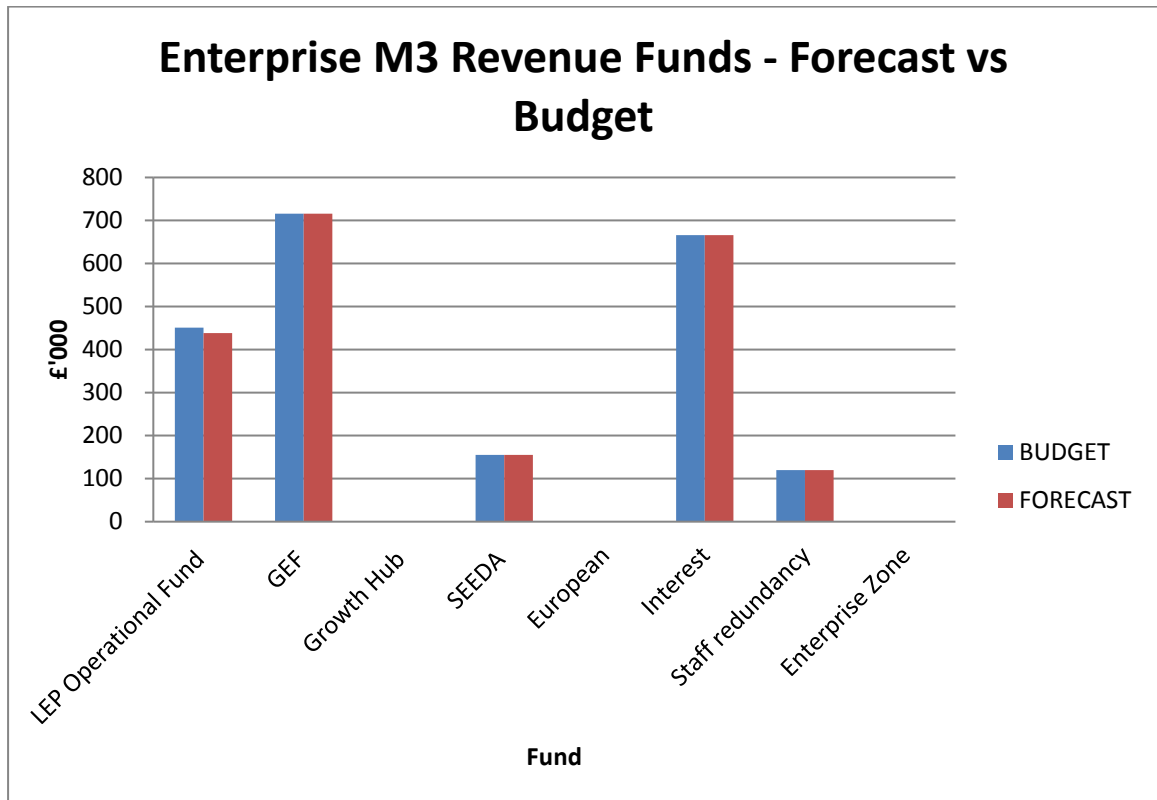
1. Executive Summary

- 1.1. The purpose of this report is to provide the Board a brief update on the 2017/18 forecast financial outturn position, as at the end of June 2017.
- 1.2. Activity is considered against the outline budget approved by the Board in May 2017.
- 1.3. Overall, income and expenditure within all Enterprise M3 funds are progressing as budgeted. No significant variances have been identified.

2. Fund balances

- 2.1. The analysis is structured against the seven revenue accounts that support the delivery of the Strategic Economic Plan
 - The Operational and GEF revenue accounts fund the day to day expenditure of the LEP
 - The Growth Hub reserve covers all income and expenditure relating to the Growth hub
 - The European reserve covers all expenditure related to the ESF and ERDF Technical Assistance programmes
 - The SEEDA legacy reserve is a ring-fenced to support business support activities in line with government guidance
 - The interest reserve accumulates all interest earned on Enterprise M3 funds.
 - The Staff Redundancy Reserve set up to cover any staffing liabilities in the event of the LEP being wound down, and
 - The Enterprise Zone income and expenditure, funded by a loan against future Business Rates growth.

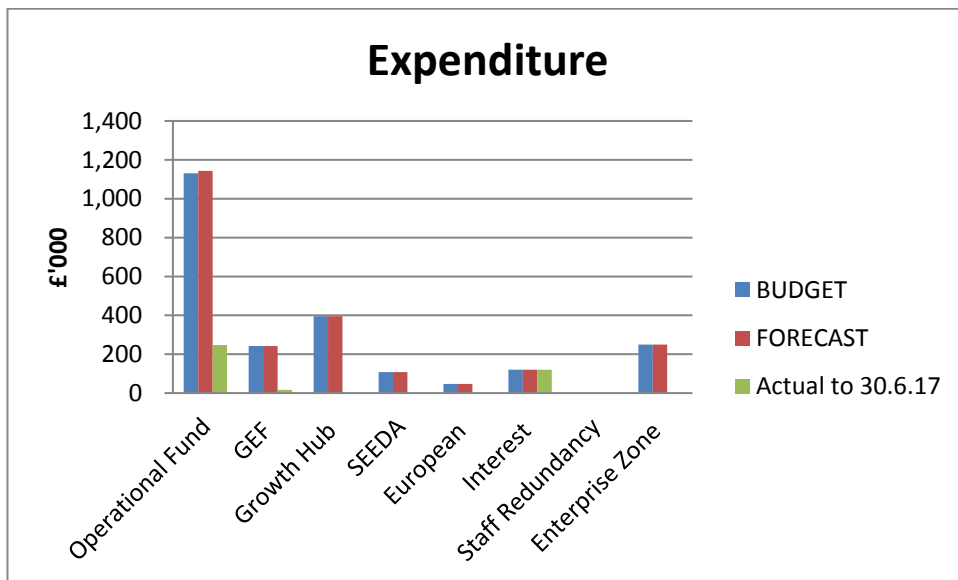
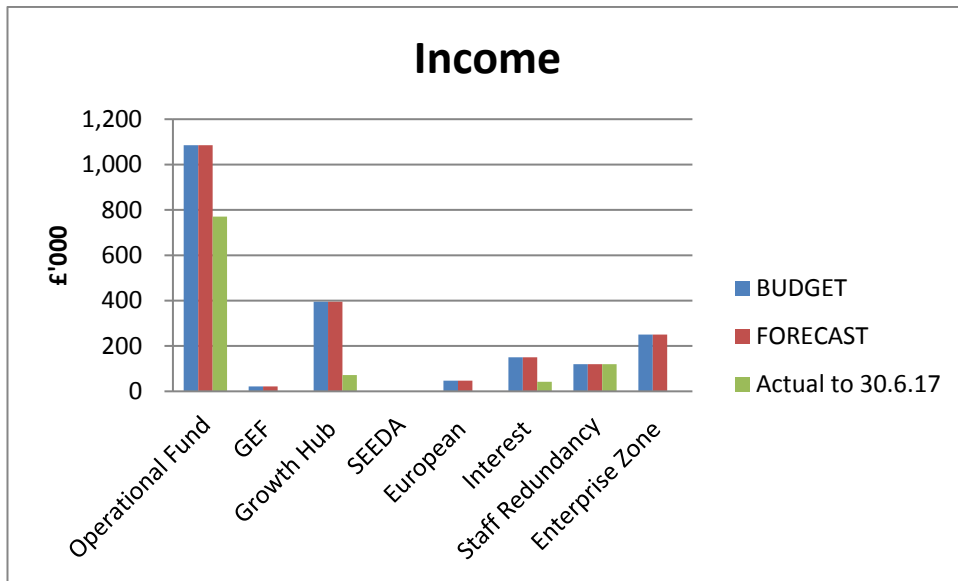
2.2. Following quarter one activity the 2017/18 forecast fund balances at the end of 17-18, compared to budget, are demonstrated in the chart and table below:



FORECAST vs BUDGETED FUNDS	ACTUAL 1 April 2017	FORECAST Income	FORECAST Expenditure	FORECAST 31 March 2018	BUDGET 31 March 2018	Variance from budget
	£'000	£'000	£'000	£'000	£'000	%
LEP Operational Fund	496	1,085	(1,143)	438	451	-3%
GEF	936	22	(243)	716	716	0%
Growth Hub	0	395	(395)	0	0	0%
SEEDA	263	0	(108)	155	155	0%
European	0	47	(47)	0	0	0%
Interest	636	150	(120)	666	666	0%
Staff redundancy	0	120	0	120	120	0%
Enterprise Zone	0	250	(250)	0	0	0%
	2,331	2,069	(2,306)	2,095	2,108	

3. Income and Expenditure

3.1. Income and Expenditure to date across all funds is summarised in Appendix 1, and demonstrated in the charts below:



3.2. Appendix 2 and 3 further explores the funds with most activity - showing actual figures to date for the LEP Operational Fund and the Growing Enterprise Fund activity respectively. This includes comparison with the 17/18 budget and forecast, with commentary where variances are significant.

3.3. LEP Operational Fund (Appendix 1) forecast income figures are as budgeted. Income yet to be received includes contributions from further education bodies, which will be invoiced in August. Expenditure figures vary from budget largely due to under-accruals in 2016-17 for Research, Studies and Consultancy, and Stakeholder Events.

3.4. Staff costs charged against the Operational Fund and GEF are below budget, due to gaps and delays in recruitment. In particular for the Internationalisation Senior Project Officer, Housing Policy Manager and Digital Taskforce Manager posts.

3.5. Other funds. Matters to note with respect to actual activity to date:

- Growth Hub: Quarter 1 running costs and corresponding claims had not been submitted in time for inclusion in this report. It has subsequently been processed, matching budget expectations.
- SEEDA transfer of funds to Growth Hub will be effected later in the year.
- Enterprise Zone – The accounting for EZ director post for quarter 1 is outstanding. We have agreed with Surrey County Council that these costs will be offset against amounts due from them.

4. **Ongoing monitoring**

- 4.1. We will continue to monitor 2017/18 income and expenditure on an ongoing basis, and adjust forecasts accordingly. It is expected that the new Finances, Resources and Audit Committee Board sub-group will play a key role in overseeing the 2017/18 budget, challenging spend and championing future sustainability through increased income and expenditure savings.

Aleks Bennett
Finance Manager
27 July 2017

Enterprise M3 17-18 Revenue Funds – Income and Expenditure ALL FUNDS

Appendix 1

	INCOME					EXPENDITURE				
	BUDGET	FORECAST	Actual to 30.6.17	Variance from budget		BUDGET	FORECAST	Actual to 30.6.17	Variance from budget	
	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000	£'000	%
Operational Fund	1,085	1,085	771	0	0%	1,130	1,143	247	13	1%
GEF	22	22	0	0	0%	242	243	17	0	0%
Growth Hub	395	395	72	0	0%	395	395	0	0	0%
SEEDA	0	0	0	0	0%	108	108	0	0	0%
European	47	47	0	0	0%	47	47	0	0	0%
Interest	150	150	42	0	0%	120	120	120	0	0%
Staff Redundancy	120	120	120	0	0%	0	0	0	0	0%
Enterprise Zone	250	250	0	0	0%	250	250	0	0	0%
	2,069	2,069	1,004	0	0%	2,293	2,306	384	13	1%

Enterprise M3 17-18 Revenue – Income and Expenditure - LEP Operational Fund

17-18 Operational Funding Revenue Budget	17-18 BUDGET agreed	17-18 ACTUAL to date	17-18 FORECAST	Variance against 17-18 budget		Comment
	£'000			£'000	£'000	
Balance at 31 March 2017	496	496	496			
INCOME 17-18						
Government funding	500	500	500	0	0%	All received in first quarter.
Partner contributions:				0	0%	
<i>Local Authorities</i>	180	139	180	0	0%	Forecast remains as budgeted. Surrey CC to be invoiced. Negotiations to offset SCC income against budgeted SCC costs for EM3 Director post - for administrative purposes Hampshire CC transfer to be effected via journal.
<i>Further Education colleges</i>	30	0	30	0	0%	To be invoiced in August 2017
<i>Higher Education Universities</i>	50	50	50	0	0%	All received
Salary match funding	63		63	(0)	-1%	To adjust at year end - to reflect staff time contributed by EM3 partners. On target
Other- match funding	117	82	117	(0)	0%	LAs, LEP and HE bodies S&I audit funding received. Remaining contributions anticipated by the end of the financial year - includes £18k relating to Internationalisation project; £12k from BDBC for Western Basingstoke Project.
Other:				0	0%	
<i>Application Fee</i>	100	0	100	0	0%	Expected to start being received from Autumn 2017, as Growth Fund 3 projects start being delivered.
<i>Growth Hub management fee</i>	45	0	45	0	0%	Agreed contribution from Growth Hub to Operational Fund. Journal adjustment at year end.
<i>Other</i>		0	0	0	0%	
TOTAL INCOME	1,086	771	1,085	(1)	(0)	

17-18 Operational Funding Revenue Budget	17-18 BUDGET agreed	17-18 ACTUAL to date	17-18 FORECAST	Variance against 17-18 budget		Comment
	£'000			£'000	£'000	
EXPENDITURE 17-18			0			
Total Staff costs	(709)	(155)	(698)	10	-1%	Underspend relates to delay in recruiting two posts budgeted for full year. To end of June 17: 2 months delay for full-time project manager (£7k), and 3 months for Internationalisation Project Manager part-time post.
Due Diligence	(70)	0	(70)	0	0%	No activity to date.
Research, studies and consultancy	(222)	(70)	(239)	(17)	8%	MetroDynamics SEP Refresh project contracted at £95k, but budgeted £90k. Cushman & Wakefield analysis (£12k) commissioned in 16-17 for EZ3 implementation plan - not accrued in 16-17.
Stakeholder engagement and events	(44)	(5)	(49)	(5)	11%	£5k overspend relates to EM3 contribution to Southampton University to fund VentureFest. Held in March 2017, but cost not accrued in 16-17.
Accountable Body	(35)	(2)	(35)	(0)	1%	Agreed SLA with Accountable Body. Costs to date reflect ad-hoc services received. Bulk of expenditure transferred via journal at year end.
Staff expenses and training	(15)	(6)	(18)	(3)	18%	Actual expenditure to date suggests potential overspend. Costs being closely monitored with HCC.
Running costs	(35)	(8)	(34)	1	-3%	Variance acceptable.
Other	0	0	0	0	0%	
TOTAL EXPENDITURE	(1,129)	(247)	(1,143)	(14)	1%	

Balance at Period End	453	1,019	438
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Enterprise M3 17-18 Revenue – Income and Expenditure - GEF

17-18 GEF Revenue Fund	17-18 BUDGET	17-18 ACTUAL to date	17-18 FORECAST	Variance against 17-18 budget		Comment
	£'000			£'000	£'000	
Balance at 31 March 2017	936	936	936			
INCOME 17-18						
Salary match funding	22		22	(0)	-	To adjust at year end - to reflect staff time contributed by EM3 partners. On target
TOTAL INCOME	22	0	22	(0)	0	
EXPENDITURE 17-18						
Total Costs	(170)	(9)	(168)	(2)	0	Underspend relates to delay in recruiting vacant Project Manager post.
Due Diligence	(30)	(5)	(30)	0	(0)	
Stakeholder engagement and events		(2)	(2)	2	(1)	
Accountable Body	(35)	0	(35)	0	0	
Staff expenses and training	(2)	(0)	(2)	0	(0)	
Running costs	(5)	0	(5)	0	0	
TOTAL EXPENDITURE	(242)	(17)	(243)	0	(0)	
Balance at Period End	716	920	716			