

Enterprise M3 Board meeting

28 September 2017

Finance Report: April-August 2017/18 – Item 13

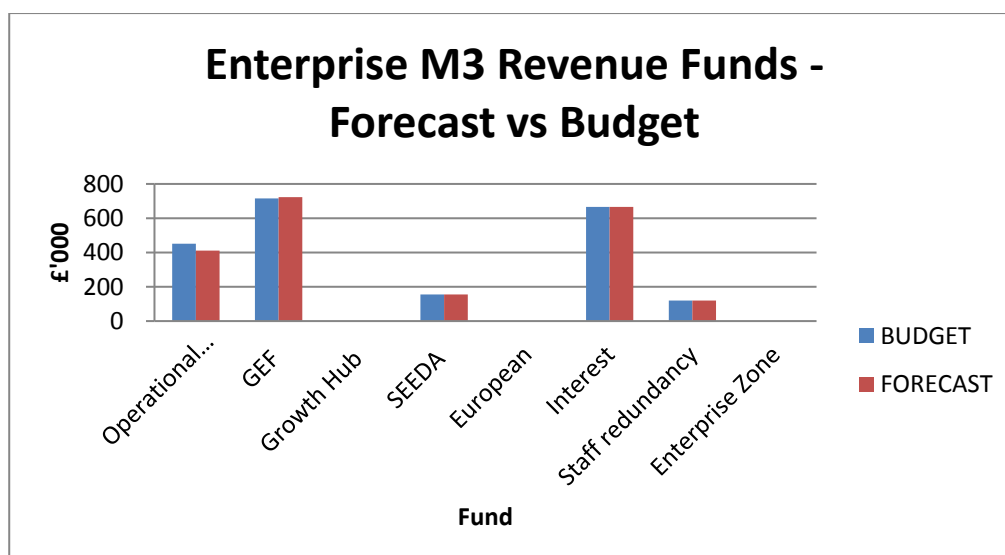
The Enterprise M3 Board is asked to NOTE the 2017/18 year end forecasted and month 5 actual position on revenue funds held by Enterprise M3.

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 August 2017.
- 1.2. Activity is considered against the outline budget approved by the Board in May 2017.
- 1.3. Overall, across the Operational and GEF revenue accounts fund, forecast income is 8%, and expenditure 9%, above budget, resulting in a small net overspend of £34k. This is within agreed parameters in which the LEP director has delegated authority to manage day-to-day spending, thus no further Board budget approval is requested at this time.

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 (EZ³), 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:

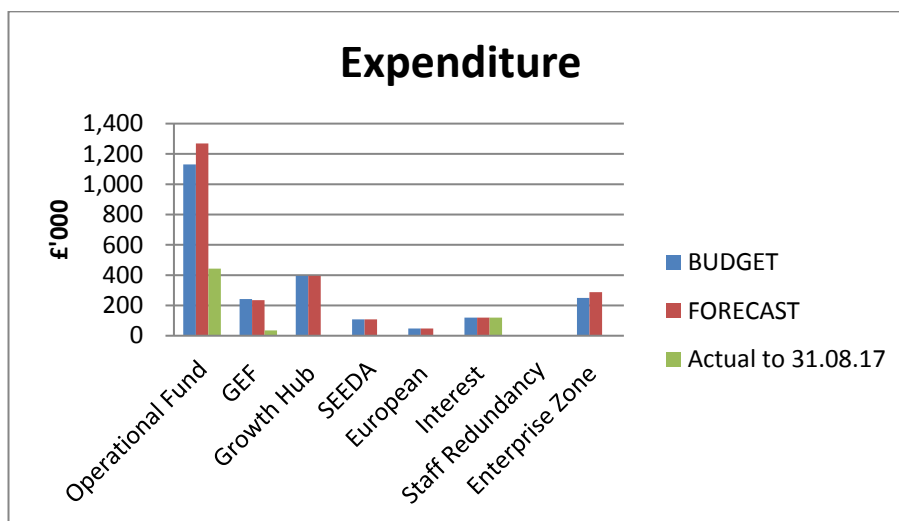
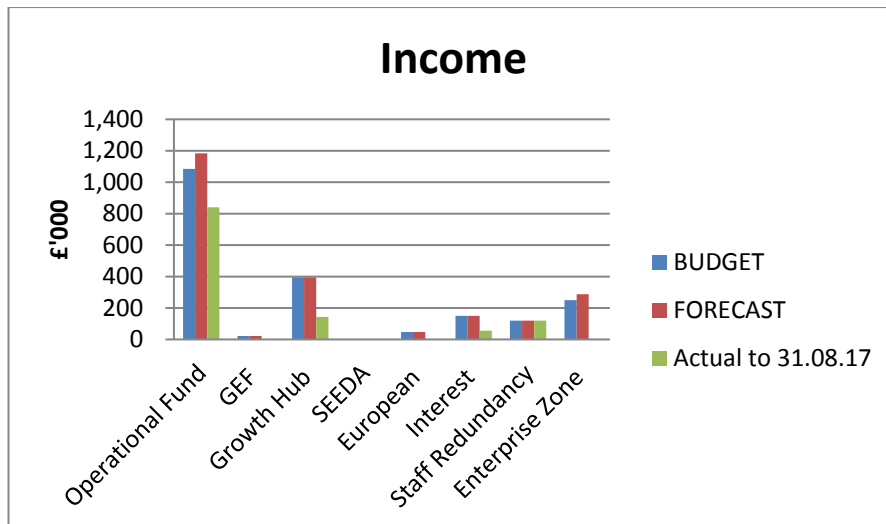


FORECAST vs BUDGETED RETAINED REVENUE FUNDS	ACTUAL 1 April 2017	FORECAST Income	FORECAST Expenditure	FORECAST 31 March 2018	BUDGET 31 March 2018	Variance from budget
	£'000	£'000	£'000	£'000	£'000	%
LEP Operational Fund	496	1,184	(1,269)	411	452	-9%
GEF	936	22	(235)	723	716	-1%
Growth Hub	0	395	(395)	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	288	(288)	0	0	0%
	2,331	2,206	(2,462)	2,075	2,109	(£34k)

2.3. The above table shows total revenue funds at the start of the year of £2.3m. Income to be received during the year is currently forecast at £2.2m, and expenditure of £2.5m. Thus overall funds at the end of the financial year are anticipated to total £2.075k, against a budgeted total of £2,109k, representing an overspend of £34k. Details are explained in section 3 below.

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 further explores the funds with most activity - showing combined 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. Forecast income figures are largely as budgeted. Additional operational income of £98k has been identified. £60k of this relates to Careers and Enterprise Company funding - the majority relating to extended and additional Basingstoke Consortium contracts reflected in expenditure.

3.4. Expenditure figures vary from budget largely due to additional Research and Consultancy activity. This includes:

- £50k relating to additional work procured for the SEP refresh.
- £70k for Basingstoke Consortium extended contract being tendered to cover all schools in the area. 50% (£35k) of which is funded by the Careers and Enterprise Company as detailed above.
- £25k relating to expenditure on the Transport Delivery Excellence project, for which grant funding was received in 2015/16, and thus held in reserves, but for which spend had not been budgeted in 2017/18.

- 3.5. 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.
- 3.6. £37.5k capacity funding was granted by BEIS for the Enterprise Zone. This will be used to fund marketing activity, including off-setting time spent by Enterprise M3 staff on EZ³ marketing activity.

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
28 September 2017

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

Appendix 1

	INCOME					EXPENDITURE				
	BUDGET	FORECAST	Actual to 31.08.17	Variance from budget		BUDGET	FORECAST	Actual to 31.08.17	Variance from budget	
	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000	£'000	%
Operational Fund	1,085	1,184	840	99	9%	1,130	1,269	443	139	12%
GEF	22	22	0	0	0%	242	235	35	(8)	-3%
Growth Hub	395	395	144	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	56	0	0%	120	120	120	0	0%
Staff Redundancy	120	120	120	0	0%	0	0	0	0	0%
Enterprise Zone	250	288	0	38	15%	250	288	0	38	15%
	2,069	2,206	1,159	136	7%	2,293	2,462	598	169	7%

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

17-18 Operational Funding and GEF Revenue Fund	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	1,432	1,432	1,432			
INCOME 17-18						
Government funding	500	500	500	0	0%	
Partner contributions:						
<i>Local Authorities</i>	180	159	180	0	0%	
<i>Further Education colleges</i>	30	0	30	0	0%	To be invoiced in Autumn 2017
<i>Higher Education Universities</i>	50	50	50	0	0%	
Salary match funding	85	0	85	(0)	0%	To reflect staff time contributed by EM3 partners. On target.
Other- match funding	117	88	118	0	0%	
Other:						
<i>Application Fee</i>	100	35	100	0	0%	
<i>Growth Hub management fee</i>	45	0	45	0	0%	
<i>Other</i>	0	9	98	98	100%	Includes Heathrow Airport contributions for EM3 management contribution attending HSPG, transport Sub group meetings, and responding to requests (agreed June 2017): £16k ; - Careers and Enterprise Company funding - 50% of cost of extended and additional costs outlined in RSC costs below: £60k
TOTAL INCOME	1,108	840	1,206	98	8%	Variation from budget represents 8% of income

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

17-18 Operational Funding and GEF Revenue Fund	17-18 BUDGET agreed	17-18 ACTUAL to date	17-18 FORECAST	Variance against 17-18 budget		Comment
	£'000			£'000	£'000	
EXPENDITURE 17-18						
Total Staff costs	(879)	(294)	(791)	88	-10%	Delay in recruiting to 5 posts (Digital Taskforce Manager, Housing Policy Manager, Internationalisation Project Manager and 2 Project Officers)
Due Diligence	(100)	(22)	(100)	0	0%	Activity in pipeline - potentially some underspend or delay to 18/19.
Research, studies and consultancy	(222)	(103)	(431)	(210)	95%	NOTE: £60K OF THE INCREASE IS OFFSET BY ADDITIONAL INCOME (held in "Other" income above). Main changes: - MetroDynamics SEP Refresh extended contract: £50k . - Transport Delivery Excellence Project: Grant Funding received in 15/16 (and held in reserves) but spend not budgeted for 17/18: £25k - Basingstoke Consortium additional contract to cover all schools: £70k
Stakeholder engagement and events	(44)	(23)	(56)	(12)	27%	
Accountable Body	(70)	(3)	(55)	15	-21%	Agreed SLA with Accountable Body. Budget is unlikely to be spent by £15k
Staff expenses and training	(17)	(12)	(23)	(6)	32%	Actual expenditure to date suggests potential significant overspend. Costs being closely monitored with HCC.
Running costs	(40)	(21)	(48)	(8)	21%	Overspend includes fee for EM3 Board Chairman external recruitment campaign: £5k
TOTAL EXPENDITURE	(1,372)	(478)	(1,504)	(132)	9%	Variation from budget represents 9% of expenditure
NET (over)/under spend	(264)		(298)	(34)		NET variation from budget represents 2% of expenditure and 3% of income