

Enterprise M3 Board Meeting

28 January 2016

Finance Report – Item 12

Enterprise M3 Board members are asked to:

Note the current 2015/16 year end forecasted and actual position on both revenue and capital funds held by Enterprise M3 and;

Agree the budget for the 2016/17 financial year;

Agree delegated authority for the LEP Director to manage day-to-day spend in line with the headline income and expenditure figures provided.

1 Executive summary

1.1 The purpose of this report is to give board members a brief update on the 2015/16 forecast financial outturn position, provide an update on the current expenditure/ income and agree the budget for 2016/17.

2 2015/16 Forecast Outturn and Actual spend

2.1 Enterprise M3 currently has 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 25th March 2015 allowed for a draw of reserves of £283,000. The latest projections indicate a deficit of £156,276 will be incurred for the 2015/16 financial year. This has reduced by £126,724 from the original budget set at the Board meeting on the 25th March 2015 and as a result the draw on reserves will be smaller. This reduction is mainly due to an increase in the forecasted income to be received in the current financial year and savings from the agency staff budget.

2.3 As discussed at the previous board meeting on the 26th November 2015, variations from the original budget are summarised below:

Item of expenditure	Variance	Description
Staff salaries	+£48,240	No Change from Board meeting on 26th November 2015 - This increase in staff salaries is mainly due to the Senior Project Officer and Project Support posts being created. We have reviewed the current staffing allocations between the operational and GEF revenue accounts and have identified that more of our work should be offset against GEF. Therefore it has been agreed that 50% of the Enterprise M3 Director, Senior Project Officer and Project Administrator salary costs be

Item of expenditure	Variance	Description
		transferred to the GEF revenue. This has resulted in the operation staffing budget being reduced by £81,703 and the GEF staffing budget being increased by £81,703. £12,500 salary is forecast to be spent on recruiting a HE partnership post that is offset by income received from 5 universities.
Agency staff	-£58,120	No Change from Board meeting on 26th November 2015 - 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 work that the team are supporting with the Combined Authority and Devolution work streams.
Due diligence	-£23,378	No Change from Board meeting on 26th November 2015 - The due diligence budget is estimated based on the complexity and risks associated with all LGF and GEF individual projects. It is reasonable to expect fluctuations if projects change or the level of assessment by AECOM is lower than budgeted.
Research, studies and consultancy	+£97,500	An additional £37,500 has been added to the forecasted expenditure after the board meeting on the 26th November 2015 - This includes an additional £10,000 towards the Careers & Enterprise coordinator, £4,500 has been allocated towards apprenticeship projects and £18,000 towards research and intelligence provided by HCC economic intelligence. Further unplanned additional costs of £40,000 could be incurred to complete a Science and Innovation audit. A further £15,000 will be spent on a Low Carbon study and £10,000 has been earmarked to complete a Post 16 education review.
Accountable Body	+£4,534	No Change from Board meeting on 26th November 2015 - Current discussions with HCC have identified an initial cost of £64,534k. Enterprise M3 officers are negotiating with HCC to review the SLA proposals and will agree with the Enterprise M3 Director a more cost effective service for the LEP.
Operational income	+£195,500	An additional £80,500 has been added to the forecasted income after the board meeting on the 26th November 2015 - Operational income is expected to exceed the budget by 25%. This increase since the last board meeting, is £4,500 from the Skills Funding Agency (SFA) towards apprenticeships, £50,000 from SFA towards the Careers Enterprise Coordinator (CEC) coordinator (This will be carried forward in 2016/17) and £26,000 match funding from partners towards the CEC coordinator. The remainder is made up of contributions from universities towards recruitment of a HE post (£50,000), costs recharges from Basingstoke and Deane Borough Council for support on Western Basingstoke (£60,000) and sponsorship from Grant Thornton towards the Tech Study completed for the Annual Conference (£5,000).

3 Revenue expenditure 2015/16

- 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 2015. In summary as at the 31st December 2015, Enterprise M3 had received income of £756,000 and had spent £485,657.
- 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. These relate to agency staff, due diligence and the accountable body and total approximately £163,000. These charges will all be transferred to the Enterprise M3 accounts before the end of the year.

4 2016/17 Budget

- 4.2 Board members are asked to **agree** the budget for the 2016/17 financial year, as set out within Appendix 3 and 4.

Income

- 4.3 Enterprise M3 is forecasting income of £850,000 in 2016/17.
- 4.4 Board members should note that Enterprise M3 has received confirmation of core funding (£250k) but as yet have received no confirmation of capacity funding. Whilst early indications are that this will be confirmed in February/March 2016, it has been included in the operational revenue income forecasts in appendix 3. A risk that if not confirmed Enterprise M3 activities would need to be scaled back. We believe the risk to be very low.
- 4.5 Aside from the core/capacity funding mentioned above, Enterprise M3 is forecasting an additional £350,000 income in 2016/17. This comprises of £180,000 in total from the 14 local authorities and 2 county councils, as well as a further £30,000 in total from 6 further education colleges in the region. 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.
- 4.6 Application fee income of £50,000 have been forecast for potential Local Growth Fund 3 project submitting their business cases in late 2016 or early 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 no projects come forward in 16/17 and no application fee income is received.
- 4.7 We are also expecting to receive some capacity funding from DCLG as a partner in the Western Basingstoke work but have not included this in the budget lines as this has not been approved as yet. The business case will be submitted in the next month.
- 4.8 Finally interest earned on our total 16/17 cumulative funds has been forecasted at £90,000.

Expenditure

- 4.9 The forecast expenditure for the operational fund for 2016/17 is £833,000 and expenditure of £336,000 for the GEF fund. For 2015/16 we are currently forecasting £920,610 and £239,166, respectively, however some expenditure currently assigned to the operational fund will be reassigned to GEF.
- 4.10 Total Employee costs have increased from the previous financial year, due to the recruitment of three additional full time posts. This increase is partially offset by a reduction in the agency staff costs. This move towards an increase in Enterprise M3 core staff will allow a greater focus on the workload identified in the 2016/17 business plan.

- 4.11 The budgeted expenditure for due diligence in 2016/17 is £125k, and is broken down into £75K Operational budget and £50k GEF. This figure is slightly lower than the 2015/16 forecasted spend due to a reduction in the agreed projects needing due diligence analysis in 16/17. The total budget includes a small element that will cover projects coming forward early in the Local Growth Fund 3.
- 4.12 The budgeted expenditure for research, studies and consultancy in 2016/17 is £71.5k. The current forecasted expenditure includes the upcoming transport conference, Careers & Enterprise coordinator contract and the Enterprise M3 2016 conference. This figure is lower than 2015/16 forecast expenditure due to a smaller amount of planned consultant studies and events.
- 4.13 The budget for stakeholder engagement and events has been reduced from the previous year following the completion of the Enterprises M3 website. The 16/17 budget includes a slightly inflated venue hire budget, static chamber events budget and an amount to support multiple skills and apprenticeship events.
- 4.14 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, transport conference and commercial property market study.
- 4.15 The budget expenditure for support costs for 2015/16 is £60k split between £30k operational fund and £30k GEF. Enterprise M3 officers have entered into negotiations with HCC to review the SLA proposals and will agree with the Enterprise M3 Director a more cost effective service for the LEP. It is anticipated these discussions will be finalised in February/March and forecasted expenditure will be updated accordingly.
- 4.16 We will continue to monitor 2016/17 spend on an ongoing basis and adjust forecasts accordingly as the year progresses. A regular report will be provided to the Board, with commentary explaining any significant variances.
- 4.17 Board members are also asked to agree delegated authority for the LEP Director to manage day-to-day spending on this budget within the headline income and expenditure parameters set out below. The LEP Director will only seek further authority from the Board on the revenue funds (GEF revenue, operational funding, and interest) where there is a deviation of more than +/-10% on these headline income or expenditure figures. Regular updates, including a regular financial monitoring sheet will be provided to Board members for noting.
- 4.18 This will not affect arrangements for project funds such as Local Growth Funds, Growth Hub revenue funds and GEF Capital, where expenditure will be considered and approved by the Board through the business case approval process as is the case currently.

Alex Piper
11 January 2016

APPENDIX 1

ENTERPRISE M3 LOCAL ENTERPRISE PARTNERSHIP: OPERATIONAL FUNDS 2015/16

		Budget	Forecast	Variance	Actual period 9
2015/16		£	£	£	
INCOME					
Core Funding grants (from government)					
	Core/Capacity Funding	500,000	500,000	0	500,000
Partner contributions		210,000	210,000	0	210,000
	<i>Local Authorities</i>	<i>180,000</i>	<i>180,000</i>	<i>0</i>	<i>180,000</i>
	<i>Further Education</i>	<i>30,000</i>	<i>30,000</i>	<i>0</i>	<i>30,000</i>
Specific one-off grants		0	0	0	
Interest		98,000	98,000	0	
Contributions		0	195,500	195,500	46,000
	<i>University Partnership recruitment contribution</i>		<i>50,000</i>	<i>50,000</i>	<i>40,000</i>
	<i>Basingstoke - Manydown support payment</i>		<i>60,000</i>	<i>60,000</i>	
	<i>One off Apprenticeship payment-SFA</i>		<i>4,500</i>	<i>4,500</i>	
	<i>Careers & Enterprise Company (CEC) start up contribution</i>		<i>50,000</i>	<i>50,000</i>	
	<i>CEC- Contract partner contributions</i>		<i>8,000</i>	<i>8,000</i>	<i>6,000</i>
	<i>CEC – Match funding</i>		<i>18,000</i>	<i>18,000</i>	
	<i>Digital Tech report contribution Grant Thornton</i>		<i>5,000</i>	<i>5,000</i>	
TOTAL INCOME		808,000	1,003,500	195,500	756,000
EXPENDITURE					
Employee costs		592,000	511,934	-80,066	341,641
	<i>Staff salaries</i>	<i>360,000</i>	<i>308,233</i>	<i>-51,767</i>	<i>293,443</i>
	<i>Agency staff</i>	<i>232,000</i>	<i>203,701</i>	<i>-28,299</i>	<i>48,198</i>
Professional support		247,000	356,676	109,676	91,477
	<i>Due Diligence</i>	<i>75,000</i>	<i>82,643</i>	<i>7,643</i>	<i>7,000</i>
	<i>Research, studies and consultancy</i>	<i>50,000</i>	<i>147,500</i>	<i>97,500</i>	<i>30,839</i>
	<i>Stakeholder engagement and events</i>	<i>82,000</i>	<i>82,000</i>	<i>0</i>	<i>26,317</i>

		Budget	Forecast	Variance	Actual period 9
	<i>Sponsorship</i>	10,000	10,000	0	15,244 ¹
	<i>Accountable body</i>	30,000	34,534	4,534	12,078
Expenses and Training Costs		20,000	20,000	0	11,681
	<i>Expenses</i>	19,000	19,000	0	11,443
	<i>Training</i>	1,000	1,000	0	238
General administrative expenses		32,000	32,000	0	22,947
	<i>Postage</i>	1,000	1,000	0	191
	<i>Printing and stationery</i>	6,000	6,000	0	8,236 ²
	<i>IT</i>	12,000	12,000	0	50
	<i>Advertising</i>	3,000	3,000	0	800
	<i>Membership</i>	10,000	10,000	0	5,884
	<i>Other</i>		0	0	7,786
TOTAL EXPENDITURE		891,000	920,610	29,610	467,746
NET INCREASE/(DECREASE) IN FUNDS		(83,000)	82,890	165,890	288,254

¹ The strategic transport study contribution has been coded here in error and will be moved to Research, Studies and Consultancy line

² Spend on printing and stationery will be split between GEF and Operational fund at year end

APPENDIX 2 – GEF Revenue account

		Budget	Forecast	Variance	Actual period 9
2015/16		£	£	£	£
INCOME					
Income		0	0	0	
TOTAL INCOME		0	0	0	
EXPENDITURE					
Employee costs		105,000	175,186	70,186	9,921
	<i>Staff salaries</i>	<i>50,000</i>	<i>150,006</i>	<i>100,006</i>	<i>9,921</i>
	<i>Agency staff</i>	<i>55,000</i>	<i>25,180</i>	<i>-29,820</i>	<i>0</i>
Professional support		80,000	48,980	-31,020	1,860
	<i>Due Diligence</i>	<i>50,000</i>	<i>18,980</i>	<i>-31,020</i>	<i>0</i>
	<i>Research, studies and consultancy</i>		<i>0</i>	<i>0</i>	<i>1,850</i>
	<i>Stakeholder engagement and events</i>		<i>0</i>	<i>0</i>	<i>10</i>
	<i>Sponsorship</i>		<i>0</i>	<i>0</i>	<i>0</i>
	<i>Accountable body</i>	<i>30,000</i>	<i>30,000</i>	<i>0</i>	<i>0</i>
Expenses and Training Costs		5,000	5,000	0	0
	<i>Expenses</i>	<i>3,000</i>	<i>3,000</i>	<i>0</i>	<i>46</i>
	<i>Training</i>	<i>2,000</i>	<i>2,000</i>	<i>0</i>	<i>0</i>
General administrative expenses		10,000	10,000	0	6,130
	<i>Postage</i>		<i>0</i>	<i>0</i>	<i>0</i>
	<i>Printing and stationery</i>		<i>0</i>	<i>0</i>	<i>0</i>
	<i>IT</i>		<i>0</i>	<i>0</i>	<i>0</i>
	<i>Advertising</i>		<i>0</i>	<i>0</i>	<i>0</i>
	<i>Membership</i>		<i>0</i>	<i>0</i>	<i>0</i>
	<i>Other</i>	<i>10,000</i>	<i>10,000</i>	<i>0</i>	<i>6,130</i>
TOTAL EXPENDITURE		200,000	239,166	39,166	17,911
NET INCREASE/(DECREASE) IN FUNDS		(200,000)	(239,166)	39,166	17,911

Appendix 3 – Proposed 2016/17 Operational Budget

		Budget
2016/17		£
INCOME		
Core Funding grants (from government)		
	Core Funding	500,000
Partner contributions		210,000
	<i>Local Authorities</i>	180,000
	<i>Further Education</i>	30,000
Specific one-off grants		0
Interest		90,000
Application fee - LGF		50,000
	TOTAL INCOME	850,000
EXPENDITURE		
Employee costs		526,142
	<i>Staff salaries</i>	385,681
	<i>Agency staff</i>	140,462
Professional support		243,500
	<i>Due Diligence</i>	75,000
	<i>Research, studies and consultancy</i>	71,500
	<i>Stakeholder engagement and events</i>	57,000
	<i>Sponsorship</i>	10,000
	<i>Accountable body</i>	30,000
Expenses and Training Costs		25,000
General administrative expenses		38,000
	TOTAL EXPENDITURE	832,642
NET INCREASE/(DECREASE) IN FUNDS		17,358

Appendix 4 – 2016/17 GEF Revenue

		Budget
2015/16		£
INCOME		
Income		0.00
TOTAL INCOME		0.00
EXPENDITURE		
Employee costs		270,798.50
	<i>Staff salaries</i>	<i>245,618.50</i>
	<i>Agency staff</i>	<i>25,180.00</i>
Professional support		80,000.00
	<i>Due Diligence</i>	<i>50,000.00</i>
	<i>Research, studies and consultancy</i>	
	<i>Stakeholder engagement and events</i>	
	<i>Sponsorship</i>	
	<i>Accountable body</i>	<i>30,000.00</i>
Expenses and Training Costs		5,000.00
	<i>Expenses</i>	<i>3,000.00</i>
	<i>Training</i>	<i>2,000.00</i>
General administrative expenses		10,000.00
	<i>Postage</i>	
	<i>Printing and stationery</i>	
	<i>IT</i>	
	<i>Advertising</i>	
	<i>Membership</i>	
	<i>Other</i>	<i>10,000.00</i>
TOTAL EXPENDITURE		365,798.50
NET INCREASE/(DECREASE) IN FUNDS		(365,798.50)