

Enterprise M3 Board Meeting

31 March 2016

Finance Report – Item 14

Enterprise M3 Board members are asked to:

Agree the budget for the 2016/17 financial year and;

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 set out the expected Enterprise M3 income and expenditure budgets for 2016/17. An initial outline budget was presented at the January board meeting and has since been refined and updated to reflect all the forecasted activities of the team for the upcoming year, as well as receiving confirmation of funding from central government.

2 2016/17 Budget

2.2 Board members are asked to **agree** the budget for the 2016/17 financial year, as set out within Appendix 1 - 2.

2.3 There has also been a delay in the announcement of future rounds of Local Growth Funding. This has made planning future resource incredibly difficult and has meant that the development of future schemes and projects has been delayed. The team have taken the decision to advertise for new projects and the current application deadline is the 31st March. Whilst no confirmation has yet to be received, a pipeline is to be developed and held until an announcement from Government.

Operational and GEF account

Income

2.4 Enterprise M3 is budgeting for income of £945,000 in 2016/17. This is £99,600 lower than the latest forecast income for 2015/16. This is due to a number of one-off grants Enterprise M3 successfully bid for to administer specific projects in 2015/16. It is likely that similar opportunities will arise in 16/17, but as no confirmation has been received, it is not prudent to include in the budget.

2.5 Of the budgeted income, £500k is received from Government. This is an annual revenue payment made to all Local Enterprise Partnerships towards their core running costs. Confirmation of both core funding (£250,000) and capacity funding (£250,000) for 2016/17 has now been received.

2.6 The provision of funding from Government for future years is uncertain, although James Wharton announced at the LEP Network conference on 22nd March further core funding of

£20m for all LEPs in 2017/18. Details on how this will be allocated is unclear but looks like a similar amount to this year. Expenditure for Enterprise M3 activities is unlikely to decrease, therefore it is important that a similar level of revenue funding is secured for future years.

- 2.7 In previous years Enterprise M3 has relied heavily on funding from Government to support the core activities of the LEP. The team have been working extensively to increase funding from alternative means and therefore reducing the need for future years central funding. Enterprise M3 is forecasting an additional £445,000 income in 2016/17, amounting to 47% of the total income forecasted for 2016/17. This comprises of £180,000 from the 14 local authorities and 2 county councils, £30,000 from 6 further education colleges in the region and £50,000 from HE providers.
- 2.8 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. Central government have confirmed a further round of LGF funding for LEPs, However there is a risk that no application fee income is received until 2017/18.
- 2.9 Enterprise M3 has also been awarded £45,000 towards the management of the Growth Hub contract. This fee will cover the costs of the the Growth Hub, as well as the time involved in satisfying the conditions of the funding.
- 2.10 Interest earned on our total 2016/17 cumulative funds has been forecasted at £90,000.

Expenditure

- 2.11 The forecast expenditure for the operational fund for 2016/17 is £834,240 and for the GEF £336,000, totaling £1,170,240. For 2015/16 we are currently forecasting £893,710 and £239,166, respectively, totaling £1,132,876. However some expenditure currently assigned to the operational fund will be reassigned to GEF.
- 2.12 Total employee costs have increased by 18% from the previous financial year, due to the recruitment of three additional 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 activities identified in the 2016/17 business plan. We are also able to reclaim a proportion of employee costs that support the priorities identified in the ERDF and ESF Technical Assistance applications. Further information on the European program are detailed later in this paper.
- 2.13 The budgeted expenditure for due diligence in 2016/17 is £95k, and is broken down into £75,000 Operational budget and £20,000 GEF. This figure is slightly lower than the 2015/16 forecast due to a reduction in the agreed projects needing due diligence analysis in 2016/17.
- 2.14 The budgeted expenditure for research, studies and consultancy in 2016/17 is £169,500. This includes the upcoming transport research studies, Careers & Enterprise coordinator activities, Local Partnerships program review and the work supporting the science and innovation audits. This figure is higher than 2015/16 forecast expenditure due to an increased amount of planned research, studies and consultancy.
- 2.15 The budget for stakeholder engagement and events has been reduced from the previous year following the completion of the Enterprises M3 website upgrade. 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.
- 2.16 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.

- 2.17 The £60,000 expenditure for support costs for 2016/17 is split evenly between the operational fund and the GEF and consists mainly to core services (e.g. procurement and legal services) provided by Hampshire County Council .
- 2.18 We will continue to regularly monitor 2016/17 spend and adjust forecasts accordingly. Regular reports will be provided to the Board.
- 2.19 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 seek further authority from the Board on the revenue funds (GEF revenue, operational funding, and interest) only if there is a deviation of more than +/-10% on these headline income or expenditure figures.

Growth Hub reserve account

- 2.20 Enterprise M3 received confirmation that grant funding was available to LEPs for the next two years (in 2016/17 and 2017/18) to further develop growth hubs and to meet the principles set out in the original agreement with Government.
- 2.21 The funding is equivalent to £287,000 in both 2016/17 and 2017/18. This award is broken down into the following areas of delivery annually:
- | | |
|-----------------------------------|------------|
| Enterprise M3 Growth Hub mgt | - £45,000 |
| Coordination and Intelligence Hub | - £121,000 |
| Business Engagement | - £121,000 |
- 2.22 Enterprise M3 has agreed to pay BE Group £350,000 for the delivery of Enterprise M3 Growth Hub for two years, ie. £700,000 in total. At the point of contracting it was internally agreed that SEEDA legacy funding would be used to cover any shortfall for the Growth Hub. As we have secured a grant from the government for 2016/17, less of the SEEDA legacy fund is required. Including the £45,000 Management Fee, the total shortfall for 2016/17 is £108,000.
- 2.23 Therefore it is proposed that £108,000 is transferred from the SEEDA legacy account into the Growth Hub account to allow continued delivery. After the transfer £263,938 will still remain on the SEEDA legacy account and will be used to cover any Growth Hub shortfall in 2017/18.

Alex Piper
15 March 2016

Appendix 1 – Proposed 2016/17 Operational Budget

		Budget 16/17	Latest forecast budget 15/16
2016/17		£	
INCOME			
Core Funding grants (from government)			
	Core Funding	500,000	500,000
Partner contributions		210,000	210,000
	<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>
Interest		90,000	98,000
Application fee – LGF*		50,000	
Growth hub management fee		45,000	
Other one off grants			186,612
TOTAL INCOME		945,000	1,044,612
EXPENDITURE			
Employee costs		429,740	511,934
	<i>Staff salaries</i>	<i>332,439</i>	<i>308,233</i>
	<i>Agency staff</i>	<i>97,302</i>	<i>203,701</i>
Professional support		341,500	329,776
	<i>Due Diligence</i>	<i>75,000</i>	<i>82,643</i>
	<i>Research, studies and consultancy</i>	<i>169,500</i>	<i>120,000</i>
	<i>Stakeholder engagement and events</i>	<i>57,000</i>	<i>82,000</i>
	<i>Sponsorship</i>	<i>10,000</i>	<i>10,000</i>
	<i>Accountable body</i>	<i>30,000</i>	<i>34,534</i>
Expenses and Training Costs		25,000	20,000
General administrative expenses		38,000	32,000
TOTAL EXPENDITURE		834,240	893,710
NET INCREASE/(DECREASE) IN FUNDS		110,760	150,902

* Due to uncertainty about timing of LGF 3 the estimated amount of application fee income is likely to change.

Appendix 2 – 2016/17 GEF Revenue

		Budget 16/17	Latest forecast budget 15/16
2015/16		£	£
Opening balance		1,148,210	
INCOME			
Income		0.00	0.00
TOTAL INCOME		0.00	0.00
EXPENDITURE			
Employee costs		270,618.50	175,186
	<i>Staff salaries</i>	245,618.50	150,006
	<i>Agency staff</i>	25,000.00	25,180
Professional support		50,000.00	48,980
	<i>Due Diligence</i>	20,000.00	18980
	<i>Research, studies and consultancy</i>		
	<i>Stakeholder engagement and events</i>		
	<i>Sponsorship</i>		
	<i>Accountable body</i>	30,000.00	30,000
Expenses and Training Costs		5,000.00	5,000
	<i>Expenses</i>	3,000.00	3,000
	<i>Training</i>	2,000.00	2,000
General administrative expenses		10,000.00	10,000
	<i>Postage</i>		
	<i>Printing and stationery</i>		
	<i>IT</i>		
	<i>Advertising</i>		
	<i>Membership</i>		
	<i>Other</i>	10,000.00	10,000
TOTAL EXPENDITURE		335,618.50	239,166
NET INCREASE/(DECREASE) IN FUNDS		(335,618.50)	(239,166)