

Enterprise M3 Board Meeting

26 July 2016

Finance Report – Item 14

Enterprise M3 Board members are asked to:

Note the 2016/17 first quarter forecasted position on both revenue and capital funds held by Enterprise M3.

1 Executive summary

1.1 Enterprise M3 holds a number of revenue and capital funds. Total opening fund balances carried forward at 1 April 2016 were £17.1m of which:

- £6.6m is Local Growth Fund, which will be used to support a range of capital projects, primarily those listed within the Enterprise M3 Growth Deal.
- £8.46m is earmarked for further investment in capital projects supported by the Growing Enterprise Fund
- £1.15m is earmarked revenue funds for activities in support of the Growing Enterprise Fund
- The remaining amount, £0.86m, is available to support other revenue activities including general operating costs.

1.2 This report summarises the forecast use of these funds during financial year 2016/17.

2 Revenue funds 2016/17

2.1 The tables in appendices 1 - 2 show the 2016/17 agreed budget alongside the current forecasted spend to the year end. At the end of the first quarter, we are anticipating that our spend this financial year will very closely aligned to the budget put forward to the Board in March.

2.2 Appendix 1 sets out the forecasted expenditure for 2016/17. The operational fund is forecasting expenditure of £884k with income of £905k. This results in a total surplus of £21k on the operational fund balance. However, it is important to note that £30k of income is derived from LGF application fee income, from the early start LGF3 projects to be approved by the Enterprise M3 Board and yet to proceed to contract.

2.3 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. Future payments of this core funding are dependent on the outcomes of the autumn statement. This creates a certain level of uncertainty, as a decision on future funding is unlikely to be received until February 2017.

- 2.4 Enterprise M3 receives £180k from local authorities, £30k from Further Education and £50k from Higher Education partners for 2016/17. These payments are towards 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 amounts yearly.
- 2.5 Further one off project income of £145k is expected to be received. Of this, Enterprise M3 are forecasting to reclaim £70k of due diligence costs from partners, £30k application fee income from early start LGF 3 projects and £45k management fee paid by BIS to oversee the growth hub.
- 2.6 The forecasted expenditure budget is split between 4 headings - employee costs, professional support, expenses and general expenses. These headings encapsulate the main areas of spend.

Employee costs

- 2.7 Staff salaries - The budgeted core staffing expenditure for 2016/17 is £575k, which equates to 46% of the total Enterprise M3 expenditure. This budget is broken down into £330k Operational budget and £245k GEF.
- 2.8 Agency Staff/Contracted services - The Staffing budget heading includes the costs of Agency Staff. The agreed 2016/17 forecasted spend is £97k. This figure is split between £72k operational fund and £25k GEF. Enterprise M3 currently employs 3 part-time specialist posts delivering European programmes, rural projects and communications provision.

Professional Support

- 2.9 Due Diligence - The forecasted expenditure for 2016/17 is £95k, and is broken down into £75k Operational budget and £25k GEF. Current due diligence costs prepared by HCC are estimated at £80k. This figure does not include the costs of State Aid advice which is currently £9.5k. The team are exploring ways of reducing these costs, using our own staff on small projects. It should be noted that the application fee will only apply to projects coming in through LGF3, not to projects from LGF1 and 2 that are yet to proceed to full application.
- 2.10 Research, studies and consultancy – expenditure for 2016/17 is expected to be £223.5k. The current forecasted expenditure includes the upcoming consultant studies producing Enterprise Zone modelling, Strategic economic plan refresh and low carbon study.
- 2.11 Accountable body –Expenditure for support costs for 2016/17 is £67.5k split between £33.75k operational fund and £33.75k GEF.

Expenses

- 2.12 Expenses of £25k are forecasted for 2016/17. These include the costs of staff travelling to events and meetings throughout the year.

General Office expenditure

- 2.13 Running costs for Enterprise M3 are expected to be £48,000. This includes all IT, printing, telephones and sponsorships. This figure has increased by £10k since the previous budget paper due to Enterprise M3 negotiating new hot desking facilities in Guildford and Basingstoke.

- 2.14 Appendix 2 shows the current GEF revenue account forecast for 2016/17. The forecast shows a movement in funds of £159k. This includes a reduction in the total draw from reserves of £180k due to bi annual interest of £180k on Farnborough International loan.
- 2.15 Board members will also note that Enterprise M3 has built up 'reserves' of £277k up to the end of 2015/16. These reserves constitute the interest previously built up on all of our funding from the start of 2012/13. These reserves are unringfenced revenue funding, which can be transferred to the operational fund to support the activities of the LEP. We anticipate earning a further £90k interest from our funds within 2016/17, which will be paid directly into the operational fund.
- 2.16 We will continue to monitor spend and adjust forecasts accordingly. A regular report will be provided to the Board, with commentary explaining any significant variances. As agreed in the March Board meeting, the Director will agree day-to-day adjustments within the overall cost envelope for revenue funding.

Alex Piper

11 July 2016

APPENDIX 1

ENTERPRISE M3 LOCAL ENTERPRISE PARTNERSHIP: OPERATIONAL FUNDS 2016/17

		Budget	Forecast
2016/17		£	£
INCOME			
Core Funding grants (from government)	Core Funding	500,000	500,000
		500,000	500,000
Partner contributions	Local Authorities	180,000	180,000
	Further Education	30,000	30,000
	Higher Education	50,000	50,000
		260,000	260,000
	One off income	165,000	145,000
TOTAL INCOME		925,000	905,000
EXPENDITURE			
Employee costs	Staff salaries	333,000	330,000
	Agency staff	97,000	72,000
		430,000	402,000
Professional support	Due Diligence	75,000	75,000
	Research, studies and consultancy	233,500	233,500
	Stakeholder engagement and events	59,000	67,000
	Sponsorship	10,000	10,000
	Accountable body	30,000	33,800
		407,500	409,300
Expenses and Training Costs	Expenses	25,000	25,000
		25,000	25,000
General administrative expenses	General Office expenditure	38,000	48,000
		38,000	48,000
TOTAL EXPENDITURE		900,500	884,300
NET INCREASE/(DECREASE) IN FUNDS		24,500	20,700

**APPENDIX 2
ENTERPRISE M3 LOCAL ENTERPRISE PARTNERSHIP: GROWING ENTERPRISE
FUND REVENUE 2016/17**

		Budget	Forecast
		£	£
INCOME			
	Loan interest	0	180,000
TOTAL INCOME		0	180,000
EXPENDITURE			
Employee costs			
	Staff salaries	245,500	245,500
	Agency staff	25,000	25,000
		270,500	270,500
Professional support			
	Due Diligence	20,000	20,000
	Research, studies and consultancy		
	Stakeholder engagement and events		
	Sponsorship		
	Accountable body	33,800	33,800
		53,800	53,800
Expenses and Training Costs			
	Expenses	3000)	3000
	Training	2000	2000
		5,000	5,000
General administrative expenses			
	Postage		
	Printing and stationery		
	IT		
	Advertising		
	Membership		
	Other	10,000	10,000
		10,000	10,000
TOTAL EXPENDITURE		339,300	339,300
NET INCREASE/(DECREASE) IN FUNDS		(339,300)	(159,300)