

Enterprise M3 Board Meeting

29 September 2016

Finance Report – Item 15

Enterprise M3 Board members are asked to:

Note the current 2016/17 forecasted position on revenue funds held by Enterprise M3;

Agree the delegation of operational budgetary approval to the remuneration subcommittee in exceptional cases.

Executive summary

- 1.1 The purpose of this report is to give board members a brief update on the 2016/17 forecast financial outturn position.
- 1.2 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.

2 2016/17 Forecast Outturn

- 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 31st March 2016 allowed for a draw of reserves of £296,404. The latest projections indicate a deficit of £99,956 will be incurred for the 2016/17 financial year. This has reduced by £196,448 from the original budget set at the Board meeting on the 31st March 2016 and as a result the draw on reserves will be smaller. This reduction is mainly due to one off interest income received in the current financial year and savings from the agency staff budget.
- 2.3 Combined operational and GEF variations from the original budget are summarised below:

Item of expenditure	Variance from original budget	Description
Staff salaries	+£47,029	£50,000 Increase from Board meeting on 26th July 2016 - This increase in staff salaries is mainly due to the Enterprise Zone Director post being created and the Projects and Programme Manager contract being extended. Enterprise M3 has agreed to recover 75% of the Enterprise Zone manager costs from partners and this is included as additional operational income for the year
Agency staff	-£26,000	No Change from Board meeting on 26th July 2016 - 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 upcoming work detailed in the Enterprise M3 business plan.
Stakeholder, Engagement and events	+£8,000	No Change from Board meeting on 26th July 2016 – The increase in forecasted expenditure is due to an additional business partner event held at Farnborough International and extension of SELP (EU advise) membership for this year only.
Accountable Body	+£3,750	No Change from Board meeting on 26th July 2016 - Due to increases in LGF projects and complexity of a small few, the expected costs are to increase for 2016/17.
General expenses	+£10,000	No Change from Board meeting on 26th July 2016 – General expenses costs have increased due to arrangements with the Growth Hub to purchase hot desking space. An additional £4,000 is forecast towards exhibition space at MIPIM(UK)
Operational income	+£239,000	An additional £259,000 has been added to the forecasted income after the board meeting on the 26th July 2016 – Income is expected to exceed the budget by 36%. This increase since the last board meeting, is mainly due to a £180,000 interest received from Farnborough International's loan for GEF. It has been agreed with HCC that interest earned on capital investments can be classed as revenue. As this interest relates to a GEF investment, the monies can be spent on GEF related activities. We will be reviewing how we can use these funds to support the development of future projects. The remainder is made up of contributions from the recovery of Enterprise Zone Manger costs (£42,000), recharges from HCC for incorrectly charged agency fees in 2015/16 (£50,000) and sponsorship from Local Authorities towards the Careers and Enterprise Programme (£2,500). Forecast income from LGF3 application fees has been reduced by £20,000 to reflect fewer projects starting in 2016/17 and recharged due diligence costs to Farnborough International have come in lower than expected and the forecast reduced by £15,000.

3 Revenue expenditure 2016/17

- 3.1 The current position on the Enterprise M3 accounts is detailed in Appendix 1 and 2. This shows the original budget, forecasted expenditure and current expenditure as at the 31st August 2016. In summary as at the 31st August 2016, Enterprise M3 had received income of £894,571 and had spent £312,650.
- 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 services by the accountable body and will all be transferred to the Enterprise M3 accounts before the end of the year.

Approval of Budgets

- 3.3 The Assurance Framework states that the Board will approve an annual budget and once approved the Director can approve requests for funding, as detailed within that plan. For requests above the original agreed budget or for expenditure outside of the financial plan, authorisation will be granted by the Board Chair and two other nominated Board Members. This should only be required in exceptional circumstances. The Board are asked to AGREE the delegation of powers to the current remuneration subcommittee and AGREE to a change in the terms of reference to this group.
- 3.4 The Enterprise M3 Board is responsible for approving budgets for the ESF/ERDF TA programme, Growth Hub, Operational funding and Growing Enterprise Fund.

Alex Piper
15 September 2016

APPENDIX 1

ENTERPRISE M3 LOCAL ENTERPRISE PARTNERSHIP: OPERATIONAL FUNDS 2016/17

		Budget	Forecast	Actual period 5
2016/17		£	£	
INCOME				
Core Funding grants	Core/Capacity Funding	500,000	500,000	500,000
Partner contributions				
	<i>Local Authorities</i>	180,000	180,000	180,000
	<i>Higher Education</i>	50,000	50,000	
	<i>Further Education</i>	30,000	30,000	30,000
		260,000	260,000	210,000
Specific one-off grants and contributions				
	<i>Farnborough Due Diligence cost recovery</i>	70,000	55,000	
	<i>CEC partner contributions</i>		2,500	2,500
	<i>LGF application fee income</i>	50,000	30,000	2,071
	<i>Enterprise Zone manager contributions</i>		41,500	
	<i>HCC agency repayment</i>		50,000	
	<i>Growth Hub management fee</i>	45,000	45,000	
TOTAL INCOME		925,000	984,167	710,430
EXPENDITURE				
Employee costs				
	<i>Staff salaries</i>	332,439	379,467	223,063
	<i>Agency staff</i>	97,302	71,302	7,286
		429,740	450,769	230,349
Professional support				
	<i>Due Diligence</i>	75,000	75,000	0
	<i>Research, studies and consultancy</i>	233,500	233,500	-9,965
	<i>Stakeholder engagement and events</i>	59,000	66,940	15,594
	<i>Sponsorship</i>	10,000	10,000	0
	<i>Accountable body</i>	30,000	33,750	3,146
		407,500	419,190	8,774
Travel expenses		25,000	25,000	6,935
General administrative expenses		38,000	48,000	25,174
TOTAL EXPENDITURE		900,240	942,959	271,232
NET INCREASE/(DECREASE) IN FUNDS		24,760	41,208	443,339

**Appendix 2 ENTERPRISE M3 LOCAL ENTERPRISE PARTNERSHIP: GEF FUNDS
2016/17**

		Original	Forecast	Actual
		£	£	£
INCOME				
Income				
	Farnborough International Interest		180,000	180,000
TOTAL INCOME			180,000	180,000
EXPENDITURE				
Employee costs				
	GEF Staff salaries	227,414	227,414	39,450
	GEF Agency staff	25,000	25,000	0
		252,414	252,414	39,450
Professional support				
	GEF Due Diligence	20,000	20,000	0
	GEF Accountable body	33,750	33,750	0
		53,750	53,750	0
Expenses and Training Costs				
	GEF Expenses	3,000	3,000	0
	GEF Training	2,000	2,000	0
		5,000	5,000	0
General administrative expenses				
	GEF Other	10,000	10,000	1,968
		10,000	10,000	1,968
TOTAL EXPENDITURE		321,164	321,164	41,418
NET INCREASE/ (DECREASE) IN FUNDS		(321,164)	(141,164)	138,582