

**Enterprise M3 Board Meeting**

**29 November 2016**

**Finance Report – Item 15**

Enterprise M3 Board members are asked to:

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

**Note** the actual expenditure and income as at the 31<sup>st</sup> October 2016.

**Note** the 3 year budget forecast

**1 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, provide an update on the current expenditure/ income and identify potential issues arising from regular monitoring of the accounts.

**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 At the start of the financial year Enterprise M3 was forecasting an overspend of £296,404.42 in the operational and GEF accounts. This deficit has reduced by £300,304. This reduction is mainly due to additional income to be received in the current financial year.

2.3 As discussed at the previous board meeting on the 29<sup>th</sup> September 2016, variations from the combined Operational and GEF original budget are summarised below:

Item of expenditure	Variance	Description
Staff salaries	+£32,900	£14,000 reduction from Board meeting on 29th September 2016- This decrease is mainly due to the Enterprise Zone Director post start date being delayed into 2017.
Agency staff	-£26,000	No Change from Board meeting on 29th September 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.

Research, studies and consultancy	-£6,000	<a href="#">No Change from Board meeting on 29th September 2016</a> – 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 for skills forecasting.
Stakeholder engagement and events	+£8,000	<a href="#">No Change from Board meeting on 29th September 2016</a> – The increase in forecasted expenditure is due to additional business events to engage businesses such as the partner event held at Farnborough International and extension of SELP (EU advice) membership for this year only. An additional £4,000 is forecast towards exhibition space at MIPIM (UK) as part of the Greater Thames Valley LEPs partnership.
Accountable body	+£3,750	<a href="#">No Change from Board meeting on 29th September 2016</a> – Due to increases in LGF projects and complexity of a small few, the expected costs are to increase for 2016/17.
Running Costs	+£10,000	<a href="#">No Change from Board meeting on 29th September 2016</a> – General expenses costs have increased purchase of hot desking options alongside Growth Hub.
Operational income	+£313,000	<a href="#">An additional £74,000 has been added to the forecasted income after the board meeting on the 29th September 2016</a> – Income is expected to exceed the budget by 34%. This increase since the last board meeting, is mainly due to an additional £37,000 application fee income received from Surrey County Council for the Wider Staines upon Thames Sustainable Transport Package. Enterprise M3 has also reached an agreement with Enterprise Zone partners to recover £49,000 towards the costs of the developing the outline business case and implementation plan. The remainder is made up of contributions from the recovery of Enterprise Zone Programme Director 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). Recoverable due diligence costs from 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 operational accounts is detailed in Appendix 1. This shows the original budget, forecasted expenditure and current expenditure as at the 31st October 2016. In summary as at the 31st October 2016, Enterprise M3 had received income of £802,000 and had spent £415,000.
- 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 £150,000. These charges will all be transferred to the Enterprise M3 accounts before the end of the year.

- 3.3 Enterprise M3 is committed to delivering a number of projects where income has been received upfront and of the current year's budget forecasts, £85,000 will be carried forward and spent in 2017/18 and beyond. Therefore, the anticipated surplus of £135,000 in the 2016/17 operational budget will be reduced to £50,000 after a manual adjustment is made.
- 3.4 Enterprise M3 is also expecting a reduction in the match funding received from Government in relation to the European Union Technical Assistance support programme due to the delays in announcing continued funding. As the application included the provision to include staff expenditure, Enterprise M3 is expecting to incur additional staffing expenditure of £40,000 in 2016/17. The accounts do not currently include these assumptions and the situation will be monitored and adjusted after the first claims are submitted to the Managing Authority in Q3 2016/17.
- 3.5 The Enterprise M3 Board should be aware that the negative spend figure reported against the Research, studies and consultancy budget line, is due to a number of current studies due for completion in Q4. In particular, the Enterprise Zone consultancy study is due for completion in February/March 2017 as well as the final invoice for the Local Partnerships Transport Delivery Excellence programme review which is likely to be received in December.
- 3.6 Remaining invoices for early start LGF project application fees have been sent out and are likely to be received in November/December 2016. Invoices to Higher Education institutions are currently being sent out to Universities for their 2017/18 funding contribution.

#### **4 Three-year budget forecast**

- 4.1 Appendix 3 illustrates the Enterprise M3 forecast budget position over the next three years.
- 4.2 Future years core funding from government has been confirmed for 2017/18, but an announcement on the final amount per LEP is to be confirmed in early 2017. We are expecting this to be the same as in previous years, but any shortfall will need to be met through budget savings, increased partner contributions and from Enterprise M3 reserves.
- 4.3 The level of application fee income is dependent on when proposals from LGF3 submit a business case for funding. This funding will depend on when final awards are finalised with government.
- 4.4 The current forecast for 2017/18 allows for a small overspend, which is mainly due to a change in how staff costs are apportioned between the Operational and GEF revenue accounts.
- 4.5 The use of the future years' forecasted accounts has been developed to help the Enterprise M3 Director make more informed decisions to be able to deliver the priorities identified in the Strategic Economic Plan. Whilst the forecasts are subject to change, they are indicative tool against which different scenarios can be tested.

**Alex Piper**  
**14 November 2015**

**APPENDIX 1  
ENTERPRISE M3 LOCAL ENTERPRISE PARTNERSHIP: OPERATIONAL FUNDS  
2016/17**

	<b>Original Budget</b>	<b>Latest forecast</b>	<b>Actual October</b>
<b>Core Funding grants (from government)</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>
<b>Partner contributions - Local Authority, FE and HE</b>	<b>260,000</b>	<b>260,000</b>	<b>210,000</b>
<b>One-off other income*</b>	<b>165,000</b>	<b>297,952</b>	<b>92,528</b>
<b>Total income</b>	<b>925,000</b>	<b>1,057,952</b>	<b>802,528</b>
<b>Core Staff -</b>	<b>332,439</b>	<b>365,301</b>	<b>309,192</b>
<b>Expert Support</b>	<b>97,302</b>	<b>71,302</b>	<b>52,208</b>
<b>Due Diligence</b>	<b>75,000</b>	<b>75,000</b>	<b>0</b>
<b>Research, studies and consultancy</b>	<b>233,500</b>	<b>227,500</b>	<b>-9,625</b>
<b>Stakeholder engagement and events</b>	<b>59,000</b>	<b>66,940</b>	<b>15,704</b>
<b>Sponsorship of events</b>	<b>10,000</b>	<b>10,000</b>	<b>0</b>
<b>Accountable Body</b>	<b>30000</b>	<b>33,750</b>	<b>9,378</b>
<b>General Expenses</b>	<b>25000</b>	<b>25,000</b>	<b>10,302</b>
<b>Running costs</b>	<b>38,000</b>	<b>48,000</b>	<b>27,321</b>
<b>Total expenditure</b>	<b>900,240</b>	<b>922,792</b>	<b>414,480</b>
<b>Net expenditure/ (Surplus)</b>	<b>(24,760)</b>	<b>(135,160)</b>	

\*Other income consists of £67k application fee income, £55k costs recovered from Farnborough International, £49k partner contributions towards the Enterprise Zone study and £50k recovered from HCC due to previous year overcharges.

## Appendix 2

### ENTERPRISE M3 LOCAL ENTERPRISE PARTNERSHIP: GROWING ENTERPRISE FUNDS 2016/17

		Original Budget	Latest Forecast	Actual October
		£	£	
<b>INCOME</b>				
Income			180,000	210,926*
<b>TOTAL INCOME</b>		<b>0</b>	<b>180,000</b>	<b>210,926</b>
<b>EXPENDITURE</b>				
Employee costs		252,414	252,414	55,226
Professional support		53,750	53,750	0
Expenses and Training Costs		5,000	5,000	0
General expenses		10,000	10,000	5,208
<b>TOTAL EXPENDITURE</b>		<b>321,164</b>	<b>321,164</b>	<b>60,434</b>
<b>NET INCREASE/(DECREASE) IN FUNDS</b>		<b>-321,164</b>	<b>-141,164</b>	

\*An additional £30,926 interest collected in 2014/15 has been reclassified as revenue and has been transferred from the Growing Enterprise Fund capital account.

### Appendix 3

#### ENTERPRISE M3 LOCAL ENTERPRISE PARTNERSHIP: 3 Year Operational Budget Forecast

Enterprise M3 Budget	16/17	17/18	18/19
Core Funding grants (from government)	500,000	500,000	500,000
Partner contributions - Local Authority, FE and HE	260,000	260,000	260,000
Specific one-off grants	297,952	145,000*	250,000*
<b>Income</b>	<b>1,057,952</b>	<b>905,000</b>	<b>1,010,000</b>
Core Staff - see staff tab	365,301	518,300	533,849
Expert Support - see staff tab	71,302	50,932	56,025
Due Diligence	75,000	80,000	90,000
Research, studies and consultancy	227,500	100,000	100,000
Stakeholder engagement and events	66,940	50,000	50,000
Funding Provided (Sponsorship of events)	10,000		
Accountable Body	33,750	35,000	35,000
General Expenses	25,000	27,500	30,250
Running costs	48,000	48,000	48,000
<b>Total expenditure</b>	<b>922,792</b>	<b>909,732</b>	<b>943,124</b>
<b>Net expenditure / (Surplus)</b>	<b>(135,160)</b>	<b>4,732</b>	<b>(66,876)</b>

\* Other income for 2017/18 consists of £100k application fee income and £45k Growth Hub management fee income.

\*Other income for 2018/19 consists of £250k application fee income.