

Enterprise M3 Board Meeting

3 August 2023

Resources, Finance and Audit Committee Financial Update – Item 6

The EM3 Board is asked to:

APPROVE the final outturn 2022/23 position, on both the revenue and capital funds, held by Enterprise M3. **(Sections 2 and 3)**

APPROVE the Enterprise M3 Limited statutory accounts for the year ending 31 March 2023 **(Section 4)**

1 Executive Summary

1.1 This report summarises the final outturn financial position and the movement of funds controlled by the Enterprise M3 Board during 2022/23. It also presents the statutory accounts for Enterprise M3 Limited for the year to 31 March 2023, which require approval by the Board of Directors so that they can be submitted to Companies House.

2022/23 Revenue Out-turn (Section 2):

- 1.2 On 21 June 2023, the EM3 Resources, Finance and Audit Committee (RFAC) reviewed and endorsed the 2022/23 end of year position. They recommend that the Board approve the final position on both revenue and capital funds held by Enterprise M3.
- 1.3 At 31 March 2023 Enterprise M3 held **£3.1m revenue reserves** (2021/22 £2.6m) and **£19m capital funds** (2021/22 £23m), across a range of accounts which are set out in **Appendix 1**.
- 1.4 Expenditure in year provided resources to allow the LEP to grow and position itself into its new role, and deliver our new vision to drive forward business-led low-carbon high-growth in our economy. As an integrated Growth Hub/LEP service, we will accomplish this together with our partners and stakeholders. Furthermore, it supported activities to continue to develop and deliver our ongoing capital programme, Careers Hub activity and Enterprise Zone, among others.
- 1.5 We finished the financial year by adding **£0.5m** to our reserves. Operating income was **£2.6m** (2021/22: £2.4m), compared with operating expenditure of **£2.1m** (2021/22: £2.8m). This is an improvement of **+£0.7m** against the budgeted use of reserves, which was agreed by the Board in May 2022. The position is in line with the month 11 forecast presented to the Board in April 2023.
- 1.6 The improvement is due mainly to receiving greater interest than anticipated when our budget was set, due to higher interest rates and balances; and due to additional savings achieved through implementation of our organisational review outputs and some consequential re-profiling of activity.

Capital Funds (Section 3):

- 1.7 Although Government no longer provides LEPs with capital funding to support projects in local areas, over the years, through a deliberate policy of issuing some of our funds as loans instead of grants, we have built an EM3 Future Fund. This allows us to continue supporting the EM3 area, developing projects and leveraging significant funding.
- 1.8 In 2022/23 we spent £6.7m supporting capital projects across the EM3 area. These are capital projects approved in previous years, where we have been using loan repayments to support their completion.

- 1.9 We carry forward **£19m** of capital funding into 2023/24. £9.5m has been fully allocated to projects, including £4.5m for development of the Fibre Spine project, with our partners and stakeholders. The remaining funds of £9.4m are available for allocation to new Future Fund projects; new projects will be focused on the priority areas of supporting innovation; net zero; digital connectivity; and the skills required to support these areas.
- 1.10 In addition, we have **£0.4m** remaining in our Capital to Revenue transfer reserve, to support the development of projects, with partners, that are aligned to the future vision of economic development in the area.

Enterprise M3 Limited Dormant Accounts (Section 4)

- 1.11 The Enterprise M3 Limited statutory accounts for the year to 31 March 2023 have been prepared, and are ready to be approved by the Board of Directors, so that they can be submitted to Companies House. The company incorporates the decision-making element of the LEP, which does not trade, and has no financial transactions, assets, or liabilities, thus the accounts filed are dormant accounts (**Appendix 2**).

Next Steps

- 1.12 RFAC will continue to play a key role in overseeing the 2023/24 budget, ensuring funds are best directed, managing risks and keeping the Board informed.

2 2022/23 Final Out-turn Position

- 2.1 In 2022/23 we focused on driving forward a business-led renewal and revival of our economy. As an integrated Growth Hub/LEP service, we accomplished this together with our partners and stakeholders. We continued to develop and deliver our ongoing capital programme, deliver our careers activity and Enterprise Zone, among others.
- 2.2 The final 2022/23 position is summarised in **Table 1** below. It shows that we ended the financial year with an improved position against budget, using fewer resources than planned to deliver our agreed activity:

2021/22 Outturn £'000	TABLE 1: EM3 Revenue Income and Expenditure	2022/23		
		Budget £'000 A	Final £'000 B	Variance* £'000 C
3,048	REVENUE RESERVES Brought Forward		2,641	
2,367	Operating Income	2,274	2,624	351
(2,774)	Operating Expenditure	(2,504)	(2,121)	384
(407)	Surplus/(deficit) income over expenditure	(230)	504	734
2,641	TOTAL REVENUE RESERVES		3,145	

*Variance is positive when 2022/23 income is higher / expenditure is lower, than budgeted.

- 2.5 **Table 1 (column B)** shows that 2022/23 operating income of **£2.624m** exceeded in year operating expenditure of **£2.121m** and we therefore added **£504k** to retained reserves. This is an overall improvement of **£734k (column C)**, on the budgeted draw on reserves of **£230k (column A)**.
- 2.3 **Income** (£2.624m) was **£351k** higher than budgeted, due mainly to interest receivable on balances. The increase is partially due to the recent increase in interest rates – when the budget was set, base interest rates were set at 0.75%. By the end of the year, they had risen to 4.5%. However, it is also due to the level of our current and future capital programme balance, which we reviewed and re-profiled in year. Significantly, due to revision to the timing of the expected disbursement of our Gigabit project and our Future Fund capital programme, we retained a higher bank balance in 2022/23
- 2.4 **Expenditure** (£2.121m) saw a net decrease of **£384k** against the budget, mainly due to additional savings following our organisational review, and consequential timing of staff recruitment and on-boarding, resulting in some activity being reprofiled. In addition, other running costs were lower than budgeted, reflecting the continuing impact of the pandemic on ways of working and in-person events.

3 2022/23 Capital Funds

- 3.1 Capital involves the creation or improvement of capital assets and the scale, and nature of capital projects means they can extend over more than one financial year. EM3's capital funds position is summarised below in **Table 2**.

Table 2: EM3 Capital Funds	1 April 2022	Income	Expenditure	31 March 2022
	£m	£m	£m	£m
Enterprise M3 Future Fund (A)	22.6	3.1	(6.7)	19.0
Capital to Revenue Fund (B)	0.8	0.0	(0.4)	0.4
TOTAL CAPITAL FUNDS	23.4	3.1	(7.1)	19.4

- 3.2 **Table 2 (A):** The **EM3 Future Fund** was created through the repayment of capital funds issued as loans. The fund is available to fund innovative projects which will drive sustainable, low carbon, growth in the economy. During the year we received £2.4m loan repayments, and £0.7m returned from grants where projects had underspent on completion. Of the £19m carried forward balance, £9.5m has been fully allocated to existing and new projects approved by the Programme Management Group and Board. Of this, £5m has been contracted, and £4.5m approved for development of the Fibre Spine project. The remaining balance is available for new projects supporting our new vision, covering innovation; net zero; digital connectivity; and the skills required to support these areas. We are currently discussing with the Accountable Body how the Future Fund will operate during the remainder of this year, given the announcement about the future of LEPs in the March Budget.
- 3.3 The fund will grow as loan repayments continue to be received over the coming years, estimated at around £25m over the next 8 years. This includes £11m of payments anticipated from Business Rates Income Growth (BRIG) in return for funding we provided for implementation costs to support our Enterprise Zone.
- 3.4 **Table 2 (C):** EM3 also holds a **Capital to Revenue Fund**, established in 2017/18, predominantly to support scheme development, design advancement, skills and career improvement and scale-up business support. Subsequently the Programme Management Group (PMG) agreed to target the fund towards supporting the impact of Covid-19 and the subsequent business recovery activity. The opening balance was £0.8m, we spent £0.4m to support development of our fibre spine project. The remaining balance is uncommitted, and can be used to support the development of projects aligned to the future vision of the LEP and emerging county deals.

4 Enterprise M3 Limited Dormant Accounts

- 4.1. We have prepared the statutory accounts for Enterprise M3 Limited, for the year ended 31 March 2023 (**Appendix 2**). They require Board approval so that they can be submitted to Companies House.
- 4.2. All Board members are Directors and Members of the Company. It is the responsibility of each director in a limited company to ensure that annual accounts are prepared, circulated to members and delivered to Companies House on time, even if that company has not traded.
- 4.3. The purpose of EM3 Limited is that of a decision-making company. It does not trade, and has no financial transactions, assets, or liabilities. Thus, in accordance with section 1169 of the Companies Act 2006, the company qualifies to file dormant accounts.
- 4.4. All revenue and capital funds relating to the LEP's activities, are held by, and accounted for by Hampshire County Council (HCC) as our Accountable Body. In accordance with the Accountability Framework and the Memorandum of Understanding between Enterprise M3 and HCC, these funds are separately identified within the County Council's accounting records. They will be subject to external audit review as part of the Council's accounts, which should be completed by the end of September 2023. In addition, following ratification by the Board, financial information set out in this report will be shown in EM3's online Annual Report.
- 4.5. Enterprise M3 Limited is a company limited by guarantee (CLG), and does not have shares. Instead, the members promise to guarantee the company to the sum of £1 each.
- 4.6. **The Enterprise M3 Board is asked to APPROVE the Enterprise M3 Limited Statutory Accounts for the year ending 31 March 2023**

5 Ongoing monitoring

- 5.1 RFAC will continue to play a key role in overseeing the budget, managing risks and keeping the Board informed. This includes monitoring 2023/24 income and expenditure, on an ongoing basis, adjusting the forecast accordingly, challenging spend and ensuring it is best tailored for continued delivery of economic development in the area.

Aleks Bennett - EM3 Head of Finance

14 July 2023

At 31 March 2023 Enterprise M3 held £3.1 million revenue and £19.4 million capital funds across a range of accounts:

Enterprise M3 Funds: Revenue and Capital	1 April 2022	Income	Expenditure	31 March 2023
	£'000	£'000	£'000	£'000
REVENUE				
Operational Fund ¹	2,266	2,615	(1,966)	2,916
Staff Redundancy ²	375	22	(168)	229
Enterprise Zone ³	0	155	(155)	0
TOTAL REVENUE FUNDS (Table 1)	2,641	2,792	(2,288)	3,145
CAPITAL				
Enterprise M3 Future Fund	22,528	3,084	(6,672)	18,940
Capital to Revenue Fund	845	0	(402)	443
TOTAL CAPITAL FUNDS (Table 2)	23,373	3,084	(7,073)	19,383
TOTAL FUNDS	26,014	5,876	(9,362)	22,528

1. The Operational Fund funds the day-to-day expenditure of the LEP. It incorporates the legacy fund of accumulated interest earned on Enterprise M3 balances and loans, previously shown separately. Since 2018/19 annual interest income has been accounted for within the Operational Fund.
2. The Staff Redundancy Reserve covers any staffing liabilities in the event of the LEP being wound down. The balance is reviewed annually, and any movements transferred to/from the Operational Fund.
3. The Enterprise Zone income and expenditure, funded from Business Rates Growth.

Registered Number 11897237

ENTERPRISE M3 LIMITED**Dormant Accounts**

31 March 2023

Balance Sheet as at 31 March 2023

	31 3 2023	31 3 2022
Net Assets	£ 0	£ 0
Reserves	0	0

STATEMENTS

- a. For the year ending 31 March 2023 the company was entitled to exemption under section 480 of the Companies Act 2006 relating to dormant companies.
- b. The members have not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006.
- c. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.
- d. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

Approved by the Board on 3 August 2023

NOTES

Company is limited by guarantee.