

Capital for Enterprise Limited

Summary Business Plan

April 2011 – March 2014



Capital for Enterprise Limited (“CfEL”) is an arm’s length body providing asset management services to Government.

CfEL’s vision is that Government equity and debt interventions in SME¹ finance should be universally recognised for their reach, impact, commerciality, coherence and cost effectiveness.

CfEL’s mission is to be recognised by all stakeholders as the deliverer of SME schemes through excellence of advice, implementation and innovation.

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¹ SMEs - Small and Medium-sized Enterprises

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1 Background

Capital for Enterprise Limited is a professional asset management company. It has been established as the principal centre of excellence in delivering Government-backed finance programmes aimed at improving access to finance for SMEs. It is the biggest single investor in UK venture capital funds and manages guarantees for over £1 billion of bank lending.

CfEL's strategic aims are:-

1. To be the **principal centre of expertise** within Government on the provision of SME financial interventions. Through its market knowledge and understanding of the public sector, CfEL will inform and improve the quality of Government policy initiatives by providing ongoing advice and market intelligence, in particular on "gaps" in the SME finance market;
2. To **design, develop and deliver** SME financial interventions meeting the objectives of the commissioning organisation and to deliver the schemes to agreed time, cost, specification and standard;
3. To **manage SME financial interventions** efficiently, effectively and economically. CfEL will use its professional expertise to manage the schemes, delivering economic benefits in line with the Government's growth agenda.

Established in April 2008, CfEL is a company limited by shares. Whilst it is sponsored and wholly-owned by the Department for Business, Innovation and Skills (BIS), it has a remit to work across Government Departments and Devolved Administrations. It is classified as a Non-Departmental Public Body ('NDPB') and mandated to operate at arm's length from Government so as to sustain the objectivity, integrity and commerciality of its operations. It is currently funded by a combination of Grant-in-Aid from BIS and contractual income from third parties.

CfEL has 18 full-time permanent staff, all based at the Company's offices in Sheffield. In order to function effectively at the interface between Government and the private sector, the team has a unique blend of skills drawn from both public and private sectors. The Company's activities are overseen and guided by a Board comprising four non-executive experts in SME investment and finance, a representative from the Government's Shareholder Executive and the Company's CEO. Details of the non-executive Board members and the management team can be seen at http://www.capitalforenterprise.gov.uk/our_people .

The Company is seeking to establish and consolidate its position as a reliable, cost effective, commercial and market-facing organisation. It also seeks to be an innovator in the SME finance arena and a creator of bespoke solutions for its clients. By virtue of the experience of its personnel, including their knowledge of previous and current Government schemes, CfEL can play a major role in identifying best practice, in evaluating the performance of Funds and Managers against stated objectives and in ensuring that any lessons learned from earlier interventions are carried forward appropriately.

Since establishment, CfEL's remit has been expanded to be the Government's centre of excellence in the delivery of SME finance programmes. This expanded role involves CfEL

working across Government departments to improve coherence, consistency and value for money in their SME finance programmes.

The Framework Document requires CfEL to submit Business Plans to BIS covering the next three years. At the time of writing this Business Plan, there is uncertainty regarding the additional responsibilities of CfEL in some parts of its recently enhanced remit. Discussions are on-going in these areas. As a result, the Business Plan has a “layered” structure to reflect those activities which are known and confirmed for the next three years and those where a lack of clarity exists.

The objective of this Business Plan is to provide a formal statement, for agreement with BIS, of the Company’s principal goals and objectives for the period 1st April 2011 – 31st March 2014 and its strategy for achieving them. A detailed budget proposal for the year ending 31st March 2012 and summary financial forecasts for the remaining period are also included, along with a list of agreed Key Performance Indicators.

2 Achievements and Activities to Date

Since its establishment in 2008, CfEL's role and responsibilities have grown substantially, as economic conditions and policy changes have required new finance schemes to be developed and launched against tight deadlines.

Capital for Enterprise Limited was established on 1 April 2008. Since then, the Company has:-

- managed the £140+m BIS portfolio of legacy SME fund investments;
- managed the £250+m portfolio of loans under the Small Firms Loan Guarantee;
- designed and launched
 - two new Enterprise Capital Funds of a total size of £64m
 - the £150m UK Innovation Investment Fund,
 - the £75m Capital for Enterprise Fund,
 - the Homeowners' Mortgage Support Scheme
 - the Office of the Third Sector Fund for social enterprise and
 - the Aspire Fund;
- made significant changes to the Small Firms Loan Guarantee scheme, leading to the launch of the £3bn Enterprise Finance Guarantee in 2009;
- designed and implemented the EFG Export Finance Scheme
- established its own identity as a professional body managing Government interests, and
- recruited and developed both new and replacement expert personnel from within the commercial sector.

A notable aspect of CfEL's activity has been the speed and quality of development and launch of new funds or programmes against tight deadlines.

CfEL has also continued to make a very significant contribution to policy and to the development and delivery of policy initiatives, and in particular has worked closely with:-

- BIS, HM Treasury and No10 on supporting SMEs as part of the Government's Growth policies
- BIS on bringing coherence and streamlining to the provision of SME finance across the UK
- DCLG, BIS and HM Treasury in reviewing the options for management of regional schemes in a post-RDA environment.

CfEL works closely with Government in all areas of SME finance through frequent scheduled reporting, formal monthly meetings and ad-hoc contact at many levels with different departments. For example:-

- We have advised wider Government policy development with No10 and HMT, as well as facilitating and supporting BIS events and activities in developing policy on venture capital
- For the existing programmes under management, we provide on-going policy advice to BIS on potential enhancements to the programmes to improve value for money and target the programmes more effectively to achieve changing policy aims
- We have been working with BIS throughout 2010/2011 in the development and implementation of its emerging plans for coherence and consistency of the provision of

publicly-backed funds.

- We have worked with the Scottish Government in their development of a new £100m mezzanine fund for SMEs
- We are being consulted by the LDA/GLA on the creation of a new fund for London.
- We are working with the Irish Government on the development of a loan guarantee programme for the Republic.

The extensive Scottish Government contract was successfully completed at short notice and to a tight deadline demonstrating the CfEL team's efficiency, flexibility and adaptability. CfEL's input was welcomed by Scottish Ministers and the Executive.

The table below details the principal investment and guarantee programmes managed by CfEL on behalf of Government during 2010/2011. Figures are as at 31st December 2010 except where indicated.

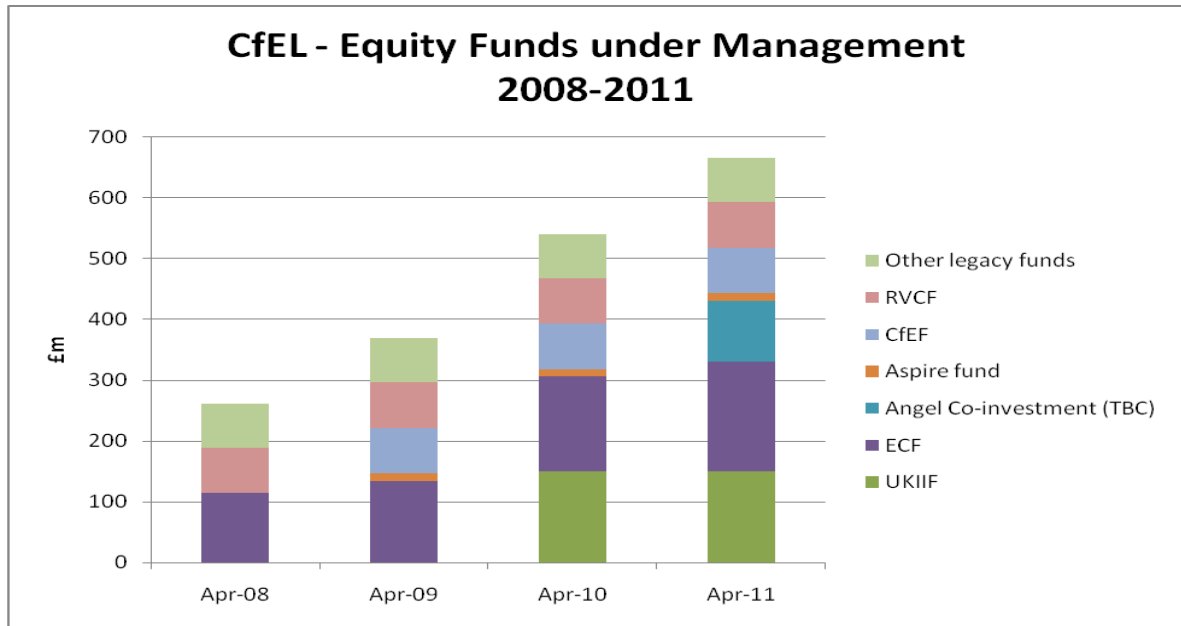
Fund Programme	Fund Type	Direct Commitment	Total Size of Funds for SMEs
Current Programmes			
Enterprise Finance Guarantee	Loan guarantees in support of lending to SMEs.	Govt liabilities ² (to date):- £112m	Loans drawn to Dec 2010:- £1.1bn Available 2011/12: £600m 2012-15: £1.4bn
Enterprise Capital Funds ³	Public/private venture capital funds investing in the equity gap – nine operating funds	£156m	£239m
Aspire Fund	Equity co-investment fund investing in women-led businesses	£12m	>£25m
Office of the 3rd Sector (Cabinet Office)	Equity funds investing in social enterprises	£5m	>£10m
UK Innovation Investment Fund	Fund-of-funds investing in technology venture capital funds	£150m	£325m
Legacy Programmes (no longer making new investments or loans)			
SFLG ⁴	Loan guarantees in support of lending to SMEs.	Remaining liabilities:- £215m	Outstanding exposure:- c£287m Cumulative total lending:- >£5bn
Regional Venture Capital Funds	Nine regionally-focussed generalised venture capital Funds	£74m	£224m
UK High Technology Fund	Early stage technology venture capital Fund of Funds	£20m	£126m
Bridges CDVF	Venture capital fund investing in deprived areas	£20m	£40m
Early Growth Funds	Six generalist venture capital funds and a mezzanine fund	£32m	£64m (min)
Capital for Enterprise Fund	Fund-of-funds providing capital to business which have maximised their ability to fund future growth from bank lending. Private sector £25m from four banks	£50m	£75m

² Government commitments in this case mean the total amount that Government could be liable for under loans made by banks which are covered by EFG.

³ Figures quoted for ECFs do not include the funds awarded but not closed. If included, Government commitment would be £176m in a total programme size of £269m

⁴ As at 30th September 2010

Through these initiatives, the equity funds under management have grown substantially as follows:-



On the debt side, the number of accredited lenders under the guarantee schemes has increased by some 69% since 2007/08 and now stands at 44, whilst the number of lending types has also grown substantially, from only one on the SFLG scheme to six in EFG:-

Programme and Period	Unsecured New Funding	Secured New Funding	Refinancing	Overdrafts	Invoice Finance	Export Finance	Total schemes
SFLG - 1981 to 13 Jan 09	✓						1
EFG - 14 Jan 09 to 29 Sept 09	✓	✓	✓				3
EFG - 30 Sept 09 to present	✓	✓	✓	✓	✓		5
EFG - 01 April 11 onwards	✓	✓	✓	✓	✓	✓	6

Meanwhile, the portfolio team has increased its reporting to cover ever increasing requirements, including detailed forecasting models for SFLG and EFG claims.

Staffing has also increased over the period, though this has been at a slower rate than the volume of activity and work undertaken:-

Period	Average number of employees
2008-09	10.5
2009-10	13.1
2010-11	17.6

3 Business Plan April 2011 – March 2014

3.1 Business Planning Process

CfEL is entering the next stage of its growth, which is likely to entail a step-change in its role.

There are different activities within the scope of CfEL's remit over the period of this plan. While some programmes and activities are known and quantified and the related resources can be forecast with some degree of accuracy, others are less clearly-defined. In the Business Plan, we seek to identify these activities such that there can be clarity for all stakeholders on the implications for CfEL's objectives, deliverables and resources.

CfEL will commit to deliver objectives or activities where it has certainty that it holds the skills, capacity and resources to deliver those objectives. It is in the interests of both CfEL and its stakeholders to engage at an early stage in any programme development.

Starting with the most clearly defined programmes:-

Programme	Current status
Enterprise Finance Guarantee	Commitment to support £2bn of lending over four years. Activities and resources on the programme as it currently stands can be predicted with some accuracy, although with proposals on adding lenders and the Export EFG, this may change.
Enterprise Capital Funds	£200m commitments over next four years. Activities and resources relating to new funds can be forecast, to which must be added the growing portfolio management responsibility
Portfolio management of existing (legacy) schemes	Activities on existing schemes will vary within a relatively small window and can be forecast.
Angel Co-Investment Fund (bid submitted to the Regional Growth Fund)	CfEL has facilitated a private sector-led bid to the Regional Growth Fund and, if successful, would manage HMG's investment. CfEL would co-invest up to £100m alongside business angels. The likelihood of this going ahead is currently unknown, but cannot be absorbed by existing resources.
Cross-Government coherence role	There are three key elements of this:- <ul style="list-style-type: none"> • Data collection, benchmarking, and informing policy development. Much of this role is defined although some of the costs, particularly in terms of information systems development and external reporting, are still to be determined. • Formalising CfEL's knowledge and information such that it is a position to fulfil its role as the Government's centre of knowledge and expertise in a more structured manner • Larger, intensive assignments, such as the work carried out with the Scottish Government, are harder to predict; CfEL has to have the capacity to take on such work as part of the wider coherence agenda without adversely affecting existing core activities.

Programme	Current status
Regional Development Agency SME scheme transition and oversight	<p>With the abolition of the RDAs, there are significant SME finance schemes requiring oversight, many of which include elements of ERDF funding.</p> <p>This may also include the design and implementation of new structures when any new or legacy funding becomes available.</p> <p>Problems and issues associated with these funds are difficult to predict, but are inevitable; getting the right quality and amount of resource to address these issues is a key task and risk for CfEL.</p>

3.2 What We Will Do in 2011-14

3.2.1 Provide Market Intelligence

We will continue to support BIS in its specific policy goals and its wider economic development aims. We will look to provide analysis and advice as the economy and financial systems adjust to the new circumstances.

Through its wider, cross-Government role, CfEL will now provide such advice to an increasing number of public entities and needs to ensure that it has the capacity to deliver this going forward.

With the understanding that stems from our work with our existing and new portfolio, such as UKIIF and CfE Fund, detailed analysis of Loan Guarantee activity, our recent mapping of, and engagement with, RDA funds, and our work with OGDs (for example, the Scottish Government and DECC), we will be better informed to be able to advise Government on gaps and issues arising.

We will increasingly work with industry bodies such as the BVCA, the British Business Angels Association and the CBI and provide a source of expert resource and comment for journalists and commentators.

In our current structure, we hold data and have expertise that would allow us to carry out and publish high-profile, detailed academic / policy studies in-house in the same way that, for example, NESTA has been able to do. Our ambition, subject to resources being available, is to leverage the unique information that we hold, to better inform the public sector, SMEs and investors in their understanding of this sector.

3.2.2 Ensure Coherence and consistency of SME Finance

During 2010/11 we have worked with BIS, SQW and the RDAs to complete a thorough mapping of publicly-supported SME finance schemes and have had discussions with BIS and Number 10 about options for overall SME policy to support growth.

We will be putting in place an information system that will allow CfEL, in its wider role, to collect information across the landscape of the publicly-backed SME schemes. This will enable CfEL to improve the understanding of activity and financial performance, benchmarking these measures across schemes to assess performance against objectives and to ensure that interventions are coherent and consistent.

There is a danger, however, that the localism agenda may yet mean that new SME finance schemes will be created through (for example) Local Enterprise Partnerships without sufficient expert design and governance. CfEL will seek to agree protocols with Government departments and especially DCLG such that any new schemes are understood and co-ordinated at a national level in accordance with stated Government policy.

The public sector has often been characterised by the inability to learn from the weaknesses and failures in earlier schemes; CfEL has attracted favourable comment for its ability to apply the lessons learned from earlier schemes to the design and implementation of recent financial interventions.

In any future rounds of European/ERDF funding, this national approach will reduce duplication, waste and re-invention. Working with BIS and DCLG, CfEL will make a significant contribution to the design of such schemes.

3.2.3 Design, develop and deliver SME financial interventions

CfEL is currently engaged in the design and/or delivery of a number of new interventions as well as in the management of its active and legacy programmes. These include: the RDA Funds Transition; the EFG Export Scheme; a Business Angel Co-investment Fund; ECF Funds, which have inbuilt design flexibility; and a potential EU Fund-of-Funds for SMEs.

3.2.3.1 RDA funds Transition

The enhanced role envisaged for CfEL as part of the previous Government's 'UK Finance for Growth' structure has been given an even greater focus with the announcement, in June 2010, of the abolition of the Regional Development Agencies ("RDAs") by the new Coalition Government.

This was followed by the Local Growth White Paper⁵, published in October 2010, which made clear Government's intention to continue to invest in measures to address market failure in equity and debt markets for SMEs. As this is a national market failure, and to provide economies of scale, the White Paper stated that this activity will be led and managed at national level, with a clear emphasis on achieving greater coherence and consistency in establishing and managing existing and future publicly backed VCLFs. Specifically, the White Paper confirmed that '*a national structure of oversight and management function maximises the specialist skills and knowledge of CfEL as the Government's centre of expertise in SME finance interventions*' with CfEL taking responsibility for overseeing all VCLF activity in the future. This includes the substantial portfolio of funds established previously by the RDAs.

Throughout 2010/11, CfEL has sought to work closely with BIS, DCLG and the RDAs:

- to map the existing landscape of regional funds, which has shown the breadth and complexity of the different forms of SME interventions across England. There are some 90 RDA funds, representing a total investment of c £1 billion, including private sector matched funds;
- to agree how existing assets will be overseen forwarding the post-RDA environment; and
- to create a detailed Transition Plan to create a roadmap from the current to future landscape prior to the final abolition of the RDAs in March 2012.

Once the plans are fully agreed, we will seek to implement the transition plans in an efficient manner such that regional issues and sensitivities are respected while the wider Government interests are properly addressed.

⁵ Local Growth: Realising Every Place's Potential, CM7961, TSO

The broad scheme of oversight is now understood. This will represent a significant extension of remit. The transition project in 2011 and the subsequent oversight will require increased financial and staff resources to avoid compromising other objectives.

Outside the immediate circle of existing national funds and transitioning RDA funds, CfEL will work with other Government departments so as to bring its skills to bear in the management of their existing and any future funds.

We will continue to work with the Jeremie fund holding company executives and CfEL will be the Government's nominated representative on the Boards of the holding companies as well as observers on the Investment Advisory Panels.

Outside the Jeremie Funds, we will continue to work across Government to seek representation and add value. This will include:-

- Other funds previously under the auspices of the Regional Development Agencies Initiatives such as the Big Society Bank;

- Funds previously under the jurisdiction of the Government Offices;

- Working with other Government departments and Devolved Administrations to assist in the creation and oversight of all their SME finance interventions;

3.2.3.2 EFG Export Finance Scheme

CfEL has played a central role in the design of this new scheme and will be responsible for its launch and monitoring throughout 2011/12.

3.2.3.3 Business Angel Co-investment Fund

CfEL has, with private sector organisations, submitted a successful bid to the Regional Growth Fund for an Angel-led Fund.

3.2.3.4 Enterprise Capital Funds

CfEL will continue to develop innovative structures for ECF Funds to meet the objectives of building a broad portfolio of Funds, managed by high quality Managers.

3.2.3.5 EU Fund-of-Funds

CfEL, with its European counterparts, is examining the opportunity to create a pan-EU venture fund-of-funds in line with the recommendation of the February 2011 European Council conclusions, which called for such a vehicle to be created with the involvement of National operators

3.2.4 Management of Programmes and Funds

CfEL's activities represent a quantum step forward in bringing professionalism, rigour and experience to Manager selection, programme and fund structuring and post-investment management of SME focused equity and loan products.

CfEL:-

- supports Government and reflects its priorities by applying professional resource to ensure that Government can achieve its short and longer-term objectives through the programmes managed by CfEL; and
- actively manages the current venture capital fund and loan guarantee portfolio, seeking to maximise utility, value and impact at minimum cost to the taxpayer

In 2011-14 CfEL will:-

- monitor and manage all funds under its oversight,
- deploy sufficient expert resource to ensure that any issues arising are dealt with swiftly and effectively to protect the value of those investments, and
- exercise our rights and obligations in the Government's best interests.

With regard to the current and legacy programmes:-

ECFs

Following the CSR outcome and the confirmation of the ongoing programme for the next four years, CfEL will continue to make ECF allocations where they meet scheme objectives and where good investment opportunities exist to build a strong portfolio. Demand for ECF funding is high as fundraising from the private and commercial sector is so tight. In line with the CSR settlement, the ECF will continue at the rate averaging £50m per annum of commitments and based on the objective that the programme will become cost neutral in the medium term through the creation of a portfolio diversified over sector, manager and vintage year. This requires that only those managers with the potential to be financially successful will be backed.

Aspire Fund

CfEL will continue to promote and invest the Aspire co-investment programme during 2011/12 in line with BIS objectives of creating a "beacon" or demonstrator for the funding of women-led businesses. We make the assumption that this fund will be continuing through the period.

UK Innovation Investment Fund

The UKIIF became active in January 2010 following the completion of legal agreements with the underlying fund-of-fund managers. This requires careful monitoring, especially in the early phase as Hermes and EIF deploy into underlying funds. For example, in 2010, there was a change in staffing at Hermes GPE which required CfEL resource to investigate and resolve fully.

The additional resource implications of this for 2011/2012 are anticipated to be relatively low if current plans are achieved and the two experienced fund-of-funds managers deliver on expectations, although even in this short period CfE has had to work closely with both of the managers on a range of issues.

Loan Guarantee Schemes

CfEL will continue to manage the delivery of EFG and manage the SFLG liabilities. The EFG scheme will guarantee loans up to a total value of £600m for 2011/12 and a total of £2bn for the four years April 2011 – March 2015. Regular monitoring meetings will continue to be held with all large lenders, supplemented by quarterly meetings with MDs of Business Banking.

Monitoring the loan defaults on both EFG and the legacy SFLG scheme will be a key task. CfEL collects detailed data from the banks to enable it to analyse and monitor defaults and works with the lenders to ensure that they are meeting their responsibilities to attempt to recover potential bad debts, treating SFLG/EFG loans in the same manner as the remainder of their loan book.

CfEL will contribute to ongoing reviews and evaluations of the loan guarantee schemes in the context of the development of Government policy.

Legacy Portfolio Management

CfEL will continue to manage the legacy portfolio of equity funds to best effect, which includes the RVCs, Early Growth Funds, the UK High Technology fund and now the Capital for Enterprise Fund, which came to the end of its investment period as planned at the end of March 2010, with the remaining funds were set aside for the all-important follow-on investments.

Objectives

The objectives of each of the programmes for which CfEL has responsibility can be seen at <http://www.capitalforenterprise.gov.uk/portfolio>

Reporting

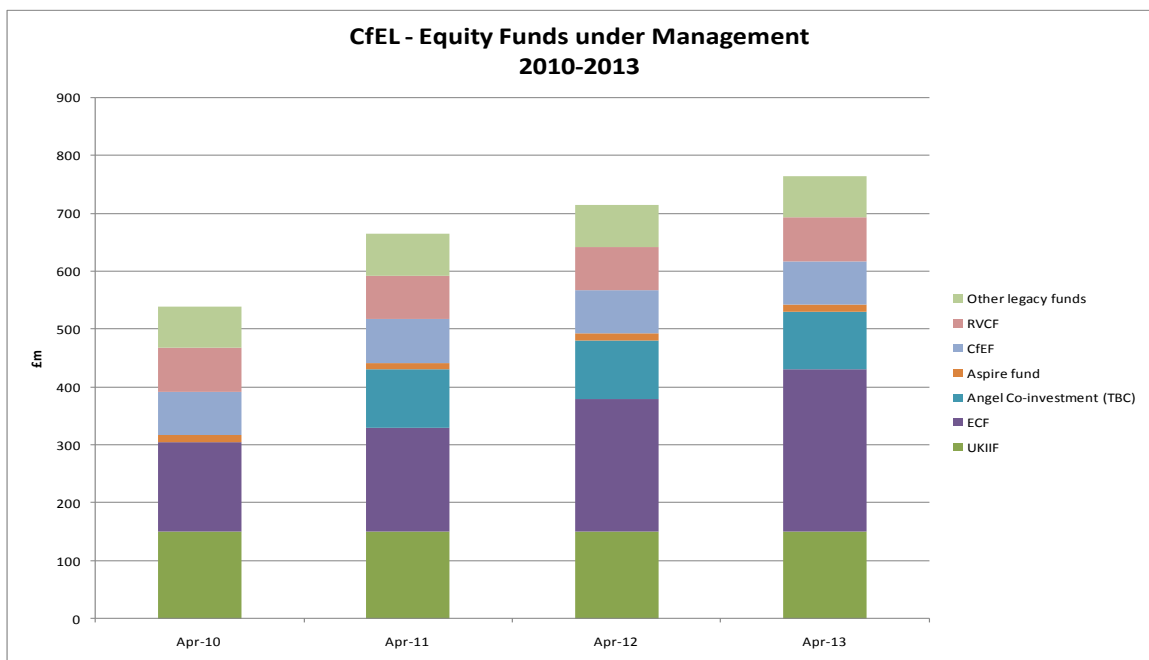
CfEL will continue to build on the quality of its reporting on the whole portfolio to ensure that all investors have appropriate, accurate and timely information for their purposes; in the example of BIS, to inform its policy and financial planning. We will also seek to collect more detailed information on some of the softer areas of fund performance. In order to meet what will be considerable additional reporting requirements, CfEL will implement a significant upgrade of its reporting systems and processes, investing in new technology and when permitted to do so, personnel.

4 Financial Forecasts

Reflecting its wider role and growing responsibilities, CfEL will expand significantly in the next three years, providing increasing value to its clients through its greater scale and effectiveness.

Some current activities, such as the ECF and EFG programmes and portfolio management of existing responsibilities, are known and quantifiable, while others are less clear. As a result, the following financial projections are presented in a layered manner.

To illustrate the extent of the widening of responsibilities, the equity programme, even not including the RDA transition, grow as follows:-



On top of this expansion through existing programmes, the RDA abolition means that CfEL's responsibilities will extend substantially. The total size of the c.90 RDA funds is some £1 billion; this represents amounts invested of around £295m of Single Programme, £375m of ERDF and £335m of "private" (mostly EIB) funds. The complexity and variation of the different legal structures employed in these schemes is great.

Adding in the wider cross-Government role and the extension of EFG into export, the additional tasks that CfEL has been asked to take on in 2011/12 are therefore very significant.

4.1 Expenditure and Funding Requirements

4.1.1 2011/12 Onwards

It will remain a priority of the organisation to maintain tight control over expenditure with a view to managing the programmes as efficiently as possible and to deliver increasing value for money at a time when the company's role continues to expand. In particular CFEL will closely control its administration expenditure and will ensure compliance, as far as possible, with the ongoing cross-Government spending controls.

The budget for 2011-12 and forecast for the years 2012-13 and 2013-14 have been constructed using the layered approach referred to earlier in this document. Three layers have been used to build up to the overall budget, which are:-

1. Core Activity

This activity is the management of the programmes currently in existence, and which will continue to expand. The budget allows for the establishment of additional ECFs which were on hold during 2010-11. It should be noted that Core Activity itself is not steady-state, as the portfolio continues to grow and functions, such as Export EFG, continue to be added.

Key sensitivities relating to the Core Activities:-

- Relocation costs
- New reporting software, which is currently being procured

2. Wider Remit

This is the cross-governmental role that CfEL is being asked to fulfil, together with the activity relating to ex-RDA schemes, and represents significant additional activity for the Company. However we believe that the transfer of this function to CfEL will give rise to significant efficiencies to Government compared with the current costs and these have been factored in to the budgets.

Key sensitivities relating to the Wider Remit:-

- At the time of writing, the detailed scope of CfEL's function is being determined and the final numbers are being defined. For example, it has been assumed that CfEL will not take responsibility for monitoring RDA grants to (for example) CDFIs.
- No costs (such as legal) that may be incurred in any transfer under TUPE/COSOP have been included in the financial forecasts as they are uncertain in terms of scope and likelihood.

3. Business Angel Co-investment Fund

The allocation of this Fund, which is budgeted at the level of £50m, is currently the subject of a pending application to the Regional Growth Fund. The cost of administering the Government's investment in the Fund has been included in the budget, which again would represent a significant increase in the Company's overall activity. This activity is also assumed to be self-funding through a priority profit share from the Fund.

Key sensitivities relating to the BACF:-

- The likelihood, scale and timing of the proposed fund are unknown as the detailed implementation of the successful bid remains under discussion. Additional staffing will be needed if the bid is successful, the costs of which should be covered by the programme itself.

4.1.2 Financial Forecasts

The table below shows the budgeted costs and incomes in respect of each of the above layers.

On the assumption that each of the layers of activity is undertaken, total expenditure is budgeted to increase from £2.6m in the current year 2010-11 to £4.6m by 2013-14, whilst income from other sources (not funded by grant in aid) is budgeted to increase from £0.6m in the year 2010-11 to £1.7m by 2013-14.

Were CFEL only to undertake the growing “Core Activity” during the period under review, total expenditure would increase by just £300k comparing 2010-11 with 2013-14, with external income increasing only slightly. However in 2011-12 there would be a slight bump in the expenditure from £2.5m to £2.8m which is explained later in this section of the report.

The expansion and recruitment process will be carried out only when required; if for whatever reason the anticipated growth in workload is not forthcoming, or if additional efficiencies can be identified, then plans will be reviewed and potential recruitment postponed or cancelled.

Summary Budgeted Income and Expenditure 2011-12 to 2013-14 by Activity

	Current Year 2010-11	Year 1 2011-12	Year 2 2012-13	Year 3 2013-14
	£	£	£	£
External Income				
Core Activity	613,659	747,595	621,595	621,595
Wider Role	-	-	-	-
Angel Co-investment Fund	-	810,000	1,035,000	1,066,000
Total External Income	613,659	1,557,595	1,656,595	1,687,595
Expenditure				
Core Activity	2,259,906	2,835,235	2,738,129	2,773,097
Wider Role	88,740	702,053	743,784	753,471
Angel Co-investment Fund	-	767,818	1,018,578	1,062,169
Total Expenditure	2,618,646	4,305,106	4,500,492	4,588,737
Net Surplus / (Deficit)				
Core Activity	(1,916,247)	(2,087,640)	(2,116,534)	(2,151,502)
Wider Role	(88,740)	(702,053)	(743,784)	(753,471)
Angel Co-investment Fund	0	42,182	16,422	3,831
Total Net Deficit	(2,004,987)	(2,747,511)	(2,843,897)	(2,901,142)

Note that the overall costs continue to rise between 2011-12 and 2012-13 largely because of in-year recruitment in 2011/12, with full year costs in the second year. This is, to some extent, offset by some one-off costs in 2011/12 which are not repeated in 2012/13, such as relocation and data project implementation.

The Grant-in-Aid required to meet the net cost of these activities in each of the years is shown below:-

	Current Year 2010-11	Year 1 2011-12	Year 2 2012-13	Year 3 2013-14
	£	£	£	£
Total Net Deficit	2,004,987	2,747,511	2,843,897	2,901,142
Capital expenditure	129,751	295,000	-	-
Depreciation	(63,238)	(81,556)	(103,176)	(91,096)
Asset write-offs	-	(11,800)	-	-
Grant in Aid Funding	2,071,500	2,949,156	2,740,721	2,810,046

Administration and Programme Expenditure

CFEL in common with all BIS partner organisations was allocated an Administration Budget for the years ended 31st March 2015 from the overall Administration Budget that has been allocated to BIS itself. The Administration Budget allocation for the three years covered by this plan (as determined by BIS prior to the submission of our forecasts) is:-

Firm	Indicative	
2011-12	2012-13	2013-14
£610,000	£581,000	£487,000

This represents a reduction of more than 21% at a time when CfEL's responsibilities are expanding at the greatest rate since establishment.

5 Risks & Governance

CfEL is governed by a Board which comprises five independent non-executive directors, all of whom have been carefully selected for their relevant experience and skills. The Board has subcommittees which include:-

- Remuneration
- Audit & Risk

Management is responsible for implementing effective risk management and internal control policies and procedures, and the Audit and Risk Committee has responsibility of advising on these. The Audit and Risk Committee has appointed the Director of BIS Internal Audit to be the company's Internal Auditor, and an annual work programme is undertaken by the Internal Auditor in order to give the Board, and BIS assurance over risk management and internal control procedures.

CfEL has a formal process of identifying and evaluating risks in each area of its operations. Where key risks are identified, the appropriate treatment of those risks is determined and auctioned as appropriate. The registers of risks in each business area are reviewed by the executive team on a scheduled basis and are presented to the Board.

CfEL has systems and procedures that are appropriate for an organisation working in a regulated environment.

Capital for Enterprise Limited and its subsidiaries are audited by the National Audit Office and have received unqualified audit reports.

CfEL has a subsidiary company, Capital for Enterprise Fund Managers Limited, which is the entity that was been appointed to be the manager of the Capital for Enterprise Fund. It is authorised by the Financial Services Authority.

6 Key Performance Indicators

CfEL has agreed with BIS a schedule of Key performance Indicators, through which the success of CfEL will be monitored and judged.