

Enterprise M3 Board

15 January 2018

Local Growth Fund Programme Update – Item 12

Enterprise M3 Board members are asked to:

NOTE the current progress with delivering the programme.

NOTE the projects which are currently identified as at risk of delay/underspend in 2017/18 and the proposed actions to address this underspend.

NOTE the proposed Local Growth Fund programme for 2018/19

1. Growth Deal Update

1.1. Enterprise M3 was allocated a further £45.7m for the 2017/18 financial year from its agreed £219m six year Growth Deal with Government. To date, we have received £121.8m of Local Growth Fund from Government, of which £76.2m has been distributed to projects to date. The table below shows this information by year.

	LGF Funding Allocated	Actual Funding Distributed to date	Forecast Distribution	Difference +/-	% of Allocation Distributed
2015/16	35.3	28.7	28.7	-6.6m	81%
2016/17	40.8	40.2	40.2	-0.6m	99%
2017/18	45.7	10.33	35.2	-10.5m	23%
Total	121.8	79.2	104.1	-17.7m	65%

1.2. **Total spend for 2015-18 is forecast at £104.1m, which is £17.7m under our available allocation over the three years.** The table above shows that current forecasts suggest that we are likely to have a significant underspend against our 2017/18 allocation, and this paper sets out the reasons for this position. The Enterprise M3 Board agreed in July 2017 that we would not issue a call for new projects as it would be better to do this following the outcome of the Strategic Economic Plan refresh and this remains our position, although this will be reviewed in the coming months. We are also currently forecasting that we will distribute 78% of our available funding for 2017/18. This figure includes the additional £16.6m awarded to Enterprise M3 by Government in March 2017 and Government have accepted that there will be some level of carry-forward given the late notice of this funding. If our profile had remained as we envisaged at the start of March 2017 (with £29m of LGF allocated in 2017/18) we would be forecasting to spend all of our LGF allocated to date by the end of 2017/18. This includes any underspend from previous years.

1.3. Expenditure figures to date remain low but do not yet include claims for any of our transport projects (either from Hampshire or Surrey County Council) for activity between September and December 2017 which total £6.4m. These are expected in the coming weeks and will be processed in due course. The team are continuing to work hard to emphasise the importance to partners of timely claims and early warning if things are not proceeding as planned. Board members will see from the contents of this paper that action is being taken where projects are not proceeding as planned, with clear deadlines for progress being set.

- 1.4. Board members will note that the forecasts presented in the table forecast significantly reduced expenditure in 2017/18 than had been presented in November 2017. The main reasons for these changes are as follows:

Aldershot Railway Station – This project suffered delays following the move of the franchise from South West Trains to South Western Railway. We are continuing to work closely with Rushmoor Borough Council and Hampshire County Council to promote the benefits of this project to the new franchise holders. South Western Railway have indicated they are committed to the scheme but to date we have been unsuccessful in securing significant progress towards delivery due to continuing uncertainties over the cost of the scheme. Nevertheless, a small amount of funding from Hampshire County Council has been secured to carry out some ground investigation works, which should help to firm up the costs and hopefully enable a firm commitment to deliver the scheme from the operator over the next couple of months and will look to make a final decision on the future of this project by March 2018. However, if this proves unsuccessful then we would be likely to recommend withdrawal of the allocated funding from this project (£0.9m in total) and this has been removed from all 2017/18 forecasts. This funding had originally be taken from a wider Aldershot Regeneration Package and therefore in these circumstances it would be proposed that this funding is reallocated to this package and considered as part of the wider business case which will be submitted later in 2018. Rushmoor Borough Council and Hampshire County Council are in agreement with this approach.

Farnborough International Airshow – This project has been approved by the Enterprise M3 Board and legal agreements are in place. Enterprise M3 is acting a joint funder for this project, alongside Rushmoor Borough Council, Hampshire County Council and Barclays. Expenditure of £4.578m from the Local Growth Fund had been forecast in 2017/18 but Farnborough International have recently advised that this funding will not be required until the next financial year. This is a positive development for the project as receipts from events planned and pre airshow receipts have been higher than originally forecast and therefore the Local Growth Fund loan is not required until later into the development programme. It is possible that £1.25m could be drawn down in 2017/18 but given the uncertainty on this at the current time, it has not been included in the forecasts in this paper. Following PMG feedback, we are also currently investigating with our Accountable Body whether any of the forecast expenditure for this year can be accrued and a verbal update will be given at the meeting.

Hampshire Centre for the Demonstration of Environmental Technologies – We have been advised by Sparsholt College that this project is delayed pending a Government decision confirming the Incentive Tariff rules. This decision is required in order to secure the private sector match funding for the project and the decision is expected in February 2018. Given that this project has been delayed for a period of 12 months, Enterprise M3 has written to Sparsholt College to inform them that the £1.2m of funding allocated to this project will be withdrawn if it fails to progress by the end of March 2018. The funding partners have written to Government to make them aware of the impact of these delays for this particular project and we have been engaging closely with our Area Lead from the Cities and Local Growth Unit to see if progress can be made.

Guildford Town Centre Package – this project had originally forecast expenditure of £1.63m in 2017/18 but this recently been revised downwards to £320,000. This is primarily related to issues around the closure of Walnut Tree Bridge in Guildford and delays in the delivery of the A25 cycle corridor and Stoke Road Crossroads so that they could be coordinated with Highways England works. We are working with Surrey County Council to understand these issues in more detail and will update Board on progress in due course.

Invest for Growth Elmbridge – a business case for this project was presented to the Programme Management Group on 11 January 2018 recommending an option that would allow for expenditure to be incurred in 2017/18. This was based upon a retrospective payment of LGF to towards a property acquisition that Elmbridge Borough Council had made earlier in the year, and subsequently the development of an economic development fund. Whilst PMG supported the principles of project, notably trying to protect employment space from residential development and the creation of a longer term revenue stream to support economic development, it was agreed that retrospective support for projects should not be given. PMG

agreed that Elmbridge should have a six month opportunity to explore whether another property acquisition might be appropriate and to bring forward new proposals to Enterprise M3 for consideration in due course. It was agreed that resubmission must be in line with the following two main aims of the project as set out in the current business:

- To achieve a balance between employment and housing provision that contributes to sustainable economic growth as increasing pressure from residential values threatens the provision of the existing employment stock, and
- To support longer term local investment in economic development objectives and priorities to help enable a new wave of knowledge based sector growth across the Borough and support the wider Local Enterprise Partnership Strategic Economic Plan (SEP).

It was also agreed that the project should have a minimum of 50% match funding, create an equivalent economic development fund and delivery significant economic outputs. In light of these changes, the funding for this project allocated to 2017/18 has been reallocated to next financial year.

- 1.5. In recent days and following Carillion entering liquidation on 15 January 2017, we have reviewed our current programme to identify any risks. The main risk lies with the Whitehill and Bordon Inner Relief Road which is being delivered by Carillion and which is forecasting further expenditure this financial year. We are working closely with the scheme promoter, Hampshire County Council, to understand any emerging risks associated with the delivery of this project.
- 1.6. To help to mitigate against this potential underspend, the capital to revenue swap of £3m will now be sourced from the Local Growth Fund in 2017/18, setting up a revolving fund to support revenue projects across the Enterprise M3 area. The Board approved the first tranche of projects (Design Advancement Fund and the Development Fund) in November 2017 and legal agreements are currently in development and expected to be signed by the end of January 2018.
- 1.7. We will be notifying Government of this potential underspend and explaining the reasons for this change. In the case of Farnborough International, there is an overall positive message for the project which must be emphasised, even though it does leave Enterprise M3 with an underspend this financial year. We have also been working closely with Government officials on Aldershot Railway Station and the Hampshire Centre for Demonstration of Environmental Technologies as these are experiencing delays due to a lack of progress by other organisations/government departments. In addition, we are learning lessons from the delivery of this year's programme and will be focussing increasingly on pipeline development (through the Design Advancement Fund and clearer timescales for business case delivery) as we move into the 2018/19 capital programme.
- 1.8. A summary document giving details of the current status of all our LGF projects is attached for information at Appendix 1 and the dashboards at Appendix 2.

2. Delivery of outputs and outcomes

- 2.1. The outputs/outcomes dashboard has been revised to incorporate monitoring information for all of our Local Growth Fund projects for Q2 2017/18. With the exception of our housing completions target, all other high level output/outcome targets for the mid-year have been met and in the case of apprenticeships, this target has been exceeded. The missed target for housing completions is not a surprise as a number of projects (particularly our transport projects) have advised that they will only likely report on an annual basis. We will be reviewing our processes shortly to take account of this approach. In summary our headline output/outcome figures for the first six months of 2017/18 have been:
 - 168 jobs created/safeguarded
 - 22 new homes completed
 - 900 sqm of commercial floorspace completed
 - 81 apprenticeships delivered

2.2. A revised expenditure dashboard has also been circulated with the meeting papers. Board members should note that this dashboard was developed based upon information from our most recent monitoring reports from projects (submitted at the end of 2017) and therefore the figures in this paper reflect the more up to date information. We are further refining the dashboard so that this gives a summary of income from any loans as well as an up to date position on match funding for our projects. This information on match funding was requested by PMG and Board in November 2017 and by way of a baseline the current match funding levels across our LGF programme are 64%. We will continue to report on match funding levels across the programme so that this can be monitored as a measure of performance.

3. Proposed 2018/19 Programme

- 3.1. Detailed work is now underway to review our proposed 2018/19 programme, both for LGF and GEF. As agreed by PMG and Board, the intention is to 'merge' our two capital funds given their increasing similarities. On this basis, we will likely have a capital programme of approximately £45m in 2018/19, excluding any underspend from previous financial years. This comprises of £37m of LGF and £8m of GEF (repayments from previous projects). Assuming our level of underspend is as forecast in this paper, our available funding for our capital programme for 2018/19 will be in the region of £63m. It is proposed that subject to funding being available, we have an open window for new proposals (including both loan and grant funding) to be submitted to us which will assist us in managing the pipeline and allow for us to respond to any emerging or new priorities. Detailed proposals for this will be brought to PMG and Board for approval in May 2018, following the conclusion of the SEP Refresh/Local Industrial Strategy, although we will be looking at opportunities to bring forward new proposals via GEF in advance of this date. We propose to issue a prospectus for expressions of interest to develop a strong pipeline of future projects. Projects will support our proposed Industrial Strategy and will form the basis of a set of "asks" for future investment from government. It is likely we will be able to fund some projects from our existing available funds but critically we are looking to develop an imaginative set of impactful interventions.
- 3.2. Approximately 32% of this available funding is committed to projects already underway. A further 4% is committed to projects where business cases have been approved by the Enterprise M3 Board but work is yet to start. The table below sets out the remaining programmed schemes and gives an indication for the delivery of a final business case for consideration by PMG and Board. Those projects which have been shaded are those in receipt of the Design Advancement Fund.

Project and LGF contribution	Expected date for business case to be presented to Board/PMG
5G Project – Phase 3 (£1.54m)	May 2018
Regional Cyber Security and Big Data Innovation Centre (£5m; £2.5m forecast for 2018/19)	March 2018
Digital Connectivity for Business (£2m; £1.5m forecast in 2018/19)	September 2018
Centre of Excellence in Horticultural Science and Learning - RHS Wisley (£1m)	March 2018
Aldershot Games Hub (£1.2m)	May 2018
Niche Sector Incubation (£4.5m; £1.5m forecast in 2018/19)	September 2018
Remainder of the Enterprise Zone programme (£8.63m)	Business cases from March 2018
Enterprise M3 Transforming Colleges (£11.62m; £2m forecast in 2018/19)	November 2018
Aldershot Town Centre Regeneration (£1.2m)	July 2018
Whitehill and Bordon Sustainable Transport Plan (£3.14m)	July 2018
Farnborough Growth Package (£6.7m; £1.25m forecast in 2018/19)	November 2018
Basingstoke South-Western Corridor to Growth -	January 2019

Brighton Hill Roundabout (£13m; £1m forecast in 2018/19)	
Guildford Housing Zone (£7.5m; £2.5m forecast in 2018/19)	TBC
Unlocking Guildford Transport Package (£12.5m, £2m forecast in 2018/19)	Strategic case in May 2018; individual business cases to follow in May and July 2018.
A30 London Road, Camberley (£3.75m, £0.6m forecast in 2018/19)	July 2018
Woking Sustainable Transport Programme (£3m; currently no forecast expenditure in 2018/19 but investigating options to bring forward).	July 2018
Blackwater Valley Gold Grid (£4.5m; currently no forecast expenditure in 2018/19 but investigating options to bring forward).	January 2019
Total forecast 2018/19 expenditure	£31.2m (50% of 2018/19 available funding)

- 3.3 PMG agreed on the 11 January 2018 that the team should review the list above and agree whether there are actions that could be taken to accelerate the development of business cases beyond the dates given above. At the time of writing, this work is in underway and a verbal update on potential opportunities will be given to the Board on 25 January 2018.
- 3.4 In addition to the above, the Enterprise M3 Board has agreed a commitment of £10m for a new loan and equity fund. This funding would likely be drawn down across a number of years but it is reasonable to expect that approximately £1.5m will be required in 2018/19 and further detail will be available following the conclusion of the tender exercise in summer 2018. The application of 10% over-programming to mitigate against in-year underspend would give the opportunity to bring forward approximately £10m of new projects in 2018/19 and the team will further develop proposals for consideration by PMG and Board in due course. The Growing Enterprise Fund now has a pipeline starting to emerge, with a recent submission from Surrey County Council (see item 9) and two further Expressions of Interest expected from Surrey Heath Borough Council in the coming months, these will be the first 'new' projects to be considered under this 'single pot' approach.

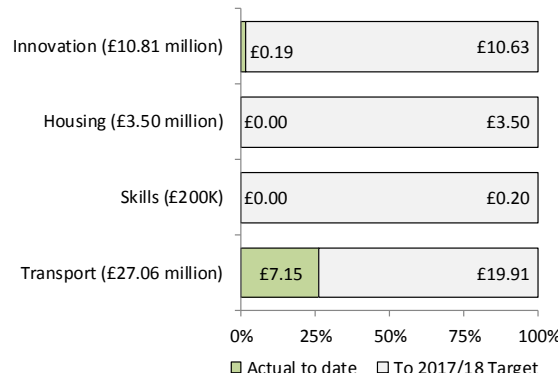
Rachel Barker
17 January 2018

Summary of Live Projects

£7.33 million

2017/18 Total Spend (distributed) to Date

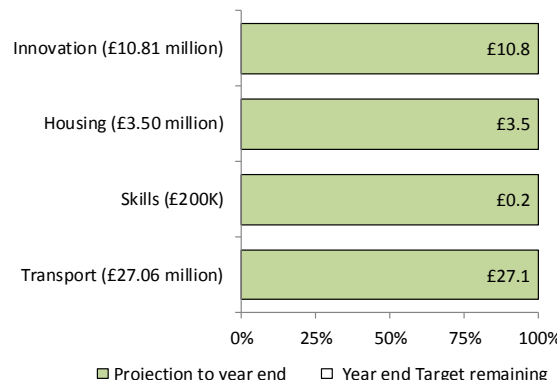
Proportion of funding distributed to date in 2017/18



£41.57 million

2017/18 Total Annual Expenditure Target

Projected Expenditure to Year End Target

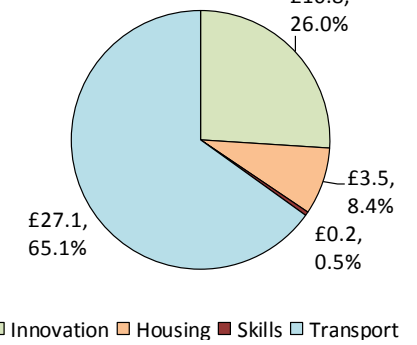


£41.57 million

2017/18 Total Annual Projection of Expenditure

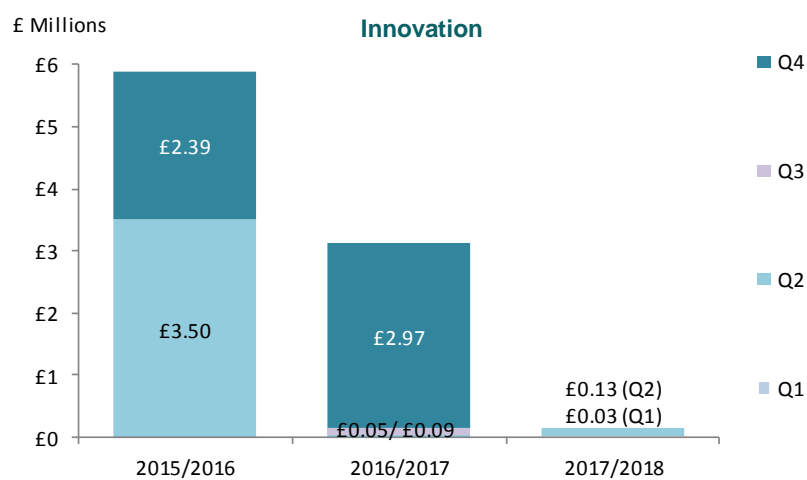
Forecast of Expenditure 2017/18

Forecast of total Projection Expenditure 2017/18 (£ millions)

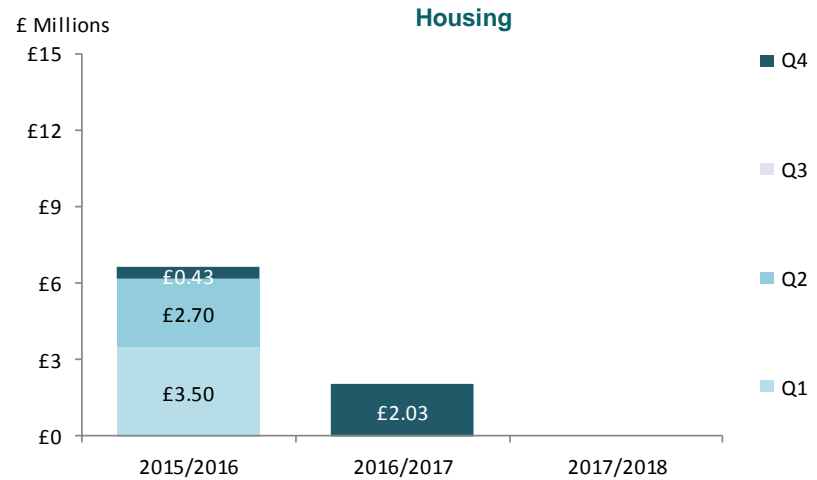


Annual Funding Distributed (2015 -2018)

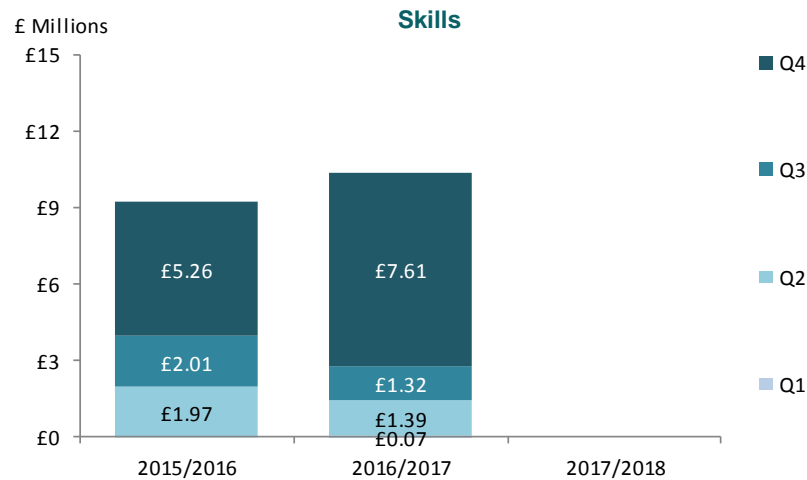
Innovation



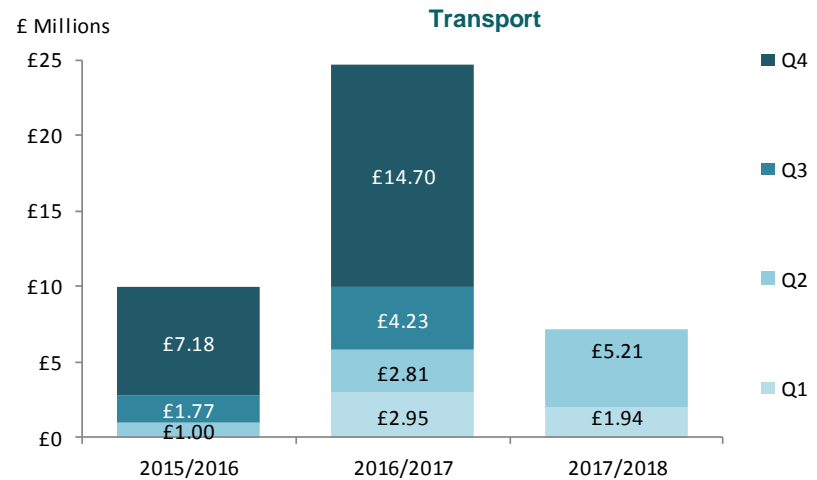
Housing



Skills



Transport



Key Points

- There are currently 30 'live' projects*. Actual expenditure in Q1 2017/18 totalled £567K out of a Q1 target of £567K (100% of Q1 target). Q2 expenditure was £5.33 million out of a Q2 target of £5.53 million (96% of Q2 target). Provisional Q3 expenditure reported so far to date and covering October to mid November was £1.43m.
- The majority of expenditure (funds distributed) cover transport projects, with some relatively small expenditure under innovation. Housing and skills are yet to see reported expenditure in 2017/18.
- Of the projects recording expenditure in Q3, the largest was Runnymede Roundabout with £0.54 million.
- Claims from Hampshire and Surrey County Councils for transport expenditure incurred between September and December 2017 will be submitted to Enterprise M3 shortly and will be reflected in the March dashboard. We expect these claims to be in line with forecasts.

Comments

Key achievements to date (Q2 provisional)

- Official opening of Whitehill and Bordon Future Skills Centre and Brockenhurst STEM Centre.
- BASE (Bordon Innovation Centre) opened in November 2017, with an official launch in the New Year.
- Official opening of University Centre Farnborough took place on 14 November 2017.
- Hart SANGs project (Bramshot Farm Country Park) opened in December 2017 with an official opening to take place in Spring 2018.

Key Programme Risks

- Delays in committed schemes, particularly the Enterprise Zone programme which makes up a significant amount of forecast expenditure in 2017/18.
- Business cases for projects forecasting expenditure in 2017/18 are still to be submitted and are expected to be presented to Board in January 2018.
- Programmes in the longer term (2018/19 onwards) still need to be developed in detail. This includes the skills programme, niche sector incubation and the digital connectivity for business programme.

Contracts Signed

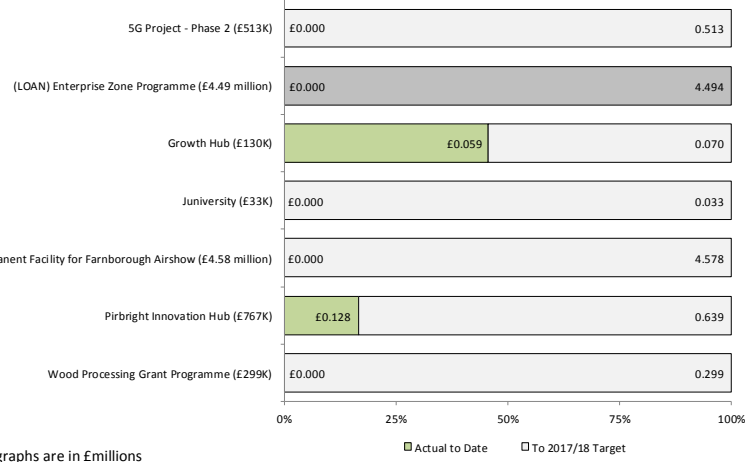
- Runnymede Roundabout contract has been signed Juniversity has been agreed and is expected to be signed imminently.
- Lower Thames Flood Defences contract expected to be signed before end of the year.
- Basingstoke EZ contracts being developed and first expected to be signed by the end of January 2018.
- Design Advancement Fund contracts expected to be signed by the end of January 2018.

*As at the extraction date a live project is defined as a project in the database with a target and projection value in one or more quarters in the current year.

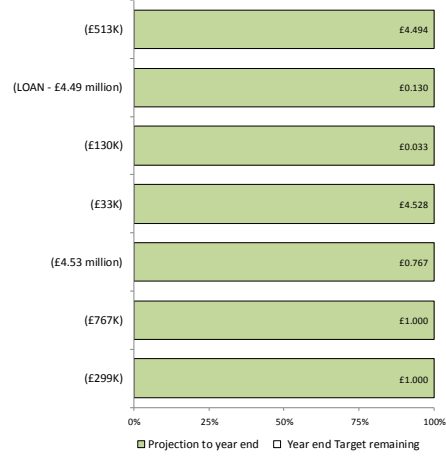
Live Projects

Innovation

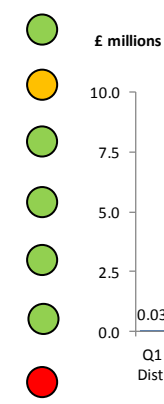
Actual Spend To Date of 2017/18 Target



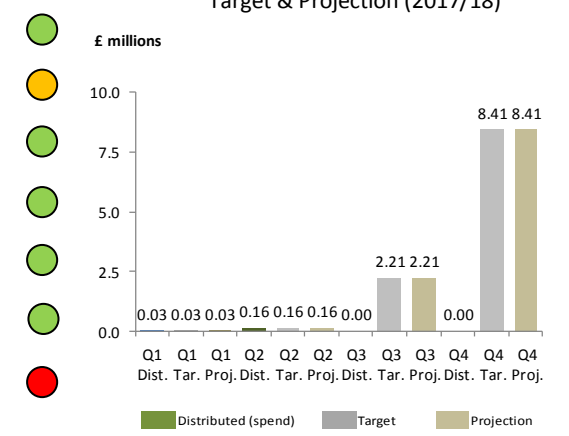
Projected Expenditure to Year End Target



Overall RAG



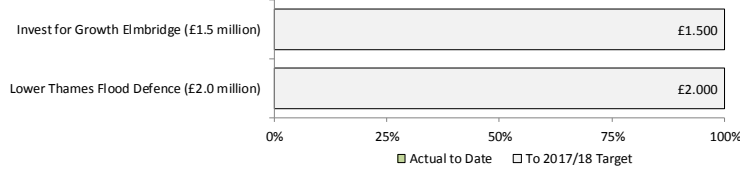
Quarterly Innovation Distributed, Target & Projection (2017/18)



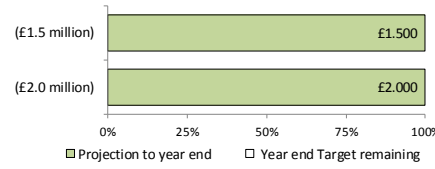
Values in the two graphs are in £millions

Housing

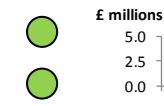
Actual Spend To Date of 2017/18 Target



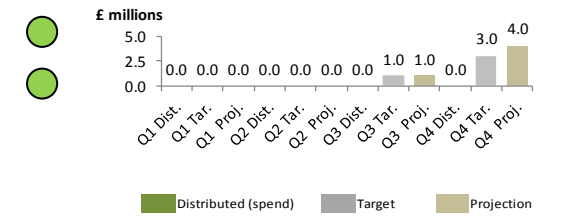
Projected Expenditure to Year End Target



Overall RAG



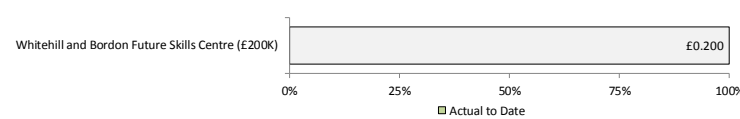
Quarterly Housing Distributed, Target & Projection (2017/18)



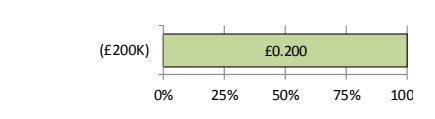
Values in the two graphs are in £millions

Skills

Actual Spend To Date of 2017/18 Target



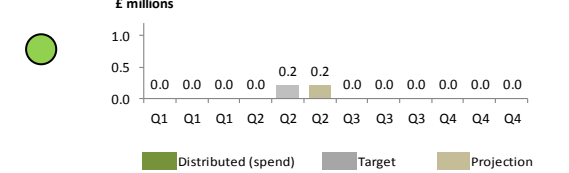
Projected Expenditure to Year End Target



Overall RAG



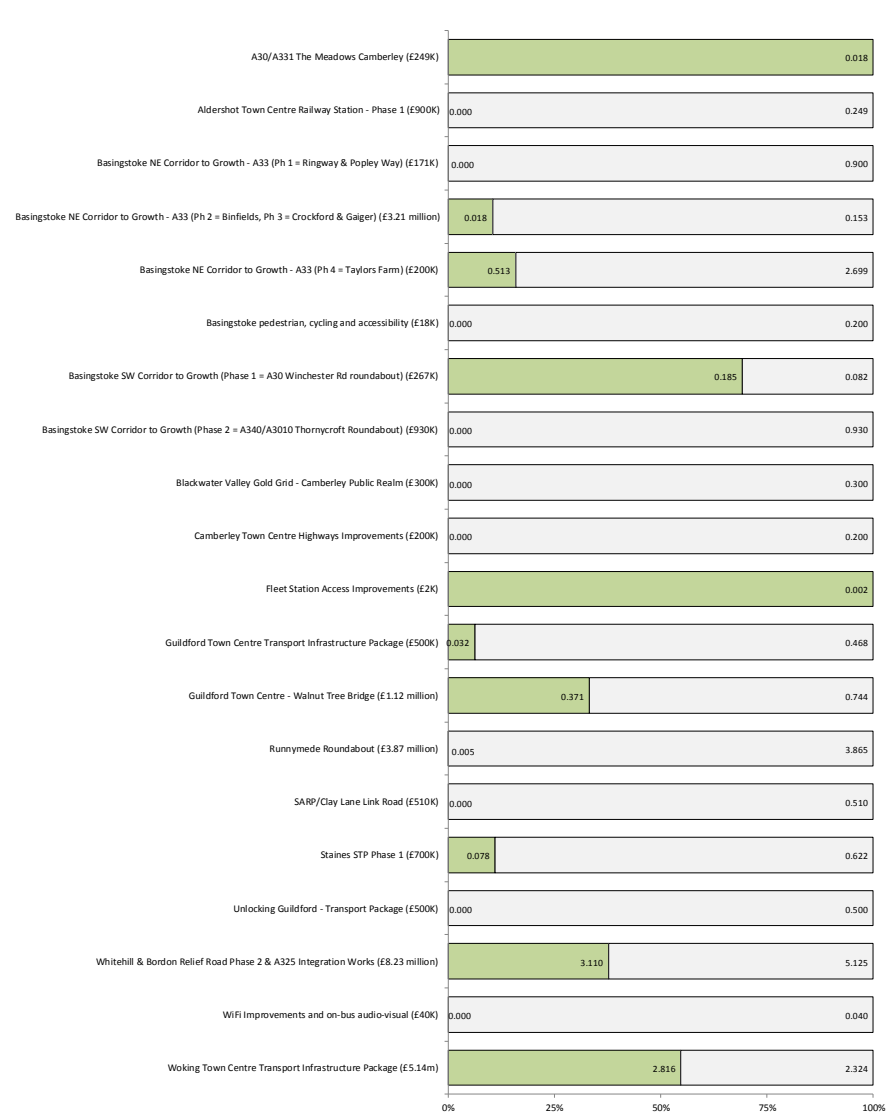
Quarterly Skills Distributed, Target & Projection (2017/18)



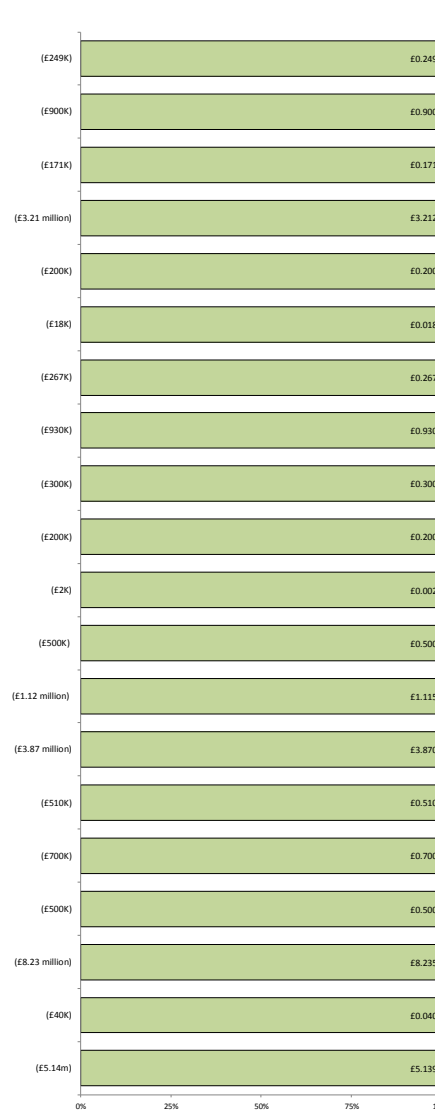
Values in the two graphs are in £millions

Transport

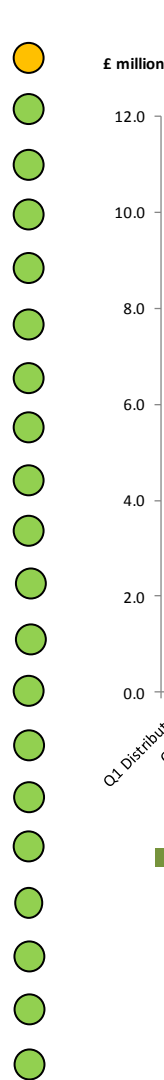
Actual Spend To Date of 2017/18 Target



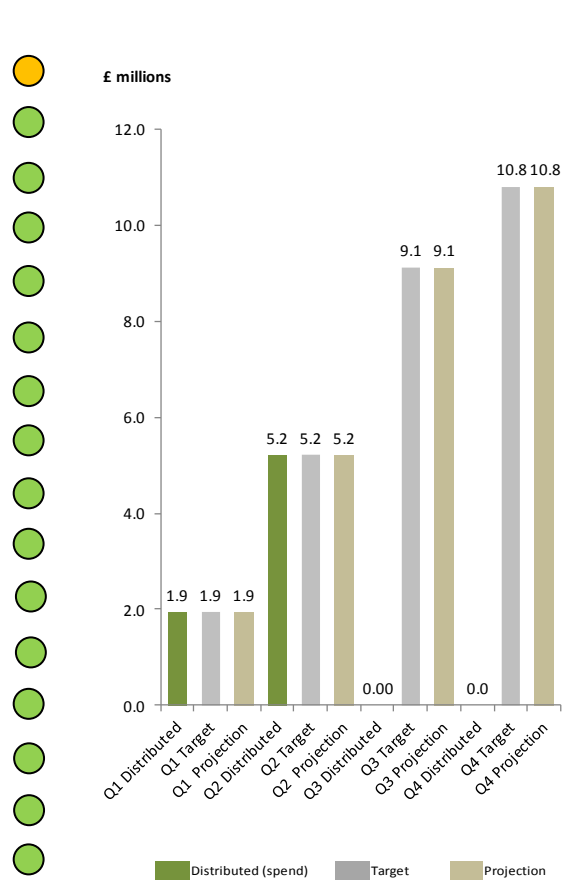
Projected Expenditure to Year End Target



Overall RAG



Quarterly Transport Distributed, Target & Projection (2017/18)



Values in the two graphs are in £millions

RAG Key ● >80% ● 50% to 80% ● 50% < (Confidence project will be delivered)

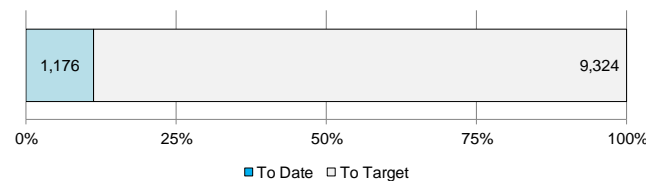
Source: EM3 database extract 13/12/2017.



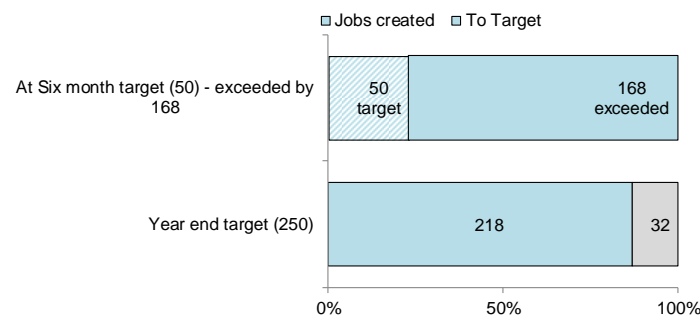
Jobs Created*

Target: 10,500 jobs
 Created to date: **1,176 (11.2%)**
 To meet Target: 9,324 (88.8%)
 (*Including safeguarded jobs)

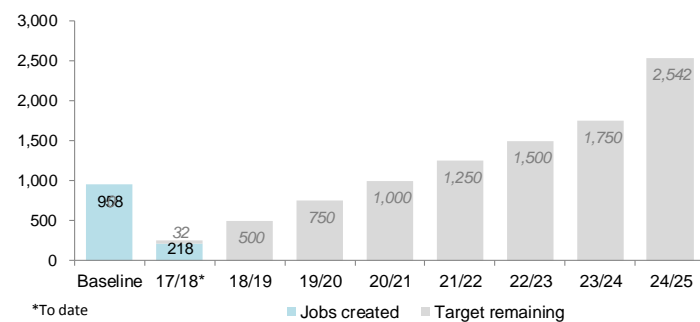
Status to date (cumulative – 2015-2025)



In year to date (2017-2018)



Annual Time series (2015 – 2025)



Measure: permanent paid FTE jobs newly created or safeguarded as a direct result of the intervention.

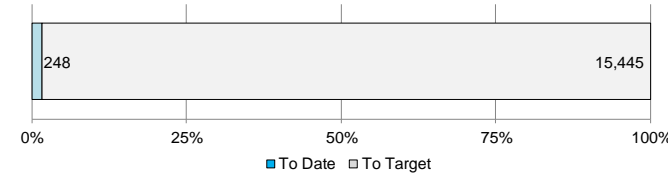
Comments: To date 11.2% (1,176) of the overall target has been achieved, with 958 jobs created or safeguarded during the baseline period and 218 created so far in 2017/18. This includes: Gateway to National Parks (13); 5G (106); Andover College (17), Whitehill and Bordon FSC (15); University Centre Farnborough (10); Risual (4); SANGs pilot (53). The following projects are forecast to deliver further jobs in 2017/18: SANGs pilot; East Hants Invest for Growth; Whitehill and Bordon Business and Enterprise Centre; Marwell Wildlife; and Gateway to National Parks.



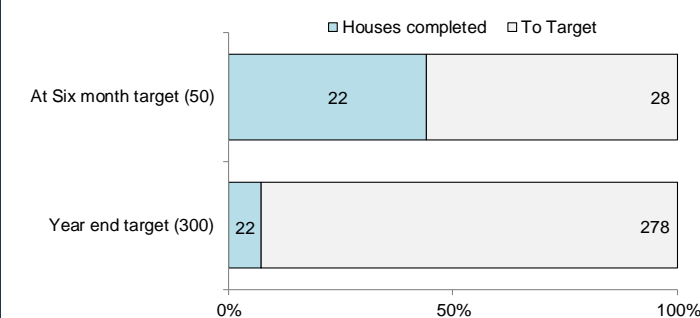
Housing Units

Target: 15,693 units
 Completed to date: **248 (1.6%)**
 To meet target: 15,445 (98.4%)

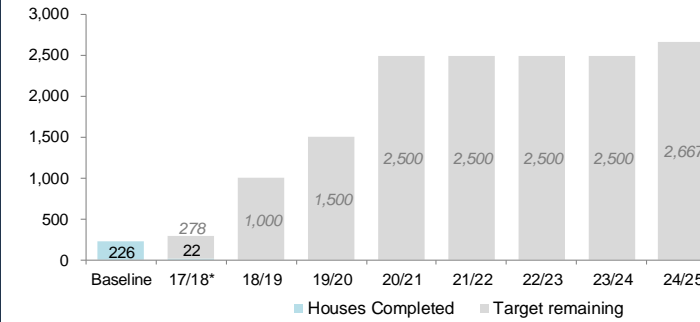
Status to date (cumulative – 2015-2025)



In year to date (2017-2018)



Annual Time series (2015 – 2025)



Measure: number of housing units completed as a direct result of the intervention

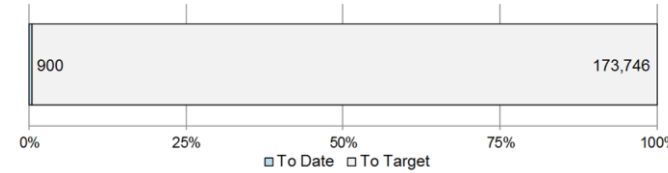
Comments: To date 1.6% of the target has been achieved with 226 housing units completed in the baseline period and 22 completed in 2017/18. The SANGs pilot has accounted for over two-thirds of housing completions to date, with E. Hants Invest for Growth accounting for the remainder. The following projects are forecast to deliver further housing completions in 2017/18: Basingstoke North Corridor and SANGs pilot. Discussions are currently underway with our Highway Authorities about more up to date output/outcome information from our transport projects.



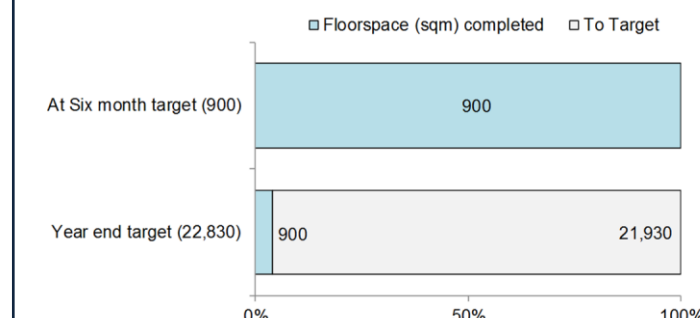
Commercial Floorspace

Target: 174,646 sqm
 Created to date: **900 sqm (0.5%)**
 To meet target: 173,746 sqm (99.5%)

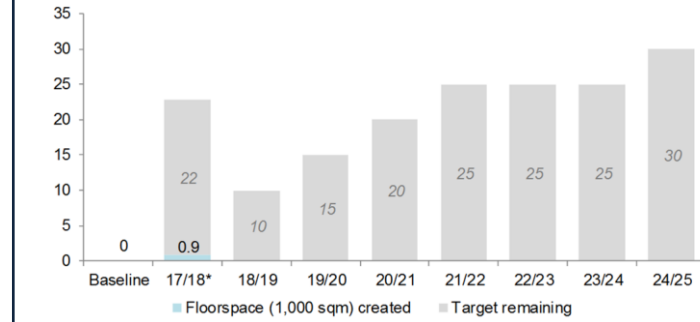
Status to date (cumulative – 2015-2025)



In year to date (2017-2018)



Annual Time series (2015 – 2025)



Measure: commercial area created in square metres of floorspace.

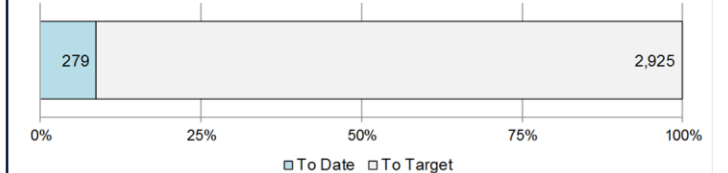
Comments: To date 900 sqm of commercial floorspace has been delivered at the Whitehill and Bordon Business Enterprise Centre. The following projects are forecast to deliver commercial floorspace in 2017/18: Marwell Wildlife; East Hampshire Invest for Growth; and Farnborough International Ltd.



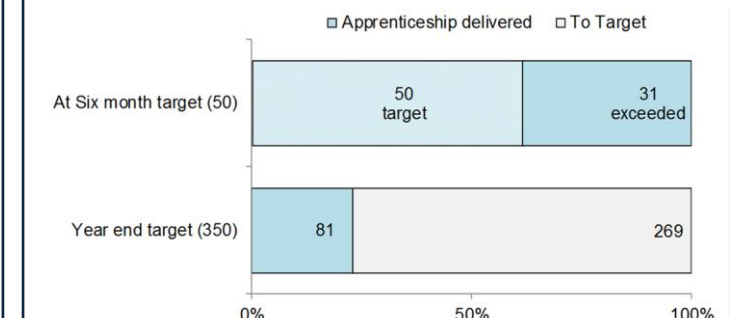
Skills (Apprenticeships)

Target: 3,204 delivered
 Delivered to date: **360 (11.2%)**
 To meet target: 2,844 (88.8%)

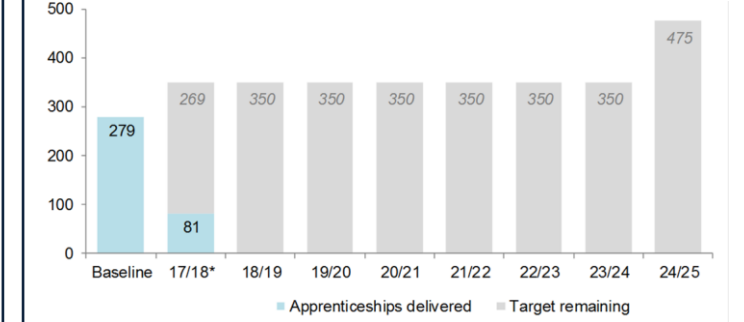
Status to date (cumulative – 2015-2025)



In year to date (2017-2018)



Annual Time series (2015 – 2025)



Measure: number of apprenticeships delivered as a direct result of the intervention.

Comments: To date 11.2% (360) of the overall target has been achieved with 279 apprenticeships delivered in the baseline and 81 in 2017/18. The apprenticeships have been delivered via five projects: Brooklands College, Ashford; Andover STEM Centre; Risual Academy; University Centre Farnborough; and the Whitehill and Bordon Future Skills Centre.