

Enterprise M3 Board

28 March 2018

Local Growth Fund Programme Update – Item 14

Enterprise M3 Board Members are asked to:

NOTE the current progress with delivering the programme.

NOTE the outcome from the 2017 Annual Conversation

NOTE the proposed Local Growth Fund programme for 2018/19

ENDORSE the proposed approach that projects that continue to miss business case development deadlines are removed from the programme.

AGREE that funding is identified in the existing LGF budget to enable the A30/A331 Meadows Gyrotory, Camberley tender to be awarded and that the LEP Director be given delegated authority to agree the most effective way to achieve this following further discussion with partners.

AGREE the principle of allocating further Future Scheme Development Funding to support the recently announced Housing Infrastructure Fund projects in the Enterprise M3 area and ensure the best possible chance of their delivery.

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 £85.5m 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	16.6	30.0		36%
Total	121.8	85.5	98.9		70%

1.2. **Total spend for 2015-18 is forecast at £98.9m, which is £22.9m 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 previous papers to PMG and Board have set out the reasons for this underspend. 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. As this work draws to a conclusion, we are gearing up for a call for new projects deliverable in 2018/19 and will also be initiating

further work to develop a long term pipeline of transformational projects. We are currently forecasting that we will distribute two thirds 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 2017/18 LGF allocated to date by the end of the year.

- 1.3. Expenditure figures to date remain low but do not yet include claims for any of our transport projects delivered by Surrey County Council between September and December 2017. 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 and it is anticipated that these figures accurately represent as at the year end. 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 show reduced expenditure in 2017/18 than had been presented in January 2017. The main reasons for these changes are as follows:

5G Phase 2 (£230k) – This funding had been allocated to Phase 2 of the 5G project but University of Surrey have been successful in securing the overall outcomes from this project under the original cost forecasts. Therefore, the funding that had previously been thought to be required in Q4 of 2017/18 is no longer required.

Plot J, EZ³ Basing View (£1.22m) – This project was approved by PMG and Board in September 2018 and draft legal agreements were shared with Basingstoke and Deane Borough Council in October 2017. In order for the project to proceed, BDBC have been waiting on a third party valuation on the head lease that is to be acquired and this was received in March 2018. Given these delays, the project expenditure profiled for this financial year has been removed from the forecasts at this stage.

Transport Projects (£1.5m) – Our transport projects are often the source of changed funding profiles and the nature of these large construction projects often means that it can be difficult to accurately forecast expenditure. The project team reviewed the latest forecasts on expenditure on 5 March 2018 and identified a small number of transport projects where forecasts might change, either as a result of recent bad weather or minor delays with individual projects. A slippage allowance of £1.5m across all the transport projects has been made at this stage, although we hope that we can work with partners to minimise this. We will be holding further conversations with our transport projects in the coming week to ensure that the forecasts that we currently have are as accurate as possible as we move towards the year end. A verbal update on this work will be given at the Board meeting.

- 1.5 We continue to keep Government informed regarding this potential underspend and explaining the reasons for these changes in profile. In addition and as set out in this paper, we are focussing the efforts of the project team to ensure that we have a robust project pipeline into 2018/19 to avoid similar underspend situations next financial year.
- 1.6 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 Q3 2017/18. With the exception of our housing completions target, all other high level output/outcome targets

remain on track or in the case of jobs created/safeguarded has already been achieved and exceeded. The missed mid-year 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 and we are currently working with our transport projects to address this gap in reporting. We expect completion figures for two key completed/near-completed projects (Basingstoke North Corridor for Growth and Whitehill and Bordon) will be available in the coming days. We are also of the view that the dashboard is under reporting our apprenticeship figures for the baseline period (2015-17) and will be undertaking a data cleansing exercise to understand this further. In summary our headline output/outcome figures for 2017/18 achieved to date have been:

- 288 jobs created/safeguarded (target of 250 for 2017/18)
- 22 new homes completed (target of 300 for 2017/18)
- 900 sqm of commercial floorspace completed (target of 22,830 sqm for 2017/18) – *the recent completion of Farnborough International will see the target figure met at the next reporting cycle).*
- 145 apprenticeships delivered (target of 350 for 2017/18)

2.2. A revised expenditure dashboard has also been circulated with the meeting papers. Board members should note that this dashboard was developed in advance of an internal team meeting on 5 March 2018 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 and intend to be able to provide real-time updates from the new financial year. 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. Dashboards from May 2018 will show expenditure and outcomes/outputs across both Local Growth Fund and Growing Enterprise Fund.

3. Annual Conversation Feedback

- 3.1. In February 2018, Government wrote to LEPs to advise of the formal outcome of the Annual Conversation process. Government have provided all LEPs with an assessment based on their performance in three categories – governance, delivery and strategy. Government has determined that overall Enterprise M3 has good performance, with many exceptional features. Our understanding is that we are in a small group of LEPs who have received this overall rating, with no LEP having been judged as ‘exceptional’ overall. A copy of the letter is attached at Appendix 3.
- 3.2. Enterprise M3 has received an ‘exceptional’ rating in the governance, reflecting the engagement and input of our PMG and Board Members, the strong relationship that we enjoy with our Accountable Body along with good levels of transparency around Board Meetings. The process of independent due diligence and our focus on continuous improvement were also highlighted in this section. Finally, Government commended the speed at which we had implemented the recommendations of the Ney Review which formed the basis of new guidance on governance, issued in January 2018.
- 3.3. On strategy, government was also of the view that Enterprise M3’s performance has been ‘exceptional’ over the course of this year. This was in recognition of the fact that Enterprise M3 has positioned itself strongly with its works to review the Strategic Economic Plan and the leading role that Enterprise M3 has played in cross-LEP initiatives such as Innovation South.

3.4. Relevant to the Local Growth Fund, Government has judged Enterprise M3's performance on delivery as 'good'. This recognises the fact that we have robust reporting and monitoring processes and procedures in place for reporting to PMG, Board and Government and that this looks at both expenditure and outcomes. We are of the view that we have been unable to secure an 'exceptional' rating in this category as we have not spent all the Local Growth Fund allocation that has been made available to us. In light of this, the team have been engaged in work on how best to accelerate delivery in 2018/19 in order to achieve 100% expenditure of our funds and strengthen our output/outcome monitoring whilst also maintaining our exceptional performance in both governance and strategy. This paper sets out the progress of discussions to date.

4. Proposed 2018/19 Programme

4.1. Detailed work is now underway to review our proposed 2018/19 programme, both for LGF and GEF and a number of business cases will be presented to Board in March 2018 which are scheduled for delivery in 2018/19.

4.2. At the time of writing, our 2018/19 programme looks to be as follows:

	Funding available 2018/19 (£m)	Funding contractually committed as at 5/3/2018 (£m)	Funding approved but not yet contractually committed as at 5/3/2018 (£m)	Funding currently allocated to schemes awaiting approval (£m)	Unallocated funding
Local Growth Fund	59.7*	21.7	5.6	21.7	7.1
Growing Enterprise Fund	10.8	1.8	0	6.0	3.0
Total	70.5	23.5	5.6	27.7	10.1**

**comprising £36.8m of LGF for 2018/19 and £22.9m of underspend from previous years*

*** figure includes the funding sought for Farnham Road Bridge which is due to be considered by Board in March 2018.*

4.3. The table above shows that one-third of 2018/19 funding is already contractually committed, and we will continue to work with scheme promoters to ensure that funding is drawn down as anticipated and that we get early warning of any delays. The funding approved but not yet contractually committed relates to the following projects and it is thought that contracts for these projects will be signed by the end of May 2018:

- Plot W, EZ³ Basing View
- Plot J, EZ³ Basing View
- Camberley Town Centre Public Realm
- New Fund Management Service

4.4. Given that nearly 40% of 2018/19 projects is allocated to projects that are not yet approved by either PMG and Board, this is a key area of focus for the team and four such projects are being presented to Board for consideration in March 2018, with a total value of £10m. Given the level of funding in this category, it is proposed that

regular updating and monitoring of business case development is presented to PMG and Board and that early intervention is taken when business case development/submission slips from this timetable. The table below gives the forecast for expected delivery of business cases in 2018/19:

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)	May 2018
Centre of Excellence in Horticultural Science and Learning - RHS Wisley (£1m)	March 2018
Aldershot Games Hub (£1.2m)	July 2018
Niche Sector Incubation (£4.5m; £1.5m forecast in 2018/19)	September 2018
Remainder of the Enterprise Zone programme (£8.63m)	Business cases in 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)	January 2019
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 and one business case in March 2018; further individual business cases to follow in July 2018.
A30 London Road, Camberley (£3.75m, £0.6m forecast in 2018/19)	September 2018
Woking Sustainable Transport Programme (£3m; currently no forecast expenditure in 2018/19 but investigating options to bring forward).	September 2018
Blackwater Valley Gold Grid (£4.5m; currently no forecast expenditure in 2018/19 but investigating options to bring forward).	March 2019

- 4.5 Some of the projects above have been subject to extensive slippage in developing business cases to date and the proposed approach now is to re-allocate funding to other projects in the pipeline, should there be any significant delay from the timescales set out above. The Project Team will start to have these discussions with applicants so that they can understand the implications of continued delay and the Board's endorsement to this approach is sought. Any decision to remove a project from the overall LGF programme will be brought to PMG and Board for discussion and agreement. We will also be working to identify options to bring accelerate business case development by further utilising the capital to revenue swap.

- 4.6 The Project Team gave consideration to the overall pipeline for 2018/19 at a meeting in early March. At this meeting, it was decided that the Digital Connectivity project should be removed from the project pipeline as it is viewed as unlikely to be delivered in its current form. This project had been allocated £2m of Local Growth Fund as part of the Growth Deal 3 project and was focussed on providing high speed broadband for those not reached by commercial roll out programmes. The intention was for this project to operate across the entirety of the Enterprise M3 area but recent discussions have indicated a number of delivery challenges, including state aid issues and the lack of a clear project lead. It is therefore proposed that the project removed from the pipeline and wording be added to Prospectus for new projects that encourages deliverable digital proposals in line with our refreshed Strategic Economic Plan.
- 4.7 Given that we have unallocated funding of approximately £10m, it is proposed that a call for new projects deliverable in 2018/19 is issued imminently. Work on a prospectus is well underway and it is hoped that we will be able to launch this call for new projects shortly in advance of the Board Meeting. The prospectus will be based upon that recently used for the Growing Enterprise Fund but will encourage projects on a loan and grant basis and will incorporate new sections to ensure that projects are aligned with our refreshed Strategic Economic Plan/Industrial Strategy. We have already started to have conversations with partners about this funding opportunity and we expect to secure some new high quality projects through this route that can be delivered in the next financial year.

5. A30/A331 'The Meadows' cost over-run

Background

- 5.1 PMG and Board has previously agreed a process as to how they will consider scheme cost increases and changes to previously agreed schemes, so as to maximise the economic outcomes from the Local Growth Fund. This outlines three broad options to be considered in responding to cost changes:
- Do nothing
 - Develop an Alternative funding package
 - Switch funding from elsewhere in the Local Growth Deal
- 5.2 This report considers issues that have arisen in the development of the Meadows Gyratory scheme which was approved by the LEP Board in March 2015. The Meadows Gyratory business case was previously approved at £4.9m, with an LGF allocation of £3.675m. To maintain progress on this scheme a phased construction process was agreed and as such some elements of the scheme have already been delivered.
- 5.3 Surrey County Council has recently tendered the remaining element of the Meadows Gyratory and the lowest tender exceeds the remaining budget for the scheme by £785,853, when costs associated with risk and contingency are considered. PMG is therefore asked to consider the implications surrounding this cost issues and agree a recommendation to the LEP Board.

Summary of Cost Increases

- 5.4 The current Meadows improvement budget is composed of an allocation of £3.675m from the Local Growth Fund, £475,000 from Surrey County Council and £750,000 from Surrey Heath Borough council, giving a total budget of £4.9m.
- 5.5 To date £2.248m has been spent on the scheme to deliver the A331 Orange Cycle Route and improvements at Stanhope Junction, together with design and other advance costs, leaving a budget of £2.652m to deliver the remainder of the scheme.

- 5.6 The preferred tenderer has been identified following an extensive procurement process. The contractor costs are **£2.462m** but when contingency, risk, Surrey County Council staff costs and other supporting costs are added the total cost of delivering the remainder of the scheme is £3,438m resulting in a funding shortfall of £786k.
- 5.7 There are a number of reasons contributing to the cost increases, the key ones being:
- Additional costs for night-time working. The tenders were based upon night time working which are believed to attract an uplift in the order of 20% - 30% (£0.492m-£0.739m) when compared to day time working rates.
 - Experience from delivering the elements of the scheme to date has resulted in a need for significantly more traffic management than was originally envisaged, to ensure the schemes were delivered in a safe manner.
 - The estimates for the original scheme was based on the Meadows Gyratory scheme starting in 2015/16. Phased construction did start on the A331 Orange Cycle Route & Stanhope Road Junction but the Meadows Gyratory works are now to be built in 2018/19 which has impacted on the inflation aspects of the scheme. The reasons for the delay has been in relation to developing a scheme in agreement with three authorities, design changes to minimise impacts on statutory undertakers and traffic management and the need to wait until the M3 Smart Motorway had been completed as the Meadows Gyratory is on the key diversionary route.

Steps taken to mitigate cost increases

- 5.8 At a scheme level Surrey County Council and their consultants have descope the scheme where possible whilst retaining the same benefits. As part of this exercise they identified that the works on the Tank Road approach could be removed from the scheme without adversely affecting the benefits. In addition realignment to avoid diversion of statutory undertakers apparatus has also been agreed.

Options

- 5.9 There is the potential for Surrey County Council to apply some additional s106 funding, in the region of £200,000. This is currently identified for the A30 London Road scheme for which a business case is in preparation.
- 5.10 The LEP has worked with Surrey County Council to identify options to address the funding shortfall. The first would simply be to abandon the scheme. However, the business case originally approved for the scheme was very strong and despite the cost increases it is not considered that the costs exceed the benefits.
- 5.11 Assuming that we wish for the scheme to proceed, then funding to cover the shortfall will need to be found from elsewhere in the LEP Programme. This could be achieved either by allocating additional LGF funding, or through the reallocation of funding from other schemes. If funding were to be reallocated from other schemes, the following two broad options are considered to be the most sensible:
- Re-designate the A331 Orange Route as part of the A30 London Road scheme which release sufficient funding to enable the Meadows contract to be let and then de-scope the remainder of the A30 scheme to fit the provisional budget allocation.
 - Reallocate funding from another scheme. The most appropriate candidates are considered to be the Camberley Public Realm scheme (already approved) or the A331 Resilience scheme (business case due for consideration in July).
- 5.12 Key to a decision on this is understanding what impact of any changes to the scope of a particular scheme may have on the outputs and outcomes. Where a business case has yet to be submitted, the new specification could be incorporated into this, but where a scheme has already been approved a mechanism is required so the LEP could be

confident that the scheme remains good value. If funding is to be reallocated from the Camberley Public Realm or the A31 Resilience scheme, then discussions would need to be had with other partners for them to agree to the revised scheme.

Conclusion and Recommendations

- 5.13 Ideally, we would look to undertake a more detailed assessment of the impact of the options on outputs and to allow for discussions with partners to take place. However; Surrey County Council need to have some certainty of funding by the end of March, otherwise they will be unable to award the contract, which in turn would mean that they would need to retender, leading to potentially more costs and delay. PMG were supportive of this approach and keen that a solution be identified that didn't cause any further delay to this project.
- 5.14 In order to reduce the impact of these potential delays it is therefore recommended that the best course of action is to temporarily underwrite £0.768m of LGF to enable the Meadows Gyrotory contract to be let. As set out earlier in this paper, there is available funding to support this course of action.
- 5.15 We can then ask Surrey County Council to confirm the reallocation of s106 funding to the Meadows Scheme and carry out a more thorough assessment of the impact of the options for reallocation of funding from other scheme, liaising with other partners and review existing and future business cases. In this way we will be able to establish the impact on outcomes and outputs. To facilitate this course of action it is recommended that the Director of the LEP be given delegated powers to authorise the most appropriate approach, once it has been concluded which is the optimal option.
- 5.16 Board members are asked to **AGREE** that funding is identified in the existing LGF budget to enable the A30/A331 Meadows Gyrotory, Camberley tender to be awarded and that the LEP Director be given delegated authority to agree the most effective way to achieve this following further discussion with partners.

6. Housing Infrastructure Fund & the Future Scheme Development Fund

- 6.1 Government announced on 21 March 2018 that four (of a total of five submitted) major Housing Infrastructure Fund bids are being progressed to the next stage of development (the co-development stage). This announcement is extremely positive and provides the opportunity to secure £245m of investment into the Enterprise M3 area to support infrastructure required for growth. The process remains competitive and in the days following the announcement, the team have been giving consideration on how best the LEP can support the next stage. The successful projects are as follows:
 - Slyfield Area Regeneration Project, Guildford
 - A320 North of Woking
 - A320 Woking Town Centre
 - Manydown, Basingstoke
- 6.2 At the meeting on 30th November the Board agreed to allocate £523,000 to the A320 Woking Town Centre from the Future Scheme Development Fund (FSDF) to enable Surrey County Council and Woking Borough Council to develop the business case for the scheme in 2017/18, so as to be in a strong position to submit the business case should the project, be successful in being invited to submit via the Housing Infrastructure Fund. It was agreed that this funding would be repaid to Enterprise M3 should the project be successful in securing funding to deliver the final project.

- 6.3 When the Board agreed the initial allocation of this funding a conscious decision was made to direct it towards the HIF Expressions of Interest, so as to maximise the opportunity for a successful business case to be developed. At that stage there had been no indication as to which schemes were likely to be invited to submit a full business case, therefore it was agreed to just support Surrey County Council's top priority but also to be mindful that we may wish to refocus our resources once the results of the initial HIF evaluation are known. Board therefore also agreed to consider allocating further development funding to any other HIF project, should they be invited to develop a full business case.
- 6.4 Given the success in getting projects to the co-development stage, we are now seeking an in principle commitment from the Enterprise M3 Board to commit further such Future Scheme Development Funding to the progression of these projects. We would like to move early to make this commitment in order to demonstrate to Government and Homes England our readiness and appetite to develop the detail of these business cases and importantly deliver these projects. Our expectation is that we will commit a further £500k of our capital to revenue swap to deliver this activity and that we will look to explore repayment mechanisms for this funding wherever possible. A detailed proposal will be brought to PMG for approval in due course (subject to the detail of delegated authority being agreed) but this early commitment from the Enterprise M3 Board would allow us to send a strong and early message to central government about our commitment and to start engaging with partners about the nature of the support. **The Board is asked to agree this in principle approach at this stage, noting that further details will be provided in due course.**

Rachel Barker/Kevin Travers
22 March 2018

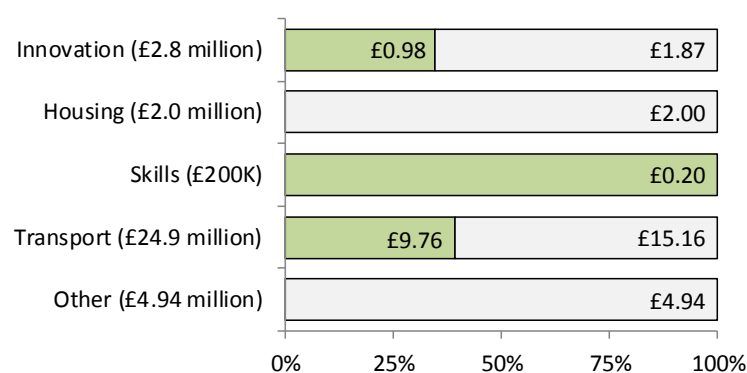
Latest Summary of Live Projects

Annual Funding Distributed (2017 - 2018)

£7.33 million

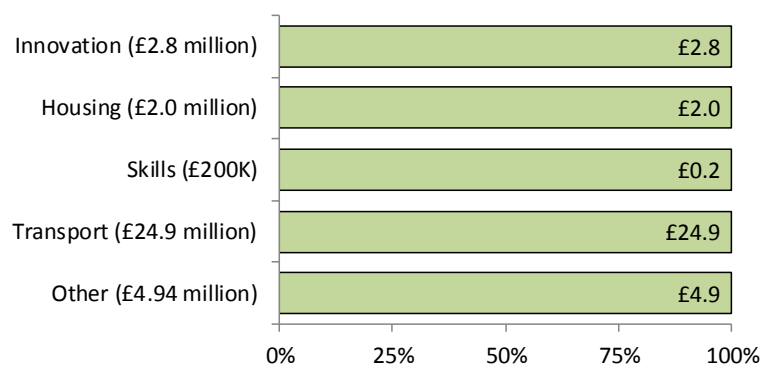
2017/18 Total Spend (distributed) to Date

Proportion of funding distributed to date in 2017/18

**£34.91 million**

Latest 2017/18 Total Annual Expenditure Target

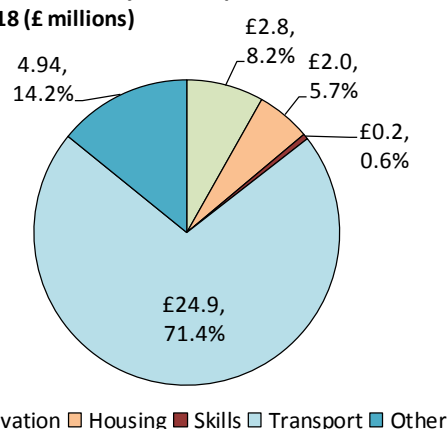
Projected Expenditure to Year End Target

**£34.91 million**

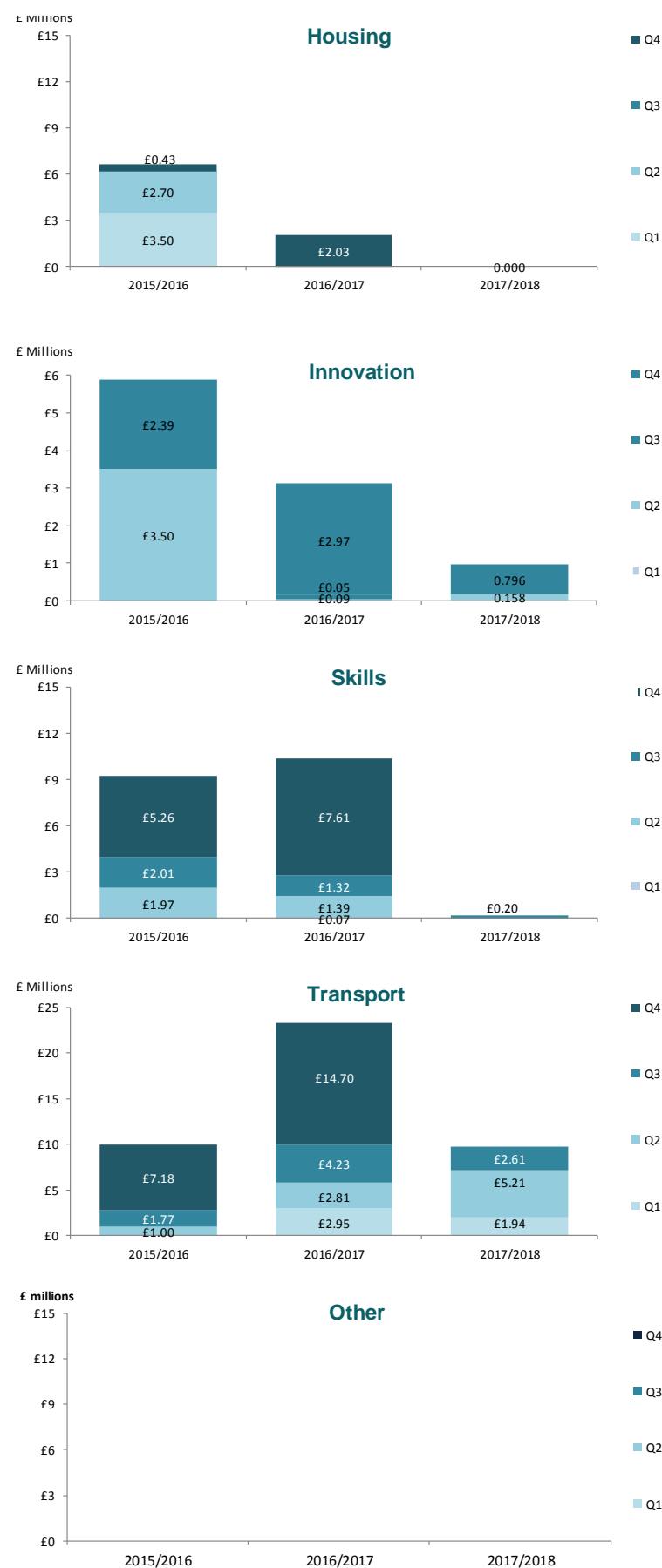
Latest 2017/18 Total Annual Projection of Expenditure

Forecast of Expenditure 2017/18

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



Time Series Annual Funding Distributed (2015 - 2018)



Key Points

- There are currently 27 'live' projects* in the latest database extraction. Actual expenditure in Q1 2017/18 totalled £1.97 million out of a Q1 target of £1.97 million (100% of Q1 target). Q2 expenditure was £5.36 million out of a Q2 target of £5.36 million (100% of Q2 target). Q3 expenditure reported so far to date was £3.6 million out of a target of £6.4 million (56% of Q3 target). Q4 expenditure will be reported on in subsequent dashboard updates.
- The majority of expenditure (funds distributed) cover transport projects, with some relatively small expenditure under innovation and skills. Housing and Other are yet to see reported expenditure in 2017/18. Other is a new 'theme' to capture projects that do not explicitly belong to one of the four standard themes e.g. where capital covers multiple themes. There are currently two live 'Other' projects.
- Of the current live projects recording expenditure in Q3, the largest was Basingstoke NE Corridor to Growth - A33 (Ph 2 Binfields, Ph 3 Crockford & Gaiger) with £1.2 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.

*As at the database extraction date a live project is defined as a project with a target and projection value in one or more quarters in the current year. As such figures in the dashboard represent a point in time and subject to revisions.

Comments

Key achievements to date

- 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.

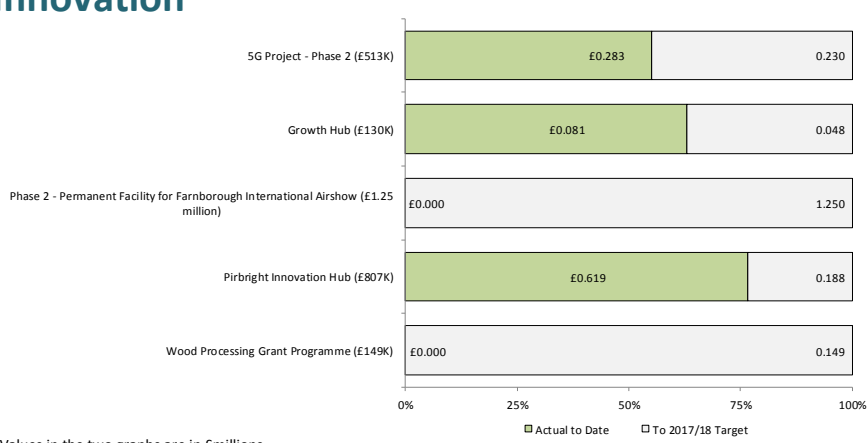
Contracts Signed

- Runnymede Roundabout contract has been signed. University 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.

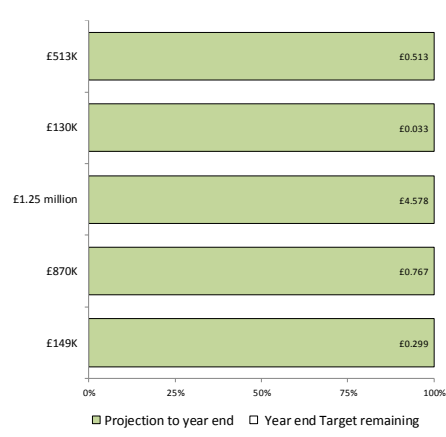
Live Projects

Innovation

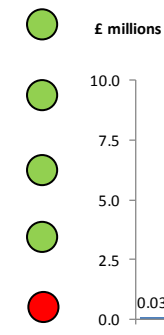
Actual Spend To Date of 2017/18 Target



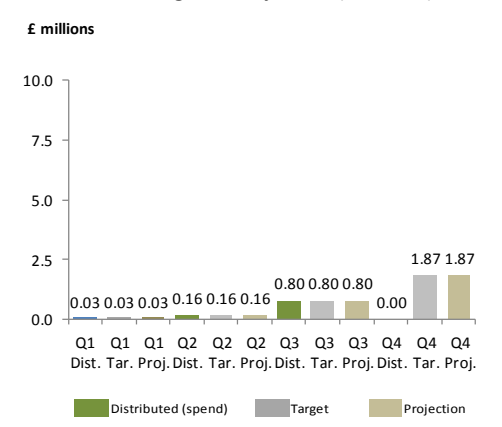
Projected Expenditure to Year End Target



Overall RAG



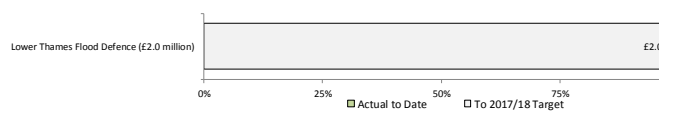
Quarterly Innovation Distributed, Target & Projection (2017/18)



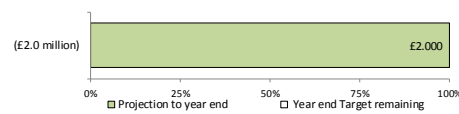
Values in the two graphs are in £millions

Housing

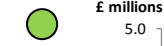
Actual Spend To Date of 2017/18 Target



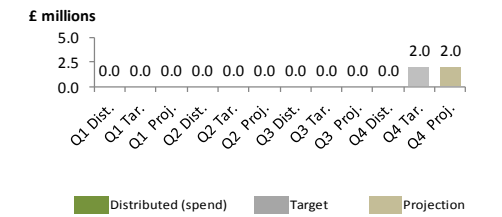
Projected Expenditure to Year End Target



Overall RAG



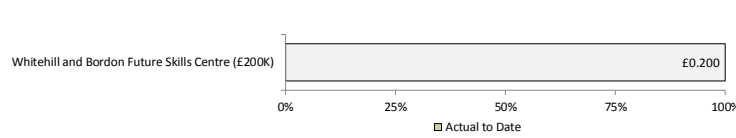
Quarterly Housing Distributed, Target & Projection (2017/18)



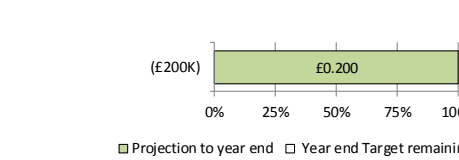
Values in the two graphs are in £millions

Skills

Actual Spend To Date of 2017/18 Target



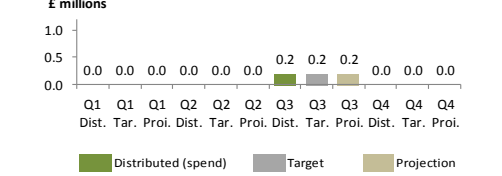
Projected Expenditure to Year End Target



Overall RAG



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



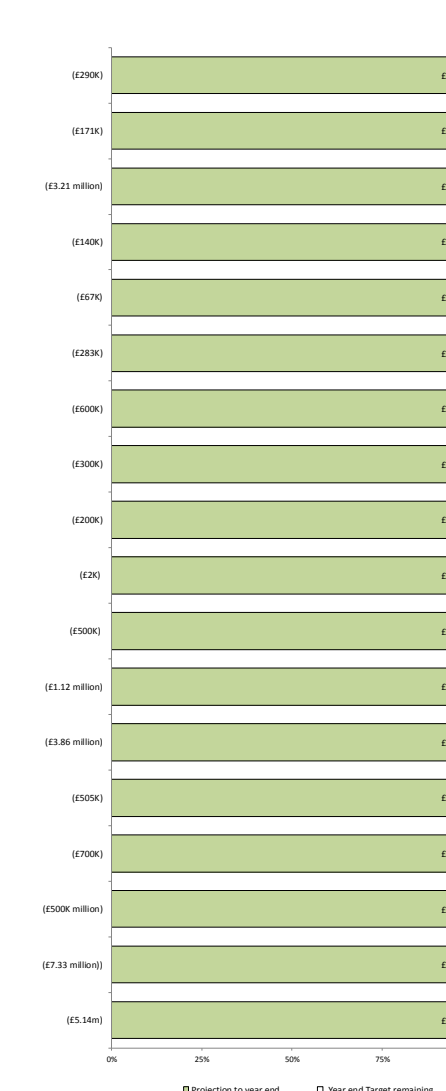
Values in the two graphs are in £millions

Transport

Actual Spend To Date of 2017/18 Target



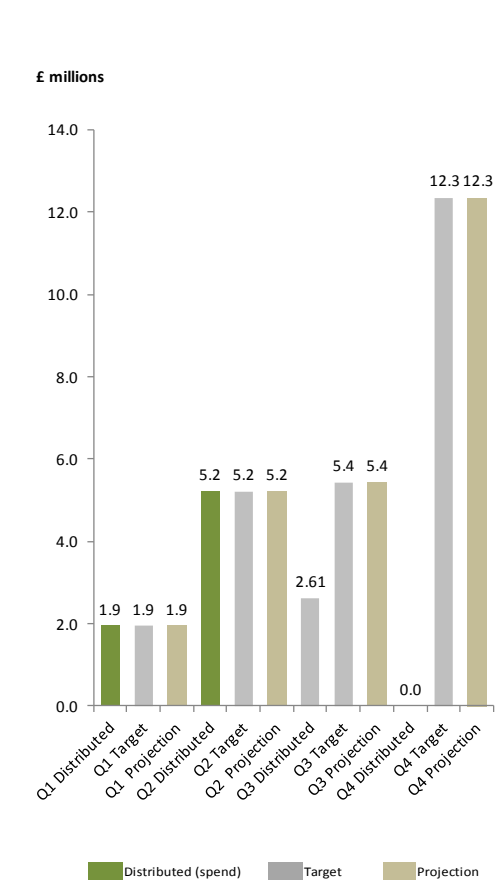
Projected Expenditure to Year End Target



Overall RAG



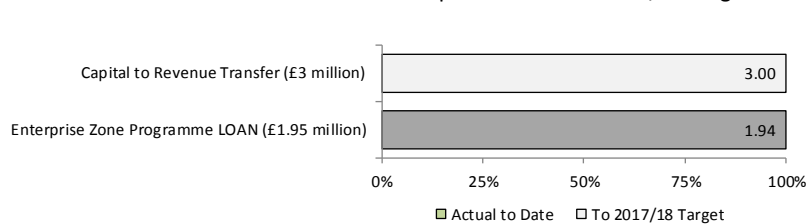
Quarterly Transport Distributed, Target & Projection (2017/18)



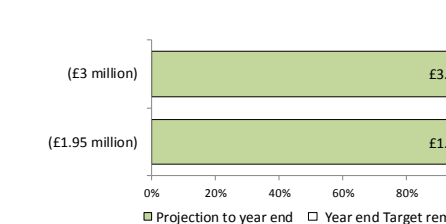
Values in the two graphs are in £millions

Other

Actual Spend To Date of 2017/18 Target



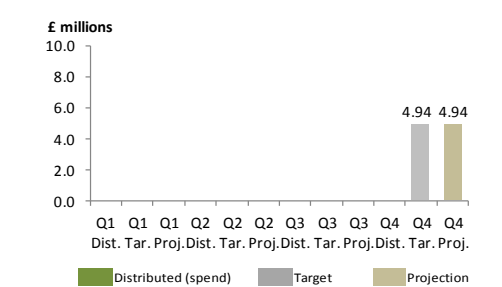
Projected Expenditure to Year End Target



Overall RAG



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



Values in the two graphs are in £millions

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

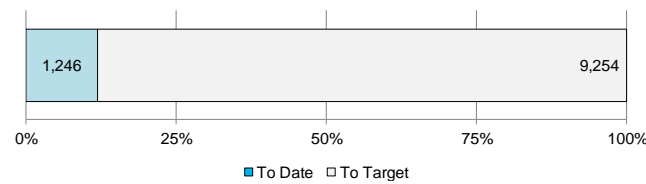
Source: EM3 database extract 2712/2018 (data added after this date is not included in the dashboard).



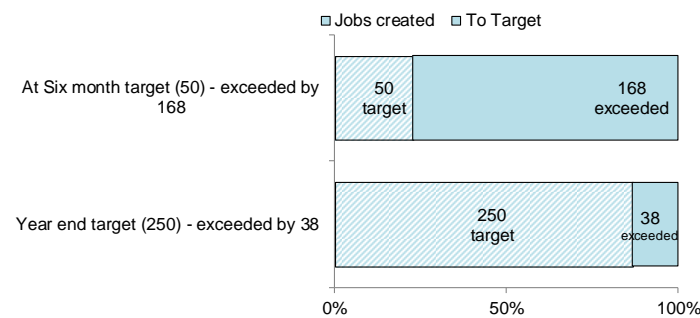
Jobs Created*

Target: 10,500 jobs
 Created to date: **1,246 (11.9%)**
 To meet Target: 9,254 (88.1%)
 (*Including safeguarded jobs)

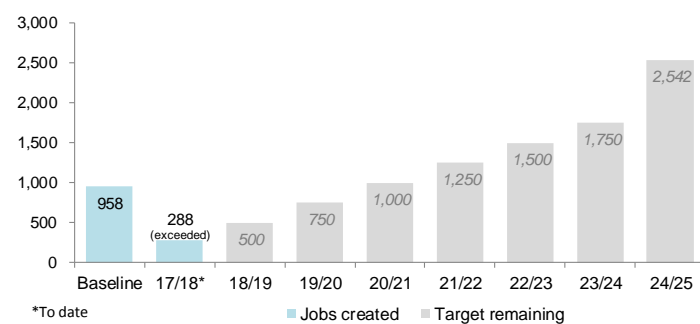
Status to date (cumulative – 2015-2025)



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.

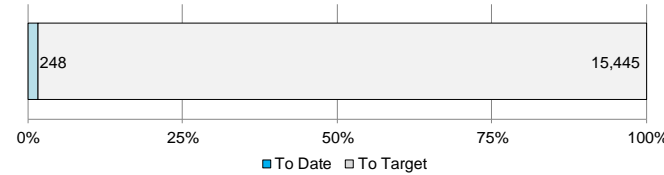
Comments: "To date 11.9% of the overall target has been achieved, with 958 jobs created/safeguarded in the baseline period and 288 created so far in 2017/18. This includes: Gateway to National Parks (13), 5G (150), Andover College (17), Whitehill and Bordon FSC (15), University Centre Farnborough (20), Risual (4), SANGS pilot (41), Wood Processing (2), Energy for Life (9) and Whitehill and Bordon BEC (17)"



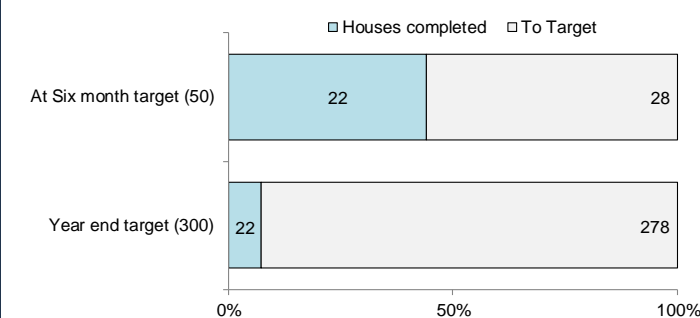
Housing Units

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

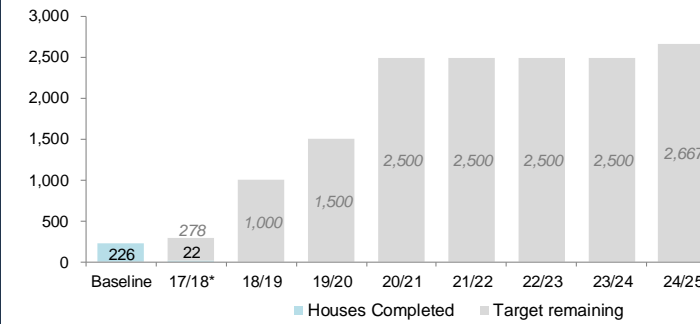
Status to date (cumulative – 2015-2025)



In year to date (2017-2018)



Annual Time series (2015 – 2025)



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

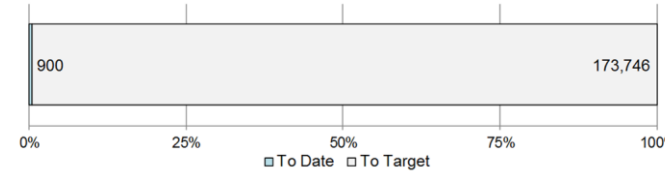
Comments: To date 1.6% of the target has been achieved with 226 housing units completed in the baseline period and 22 completed in 2017/18. The SANGs pilot has accounted for over two-thirds of housing completions to date, with E. Hants Invest for Growth accounting for the remainder. The following projects 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.



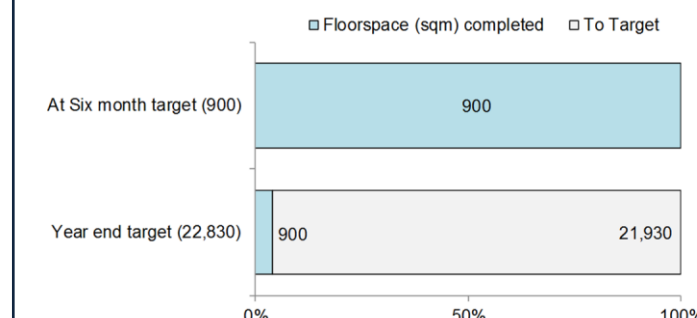
Commercial Floorspace

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

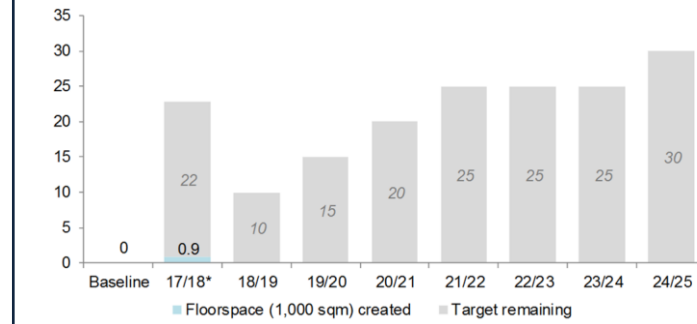
Status to date (cumulative – 2015-2025)



In year to date (2017-2018)



Annual Time series (2015 – 2025)



Measure: commercial area created in square metres of floorspace.

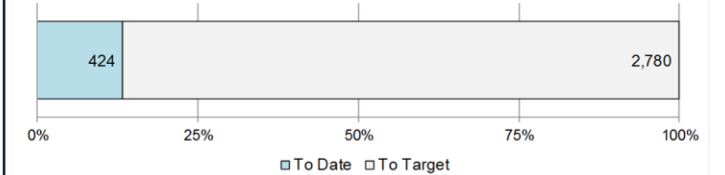
Comments: To date 900 sqm of commercial floorspace has been delivered at the Whitehill and Bordon Business Enterprise Centre. The following projects are forecast to deliver commercial floorspace in 2017/18: Marwell Wildlife; East Hampshire Invest for Growth; and Farnborough International Ltd.



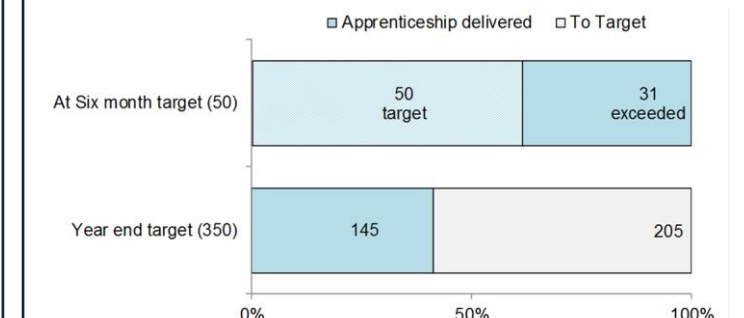
Skills (Apprenticeships)

Target: 3,204 delivered
 Delivered to date: **424 (13.2%)**
 To meet target: 2,780 (86.8%)

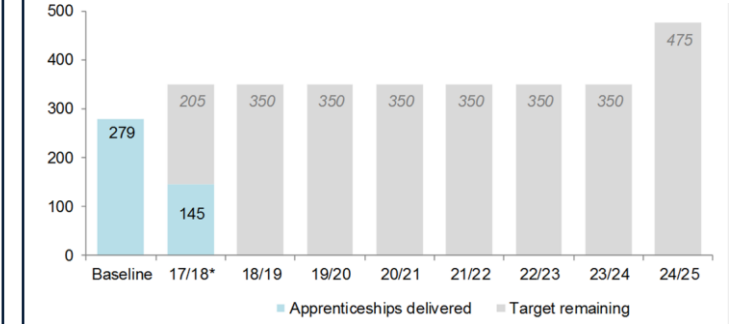
Status to date (cumulative – 2015-2025)



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 13.2% (424) of the overall target has been achieved with 279 apprenticeships delivered in the baseline and 145 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.



Department for
Business, Energy
& Industrial Strategy



Ministry of Housing,
Communities &
Local Government

Cities and Local Growth Unit
1st Floor, Fry Building, 2 Marsham Street,
London,
SW1P 4DP

20 February 2018

Kathy Slack
Director, Enterprise M3 LEP
By email

Dear Kathy

I am writing to you following your Annual Conversation on 24 November 2017 to communicate formally the outcome of the process and to set out the next steps and immediate actions that are required. The agreed note of the Annual Conversation is attached.

With the increasingly important role that LEPs have, it is important to Ministers and our Permanent Secretary, Melanie Dawes, as Accounting Officer, that there is a strong emphasis on ensuring that LEPs have the highest standards in place and are able to effectively act as key drivers of growth in their places. This is a point reinforced by the Public Accounts Committee in their recent hearing.

Performance Review

As set out in the Guidance, following the Annual Conversation officials in the Cities and Local Growth Unit undertook a Performance Review to look at the performance of each LEP across the three themes; governance, delivery and strategy. The review also sought to highlight any areas where there may be need for further development or where there is good practice to be shared. This involved reviewing the information provided for the Annual Conversation along with other sources including (but not limited to) Growth Deal data submissions and LEP governance processes and policies. Following the conclusion of the Annual Conversation process we have determined that overall your LEP has good performance, with many exceptional features. Feedback under each theme is set out below:

Governance

The LEP's governance is considered to be exceptional and it is noted that there is a strong governance culture with a commitment to continuous improvement. This is led by the Chair and yourself with extensive engagement from Board members across LEP activity, in addition to their Board duties.

I note that your LEP works effectively with its Accountable Body to maximise and manage programme spend, the Accountable Body is responsive and engaged with programme management and the Section 151 Officer is involved in scrutinising the allocation of funding in depth at the LEP's Programme Management Group.

The S151 Officer statement highlights that the Accountable Body has continued to strengthen its role through involvement in the development and implementation of the multi-site Enterprise Zone through the Programme Steering Group; notes the rigour of the formal decision-making process, which includes all business cases being subject to independent due diligence; and comments on the strong working relationships between the Accountable Body and the LEP which ensure the smooth running of the LEP's financial administration.

I am pleased that the LEP has responded to the Mary Ney Review recommendations proactively and at pace, updating documentation and consulting the Board at the meeting on 25 January on the full range of measures in response to the Government Guidance: Register of Interest forms; Code of Conduct; Complaints Procedure; Whistleblowing Policy; and a summary of proposed changes to its Assurance Framework. The LEP and Accountable Body have committed to ensuring that all requirements are in place and published on the LEP's website by 28 February.

The LEP maintains transparency around Board meetings, with papers and minutes published promptly on their website wherever they are not commercially sensitive. All relevant assurance documentation is updated, published and accessible on the LEP's website. Nevertheless there is more you can do and I am pleased that you have committed to improving the functionality of its website, and ensure that key information remains accessible and up to date.

Another example of the LEP seeking to make continuous improvements is in the formation of a Resources, Finance and Audit committee earlier in 2017 to allow for greater scrutiny of their operational budget and more detailed input from Board members. The LEP has also highlighted the diversity of its Board as an area of improvement. To address this, last year it introduced a Nominations Committee to manage the recruitment of new and diverse Board members.

I note that your Chair by end March 2018 due to his taking up a public sector role and finding the right candidate will be important in maintaining your performance on governance.

Delivery

The LEP's delivery over the past year is considered to be good. I am pleased to see that progress has been achieved in key projects including the transformation of Whitehill and Bordon with the completion of the Future Skills and Business and Enterprise Centres, and the completion of the inner relief road; the opening of the University Centre Farnborough; and the launch of the multi-site Enterprise Zone.

The LEP has developed a dashboard to monitor project progress and monitor the pipeline, to ensure effective prioritisation and timely spend. I welcome the fact that the LEP and Accountable Body have been consistently open with Government and the LEP Board about programme and project progress and key risks.

In the first two years of the Growth Deal programme, against a cumulative allocation of just over £76m, the LEP achieved 86% spend. The third year of the programme brings the allocation up to just under £122m, against which the LEP is currently at 57% spend. The late confirmation of the third round of Growth Deal funding has impacted upon the LEP's spend profile; however, I understand that you anticipate recovering this through further work on the project pipeline and re-profiling spend over future years of the programme. You are progressing well on outputs for job creation and skills, but there are some blockages around housing creation. Slippage should be recoverable through further development of the project pipeline.

You are strong on sustainable transport improvements and reducing congestion, and has developed its validation measures as work has progressed in order to strengthen subsequent delivery. Your recently created development fund will be particularly helpful for transport schemes to be bid-ready, and is a model which has been praised by DfT as an effective way of progressing transport schemes.

The Growth Hub is now a trusted referral agency contributing to the local business ecosystem. I have noted that it has received very strong interim feedback from an independent evaluation, and is surpassing some of its KPIs.

Strategy

I am pleased that your approach to strategic planning is considered to be exceptional. You have shown a good awareness of your vision, ambition and available levers. Your current focus is rightly on refreshing your SEP and preparing for the development of a Local Industrial Strategy. These activities are receiving active leadership from the Board, and will help build up the pipeline of projects for the remainder of their Growth Deal.

The LEP's work is also advanced by its strong reputation for collaborative ways of working, and your close engagement with other LEPs as well as a range of local stakeholders. For example, the LEP led on the local Science and Innovation Audit,

Innovation South, which has received good industrial and academic support, and a pledge of resources from Innovate UK.

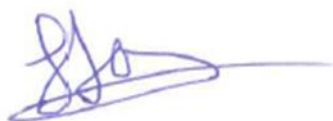
Next Steps

Key actions that require attention are set out above and your local Area Lead will be in touch to follow-up on this letter. If you have not already done so you should now upload the joint assurance statement you wrote with the LEP Chair ahead of your Annual Conversation to the LEP website. **Please ensure this is done by the 28 February.**

As I am sure you are fully aware, your Accountable Body's Section 151 Officer is required to write to the Ministry of Housing, Communities and Local Government Permanent Secretary by this date, confirming compliance of your Local Assurance Framework with the LEP National Assurance Framework (updated November 2016) and that the best practice guidance has been implemented. This is to ensure that the recommendations contained in the Mary Ney Review best practice guidance **have been implemented by the 28 February.**

I also wanted to take this opportunity to thank you, the LEP Chair, and the Accountable Body for participating positively in the process. As part of the Annual Conversation preparation we asked you to provide us with information on where Government could better support you to fulfil the ambitions of your place. We will continue to work with you to explore these issues over the coming months.

I am aware that LEPs are already doing good work to ensure they have the highest standards in place. As this letter sets out, we are committed to working with you to support this work over the coming months.



STEPHEN JONES
DIRECTOR, CITIES AND LOCAL GROWTH UNIT