

**Enterprise M3 Programme Management Group**

**11 July 2019**

**Capital Programme Update – Item 4**

Enterprise M3 Board Members are asked to:

**NOTE:** the current progress in delivering Enterprise M3's capital programme

**NOTE:** that should all projects that are presented to PMG and Board in July 2019 be approved then Enterprise M3 will have approved projects totalling 98.7% of the available capital funds.

**1. Background - Enterprise M3 Capital Funding**

1.1. Since PMG last met in May 2019, we have seen a number of key achievements within our capital programme, including:

- The third closing date following the launch of our new Prospectus in December 2019. We received 4 bids, seeking over £6.5m of funding from Enterprise M3. These proposals are currently being reviewed and a verbal update on progress will be given at the meeting.
- Completion of the improvement works at the Meadows Roundabout, Surrey which were completed on time and to budget.
- The start of works on a new 45,000 sq ft headquarters for Eli Lilly on the Enterprise Zone at Basing View. This project was supported by the Local Growth Fund and is expected to complete in late 2020.
- The first repayment from the original Enterprise M3 Funding Escalator, with £750,000 being repaid to Enterprise M3 in July 2019 which can be used to support additional projects.

**2. 2019/20 Capital Programme and the progress against the Delivery Plan**

2.1. LEPs must now produce a Delivery Plan which sets out what is expected to be delivered over the financial year 2019/20. This is a new requirement from Government and focused largely on the capital funding for which LEPs are responsible. A draft of the plan was submitted to Government at the end of April and the final document was published on the Enterprise M3 website at the end of May 2019.

2.2. The Enterprise M3 Board at the end of May 2019 signed off the final version of the plan. This plan sets out that over the course of 2019/20, Enterprise M3 will deliver the following through its capital programme:

- Capital expenditure of £45m
- 2500 jobs created/safeguarded
- 1000 new homes completed
- 9,000sqm of new employment floorspace
- Support 300 apprenticeships
- Create/refurbish 5,000sqm of learning floorspace

2.3. The measures above will form our key performance indicators with Government and will be the baseline against which we will report our progress across 2019/20 and will form the basis

of our Annual Performance Review. We expect to have a mid-year review with Government at some point between July and September 2019 and we await further details from them on this process.

- 2.4. We will continue to report to PMG and Board on the following detail in order to provide a regular update on the progress against our targets in the Delivery Plan:

#### Key Performance Indicators – July 2019

Key Performance Indicator	Current forecast	Actual (as at 1 July 2019)	Change since last report
Expenditure			
• Expenditure of £45m of LGF in 2019/20	£32m–£61m*	£1.18m	+£1.18m
• Total LGF expenditure across programme to date of £181m (103% of the total allocation to date)	£181m	£137.2m	+£1.18m
Income from loan repayments - £2.42m in 2019/20	£2.42m	£0.80m	+£0.80m
Outputs**			
• 2500 jobs created/safeguarded	2500	200	200
• 1000 new homes completed	1000	231	+231
• 9000 sqm commercial floorspace completed	9000	0	N/A
• 300 apprenticeships supported	300	0	N/A
• 5000sqm learning floorspace completed/refurbished	5000	0	N/A

\*Range based upon confidence levels of expenditure in 2019/20

\*\*Outputs information will be updated following the return of Q1 project monitoring reports in July 2019.

- 2.5. Progress to date is as expected at the end of the first quarter. We will receive funding claims from our projects in the next few weeks and we will be able to update the Enterprise M3 Board in late July on the latest position in terms of actual expenditure to date. The latest forecasts for expenditure range between £32m and £58m, with a high degree of confidence that £32m will be achieved, a reasonable level of confidence that an additional £15m will be achieved (bringing 2019/20 total to £47m) and a low degree of confidence that a further £13m can be achieved. The Enterprise M3 team will be working closely over the summer to move additional projects into the high levels of confidence category.
- 2.6. In terms of project outputs, the current picture is what we would expect at this stage of the year and projects will complete their first round of reporting to Enterprise M3 in towards the end of July. The September PMG meeting will receive the usual expenditure and outputs dashboard which will show this information. The 218 homes completed to date reflect those that were reported to Enterprise M3 after the end of 2018/19 at both Chapel Gate, Basingstoke and Addlestone One and are therefore captured in this year's figures.
- 2.7. As we are now in the penultimate year of the Local Growth Fund programme, it is also important to keep our contractual commitments under review. The Enterprise M3 Board have agreed an approach by which we can over-programme by 10% and our loan repayments and the combined management of the LGF and GEF allow us some flexibility about how we

manage the individual projects over the course of the next two years. We are also continuing to strengthen our pipeline of projects and the detail below provides PMG members with the latest information on contractual commitments, allocated funding and available unallocated funding as at the 1 July 2019.

- LGF/GEF funding available– £101.3m
- LGF/GEF funding available (including forecast loan repayments up to 31 March 2019) - £108.3m
- Contractual commitments – £43.2m
- Approved projects still subject to contract – £35.5m
- Allocated funding not yet approved by PMG/Board – £46.3m\*
- Available funding to allocate to new projects – £0m

*\*This figure includes projects in our 'development pool' where applicants are aware that projects will only be progressed subject to funding being available. The figure also includes £26.5m/£28.7m of projects that are being considered by PMG/Board in July 2019).*

- 2.8. As the figures above show, there is no available funding to allocate at this current time although we continue to anticipate change in the programme over the coming months. At the time of drafting this report, we are starting to develop a sizeable 'development pool' of projects that we can bring forward if other projects slip and/or additional funding becomes available. We are working closely with scheme promoters so that they understand our funding position so that we can be in the strongest possible position whilst managing the expectations of our partners. We are also making Government aware that we have a strong pipeline and can accelerate projects swiftly should there be an opportunity to secure additional funding.
- 2.9. PMG are being asked to consider approving/recommending approval for £28.2m of projects at the July meeting. Should these papers be agreed, this would impact the figures in the following way:
  - Approved projects still subject to contract - £63.7m
  - Allocated funding not yet approved by PMG/Board (including development pool) - £18.1m
- 2.10. As these figures show, this meeting potentially sees a significant milestone for the LGF programme, with almost of the available budget allocated to projects approved by PMG/Board. The PMG is asked to formally note this, particularly the fact that approved projects (including those subject to contract) will total £106.9m if the recommendations in the papers are supported. Ahead of the PMG meeting in September, the project team will be conducting a comprehensive review of the projects that are yet to be approved and/or progress to a signed legal agreement. At this point, there will be 18 months remaining in the current LGF programme and this represents a key time to review project progress and consider whether alternative projects should be brought forward.

### **3. 'Development Pool' of projects & future business cases**

- 3.1 Whilst we are now at a point that all available funding has been allocated to projects, experience indicates that projects of this nature are subject to change and we are therefore continuing to strengthen our 'development pool' of projects. The table below sets out the expected dates for the submission of business cases:

Project	Amount	Expected date for business case to be presented to Board/PMG	Change since last PMG meeting
Innovation South Virtual Campus	£0.49m	September 2019	Delayed from July 2019 – awaiting information from applicant before project can be presented to PMG for approval.
Aldershot Town Centre Regeneration	£1.2m	September 2019	Delayed from July 2019 – awaiting business case from Rushmoor Borough Council.
Blackwater Valley Gold Grid Public Transport Corridor – Hampshire Elements	£1.5m	January 2020	Delayed from July 2019 – business case like to be submitted late 2019.
Basing View 5G Living Lab	£2.4m	September 2019	Delayed from July 2019 – awaiting business case from Basingstoke and Deane Borough Council
Aerospace Research and Innovation Centre	£2.56m	July 2019	Delayed from July 2019 – due diligence underway and expected to complete in August 2019.
Heat Enabled Virtual Power Plant	£1.8m	September 2019	
EV Charge Point Infrastructure Pilot	£0.325m	November 2019	
LED conversion and Central Management System	£2.64m	September 2019	

#### 4. Project updates

- 4.1 The capital programmes paper is also used in order to draw PMG members attention to significant changes in projects and to seek advice and guidance on key issues as business cases are developed and due diligence work is undertaken. It was also agreed in March 2019 that a regular progress update on Station Approach, Winchester would be provided as this project makes up a significant proportion of the capital programme in the final year.
- 4.2 At the time of drafting this report, there are no project related issues to report. In relation to Station Approach, Winchester, we are working with Winchester City Council on the final draft of the legal agreement to deliver the Station Approach scheme and expect this to be concluded shortly. Winchester remain on target to meet the key milestones which were agreed with the Board with respect to outline planning permission, scope and securing a development partner. We will fully review the situation before the next PMG and in advance of the review deadline of October 2019.

**Appendix 1** - Project summaries (projects shown as green are contractually committed; those in amber are approved but not yet contracted and those in red are not yet approved by PMG/Board).

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2 July 2019