

**Enterprise M3 Board**

**28 March 2017**

**Local Growth Fund Programme Update – Item 8**

**Enterprise M3 Board Members are asked to:**

**NOTE** the current progress with delivering the programme.

**NOTE** the delegated decision made by Programme Management Group to increase the funding made available to the Hampshire Centre for the Demonstration of Environmental Technologies.

**1. Growth Deal Update**

- 1.1 Enterprise M3 was allocated a further £40.8m for the 2016/17 financial year from its agreed six year Growth Deal with Government, bringing the LGF allocation to date to £76.1m. By the end of 2015/16 £28.5m was paid out, leaving £47.6m for 2016/17.
- 1.2 Delivery of existing Growth Deal projects has continued and a number of contracts have been signed recently, including Basingstoke North East corridor, 5G Phase 2, Woking Town Centre Transport Improvements and Hart SANGS. A number of other contracts are expected to be signed in late March 2017, particularly for Surrey Council Council's transport schemes and it is proposed that 2017/18 funding allocations are not confirmed until these contracts have been signed.
- 1.3 **Total spend for 2015-17 is forecast at £66.5m, which is £9.6m below our available allocation over the two years.** This figure includes the four early start projects.

	LGF Funding Allocated	Actual Funding Distributed to date	Forecast Distribution	% of Allocation Distributed (forecast)	Difference +/-
2015/16	35.3	28.5	28.5	81%	-6.8m
2016/17	40.8	20.6	38.0	93%	-2.8m
<b>Total</b>	<b>76.1</b>	<b>49.1</b>	<b>66.5</b>	<b>87%</b>	<b>-9.6m</b>

- 1.4 The actual funding distributed in 2016/17 to date is at £20.6m. Q3 claims from Surrey County Council have recently been submitted by Surrey County Council and these were below expected forecast expenditure. We have discussed this with Surrey County Council and they have advised that the majority of this underspend will be made up within the Q4 claims and forecast an underspend of £130k across all SCC transport projects. We understand that this is due to a delay in commencing a number of key projects and we will continue to monitor this situation closely. We are also in discussions with several projects about bringing forward expenditure forecast in 2017/18 and a verbal update on this will be given at the Board Meeting.

- 1.5 The forecast distribution for 2016/17 has decreased by £900k since the last meeting of PMG, this decrease is due to the following:
- A projected underspend across Surrey County Council's transport schemes (Meadows Roundabout, Blackwater Valley Better Connectivity, Egham Sustainable Transport Package and Runnymede Roundabout) estimated to be circa £130k.
  - A projected underspend of circa £100k on the woodfuel processing grant programme due to lower than forecast demand. Surrey County Council are reviewing the programme with a view to broadening the scope of this programme to timber products and we are awaiting formal submission of this proposal. Any changes will be subject to PMG and Board approval and it is possible that we may wish to review the 2017/18 funding allocation (currently £1.86m) to reflect the slow uptake of this funding to date.
  - A projected underspend of £150k on the Basingstoke South West Corridor Phase 1 project which had been agreed with HCC but not previously included in the Q4 figures. Hampshire County Council had previously advised that they would be able to bring forward expenditure for the Whitehill and Bordon Relief Road. HCC have recently confirmed that this now looks unlikely and that expenditure is more likely to be in line with original forecasts and this has also impacted on the forecast distribution in 2016/17, thus accounting for the remainder of the underspend.
- 1.6 We will continue to work with all scheme promoters to minimise the risk of any further slippage this financial year.
- 1.7 This paper normally gives an update on the broader programme but this update is included in item 9 which gives an update on future years, taking account of our recently announced LGF3 allocation.
- 1.8 Work is also underway on a number of communications activities associated with our Local Growth Fund, these are related to the Board's desire to understand and articulate the impact of the LEP more strongly and an increased focus on transparent reporting by LEPs. This work includes:
- The development of ten key messages on our Local Growth Fund and production of standard slide pack for use by Enterprise M3 and partners.
  - Updating the project information on the Enterprise M3 website
  - An increased focus on project communications, led by our Communications and Engagement Manager
  - The publication on our website of the programme update board papers and dashboard. It is proposed that Appendix 1 is confidential.

## **2. Cost Increases**

- 2.1 The Enterprise M3 Board agreed the approach and procedure for considering cost increases at its meeting in May 2015. It was agreed that cost increases would be dealt with on a case-by-case basis, with the aim always being to maximise the economic outcomes that can be achieved through the Local Growth Fund money available to Enterprise M3.
- 2.2 The following steps set out the proposed procedure for dealing with an increase in funding within a particular project.

Applicant to clearly set out:

- a. the quantum of the projected cost increases,
- b. the cause of these increases
- c. the reason why these were not anticipated when the business case was originally submitted.

- d. What steps have been taken to mitigate cost increases
- e. How other funding sources are being used to deal with cost increases

2.3 The applicant is to required to put forward a minimum of two options around how to proceed. These will include:

- a. 'Do nothing case' – what can now be achieved on original budget. What economic outcomes can the project now achieve on the original budget, and how do these vary from those originally put forward;
- b. 'Revised case' – set out the minimum funding needed to achieve the economic outcomes originally set out. Where the original outcomes cannot be achieved, this should set out the best value case for achieving maximum economic outcomes and any advantages of proceeding in this way.

2.4 It was agreed that cost increases of less than 10% can be approved by the LEP Director, and that cost increases below 20% can be approved by PMG. All other increases should be agreed by the Board.

### **Hampshire Centre for the Demonstration of Environmental Technologies**

2.5 At the PMG meeting on 13 March, a request was made to agree an increase of £240,000 from the Local Growth Fund for the Hampshire Centre for Demonstration of Environmental Technologies to support the increase in construction costs and changes to the design of the project.

2.6 The current project, led by Sparsholt College, will construct a 700 m<sup>2</sup> new learning and demonstration space for environmental technologies. The classroom will utilise the anaerobic digester plant being developed by Ecotricity for 'hands on' practical teaching and learning with meaningful 'real-life' work experience. The total Project Cost is £2.64 million, with £1.2 million Local Growth Fund. The total key outputs for the project are as follows:

- 57 apprenticeships over the next 3 academic years
- 12 higher apprenticeships over the next 3 academic years
- 20 jobs created and potential for 340 job creation over 20 years

2.7 A paper detailing the key points of change was presented to the PMG and discussed at the meeting. The feedback from PMG was that whilst they were willing to agree modest increases relating to the increase in construction costs due to the delay in securing planning permission for the project, they were unwilling to support the increase associated with the changes to the design of the project (resulting in a request for £81,600 of additional LGF). They delegated authority to the Director to approve any cost increases, in line with this approach.

2.8 Since PMG, Sparsholt College have agreed that they will fund the additional design costs. Enterprise M3 will therefore be funding 50% of the cost increases, with the remainder being funded by the College (drawing upon £110k from contingency funds). This approach is line with that agreed by PMG and therefore the approval of the director has been given to an additional £158,400 LGF for this project. The Board is asked to note this change to the programme.

Appendix 1 – Overall summary of LGF 1 & 2 projects, plus early start LGF3 projects (confidential)  
Appendix 2 – Dashboard

**Rachel Barker**  
**19 March 2017**

**Key achievements to date**

- Several skills centres already opened or about to open
- Four of the seven skills projects have received their full allocation of LGF
- Farnborough International contract signed
- Significant increase in LGF3 allocation from the indicative amount
- Contracts for the four early start projects signed and projects on track to deliver this financial year

**Key priorities for next month**

- Progress due diligence and signing of contracts for 2016/17 and 2017/18 projects
- Work closely with scheme promoters to maximise spend and make sure they understand the ramifications of persistent and reoccurring delays
- Review scheme promoter delivery track record and resources and reconsider whether all future projects should stay in the programme
- Work with scheme promoters on funding profile for future years
- Further work on outputs/outcomes, evaluation and communications

**Key programme risks**

- Projects are not meeting their milestones, risk of further underspending in this financial year in particular transport projects
- Delays in completing legal agreements with SCC which delays payments for schemes where works have started based on exchange of letters
- Risk of further slippage of large, complex projects, resulting in not achieving forecasted spend in 2016/17

**Contracts Signed**

- Seven contracts signed for enterprise and innovation, Phase 2 of 5G due in March 2017 and renewal of the Growth Hub contract is in progress
- All seven skills contracts signed, Juniversity due in March 2017
- Three housing and infrastructure contracts signed, one due in May and one later in 2017
- Eight transport contracts signed, three due in March and three later in 2017/18 - the remaining three are due in 2018/19 and 2019/20.
- 11 sustainable transport projects signed

Total LGF from Government  
**£76.1m**

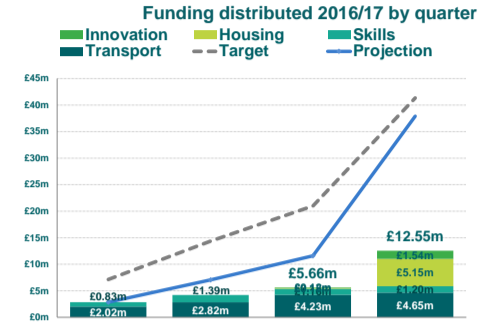
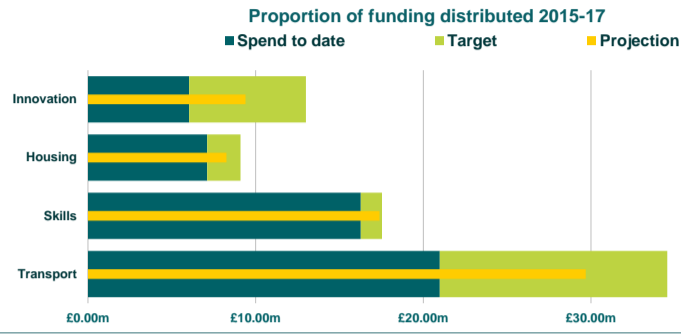
Total Actual Spend 2015-17  
**£53.8m**  
71% of allocation

Total Projected Spend 2015-17  
**£66.5m**  
87% of allocation

LGF from Government 2016/17  
**£40.8m**

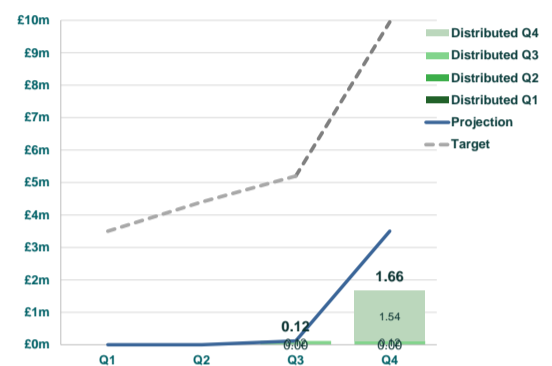
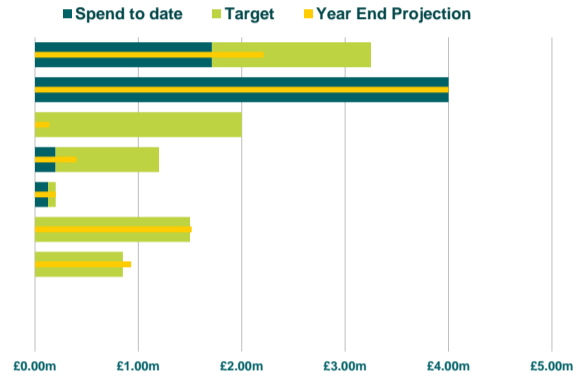
Actual Spend 2016/17 only  
**£25.3m**  
62% of allocation

Projected Spend for 2016/17 only  
**£38.0m**  
93% of allocation



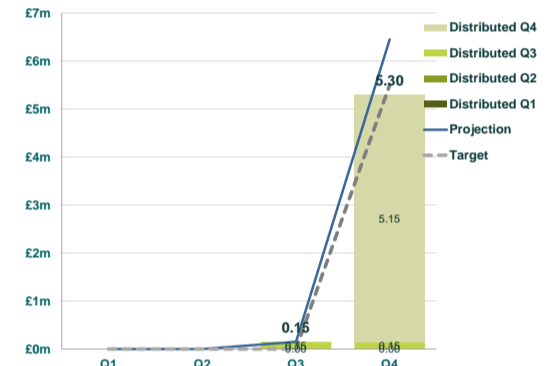
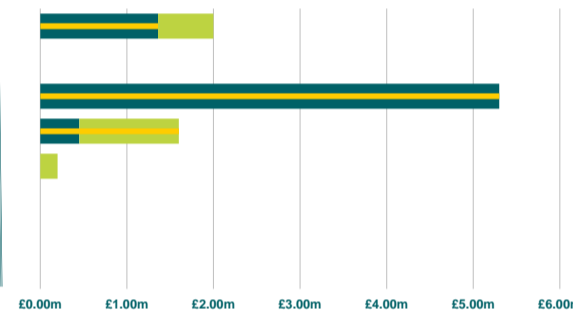
Innovation

Project Name	Overall RAG	Costs	Milestones	Outcomes
5G Project	Green	Green	Green	Green
Whitehill & Bordon Business & Enterprise Centre	Green	Green	Green	Green
Wood Processing Grant Programme	Green	Green	Green	Green
Innovation & Enterprise Centre (Animal Health)	Green	Green	Green	Green
Growth Hub	Green	Green	Green	Green
Energy for Life	Green	Green	Green	Green
Gateway to National Parks	Green	Green	Green	Green



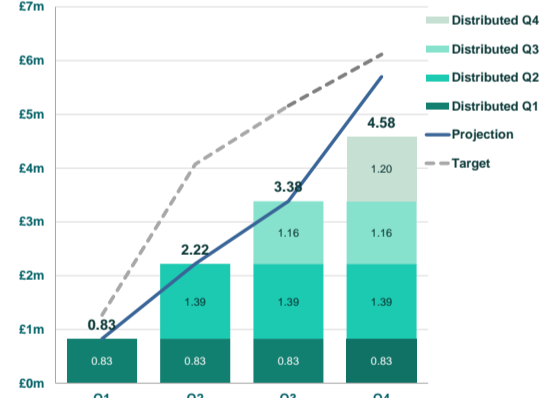
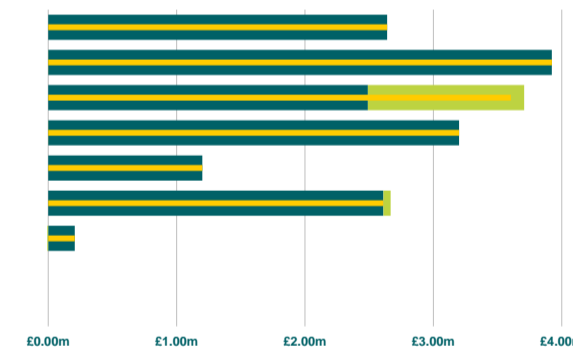
Housing

Project Name	Overall RAG	Costs	Milestones	Outcomes
SANGs pilot - LOAN	Green	Green	Green	Green
Hart SANGS - LOAN	Green	Green	Green	Green
East Hants Invest for Growth Initiative	Green	Green	Green	Green
Aldershot Town Centre Regeneration	Green	Green	Green	Green



Skills

Project Name	Overall RAG	Costs	Milestones	Outcomes
Andover Technology and Skills Centre	Green	Green	Green	Green
Brockenhurst College	Green	Green	Green	Green
Whitehill and Bordon Future Skills Centre	Green	Green	Green	Green
Brooklands College Ashford	Green	Green	Green	Green
Hampshire Centre for the Demonstration of Envtl Technologies	Green	Green	Green	Green
University Centre in Farnborough	Green	Green	Green	Green
Risual Microsoft Academy	Green	Green	Green	Green



Transport

Project Name	Overall RAG	Costs	Milestones	Outcomes
Local Sustainable Transport	Green	Green	Green	Green
Aldershot Town Centre Railway Station - Phase 1	Green	Green	Green	Green
Basingstoke North Corridor A340	Green	Green	Green	Green
Basingstoke NE A33 (Ph 1 = Ringway & Popley Way)	Green	Green	Green	Green
Basingstoke NE A33 (Ph 2 = Binfields, Ph 3 = Crockford & Gaiger)	Green	Green	Green	Green
A30/A331 The Meadows Camberley	Green	Green	Green	Green
Runnymede Roundabout	Green	Green	Green	Green
Whitehill & Bordon Relief Road Phase 2 & A325 Integration Works	Green	Green	Green	Green
Basingstoke SW (Phase 1 = A30 Winchester Rd roundabout)	Green	Green	Green	Green
Basingstoke SW (Ph 2 = A340/A3010 Thornycroft Roundabout)	Green	Green	Green	Green
Guildford Town Centre Transport Infrastructure Package	Green	Green	Green	Green
Woking Town Centre Transport Infrastructure Package	Green	Green	Green	Green
SARP/Clay Lane Link Road	Green	Green	Green	Green
Guildford TCTIP - Walnut Tree Bridge	Green	Green	Green	Green
Farnborough Growth Package (A325)	Green	Green	Green	Green

