

ENTERPRISE M3 BOARD

28 March 2017

Local Growth Fund Future Programme – Item 9

Enterprise M3 Board Members are asked to:

NOTE the latest information on Local Growth Fund 3

AGREE the revised programme set out in this paper.

1. Summary

- 1.1 In February 2017, Government announced that Enterprise M3 had secured £71.12m through the Local Growth Fund 3 process, considerably higher than the initial indicative figure of £35-40m.
- 1.2 The January PMG and Board meeting agreed the proposed approach and project list (shown at Appendix 1) and this formed the basis of our final negotiation with Government and the detail of the government and Enterprise M3 press release.
- 1.3 Our press release mentioned a number of projects and areas in which Enterprise M3 support projects (subject to contract and due diligence). However, we have not yet shared allocations with partners as we have been awaiting detail on a funding profile for LGF3 from Government. This information has now become available and this paper sets out proposals covering the future of the whole LGF programme (£219m). Subject to approval from the Board, the intention will be to communicate with partners in further detail, giving them more certainty to start to develop business cases.
- 1.4 This approach was discussed and agreed by the Programme Management Group on 13 March 2017 and a version of this paper is due to be presented to the Joint Leaders Board on 22 March 2017.

2. Local Growth Fund 3 – latest information

- 2.1 Board members may recall that we submitted a provisional list of projects to Government in December. This list is at Appendix 1 and the projects included in this list, along with the approach was endorsed by PMG and Board in January 2017. When negotiating as part of LGF3, BEIS officials confirmed that even though funding will formally be allocated to named projects, we will have the freedom to reallocate funding at a later stage. This could include 'swapping' projects with proposed LGF1 and 2 projects to allow LGF3 projects to start earlier.
- 2.2 The anticipation throughout that process was that the funding made available through LGF3 would be back-loaded towards the end of the Local Growth Fund programme and this was confirmed by BEIS at our Annual Conversation. In December 2016 in response to a question from officials on whether we would welcome additional 2017/18 funding through the LGF3 process, we responded to say that we would not as we would have little time to develop projects and we were comfortable with the level of over-programming that we were forecasting.
- 2.3 We have recently received our funding profile from Government and this is set out below. The allocation for 2017/18 far exceeds what we had been led to believe that we would receive. We understand that this reflects the way in which the money has come through from the individual government departments who contribute to LGF and that the make-up of our annual profile is not wildly different to other LEPs. With the exception of 2019/20, we broadly have an LGF programme of £40m. We have fed back to Government our surprise on the 2017/18 funding

profiles which are considerably higher than expected and also the anticipated difficulties that we will have in managing the sudden drop of funds in 2019/20 before the programme scales up again for the final year. BEIS officials have noted these concerns but have indicated that there will be little room for manoeuvre in these profiles but are negotiating with the central team on our behalf. Therefore this paper is based on the funding profile below and also proposes some outline management strategies for addressing these concerns.

	2017/18	2018/19	2019/20	2020/21
Existing profile (LGF1 and 2)	£29.1m	£23.4m	£10.6m	£8.4m
Provisional profile (LGF1, 2 and 3)	£46.1m	£37.3m	£17.6m	£41.6m

3. Reviewing the Programme

3.1 With this profile in mind, the Enterprise M3 has reviewed the entire Local Growth Fund programme, adding all the schemes listed in Appendix 1. This review has sought to add each of the LGF3 projects into the programme and also to review where there may be flexibility to shift (either backwards or forwards) our existing LGF projects. This review has been informed by discussions with each of our individual projects.

3.2 This review has been guided by the following and the views of the Board on this approach are sought:

- **Transport schemes** – to reflect experience across the last two years of the programme, we have talked with scheme promoters about adjusting funding profiles to ensure that we have robust and accurate forecasts. This has resulted in the funding profile for the majority of our current transport schemes moving to later years.
- **Local Growth Fund 3 schemes** – with the exception of the early start LGF3 schemes all of which are programmed to deliver this financial year, we have reflected the profiling of funding following discussions with partners. This now gives an up to date picture, reflecting the timetable for the development of business cases.
- **Enterprise Zone** – in the paper presented to PMG and Board in January 2017, the two Enterprise Zone proposals (Basing View and Louisburg Barracks) included in our original Growth Deal were not included in our list to Government. Recent work on the Enterprise Zone Implementation Plan has shown the importance of investing early in the EZ sites to maximise any future returns through retained business rates. There is therefore potential to increase the value of the LGF award by investing in the EZ early on and reinvesting the returns elsewhere at a later date. Given the indicative funding profile from Government, it is proposed that a £10m programme to support the Enterprise Zone be made available in 2017/18 which can support the two schemes identified in the Growth Deal and any other schemes as identified by the Enterprise Zone Programme Steering Group. Any scheme supported by this programme would need to be agreed by the PMG and Board in the normal way and it is proposed that the £10m allocation be reviewed in September 2017.
- **Skills projects/Enterprise M3 Transforming Colleges** – this is a programme of activity to ensure an efficient and effective FE system and careers guidance for the local economy and a successful society. Projects likely to be supported will be the Work Based University Centre Basingstoke as well as support for Post-16 Area Based Reviews recommendations including some of the college mergers under consideration. The exact allocation of the £11.62m needs to be decided later on but the review flagged that a small number of projects could commence and spend in 2017/18.

3.3 Having undertaken this review the revised forecast expenditure across the remaining years of the programme looks as follows:

By annual allocation

	2017/18	2018/19	2019/20	2020/21
Spend projection	£55.2m	£41.19m	£34.0m	£30.5m
LGF profile (by year)	£46.1m	£37.3m	£17.6m	£41.6m

Cumulative

	2017/18	2018/19	2019/20	2020/21
Spend projection (cumulative)	£121.4m*	£162.6m	£196.5m	£227.0m
LGF profile (cumulative)	£122.2m* *incl.2015-17 funding	£159.5m	£177.1m	£218.7m

Note: Loan repayments are excluded from the above figures, these are expected to amount to £4.83m during the Growth Deal period.

3.4 The tables above highlight the issues on funding profile set out in section 2 of this paper. In particular the drop in the programme from 2019/20. We have highlighted to Government officials that it would be helpful to have a ‘smoother’ funding profile which scales down in the final year and we await their response, although it is unlikely that we will see significant movement. The issues associated with the additional funding in 2017/18 and the ‘drop’ in 2019/20 could in part be addressed by taking forward additional schemes on a ‘loan’ basis, with repayments starting to flow through in 2019/20. The proposed £10m Enterprise Zone Programme will also help in this aim. Following confirmation of the final funding profile from Government, the team will consider whether to go out to seek additional schemes in 2017/18, we had previously been discussing over-profiling by 15% which could allow for us to open up funding opportunities on a loan basis or potentially draw across projects from the Growing Enterprise Fund. This will be considered in the coming months and a detailed proposal will be brought to PMG and Board if this is something that looks to be advantageous.

4. Next steps

- 4.1 Following the Board Meeting and confirmation from Government on the final funding profile, we will work with partners to give them further details on funding profiles, expected delivery dates and the timetable for the development of a business case. We will also undertake further communications activity to give further information on the new projects in our programme.
- 4.2 A key area of focus will be to bring forward business cases for any Enterprise Zone proposals and this will be a prioritised area of activity, working with the EZ partners and the EZ Programme Steering Group.

Rachel Barker
18 March 2017

Annex 1 – Project List approved by Enterprise M3 Board January 2017

Project Name	Location	Original LGF allocation	Revised LGF Amount (revised figures in red)	Match funding - private sector	Match funding - public sector	Leverage	Overall Project Cost	Jobs - create new/ secure existing	Jobs - indirect	Commercial space (sqm)	Homes	Apprenticeships	GVA £m
Housing Land Bank (SANGS)	Hart	7	5.30	13.48			18.78	2950			1475		64.60
Guildford Housing Zone	Guildford	15	7.50		92.15	482.00	99.65	1087	54	6500	1100	128	62.109
Basingstoke South West Corridor for Growth	Basingstoke	12.8	10	3.10	0.50	5.00	13.60	302			2050		9.96
Unlocking Guildford - transport package	Guildford	25	12.50	6.15	7.96	938.92	26.61	8632	571	74500	1000	229	1134.04
Regional Cyber Security and Big Data Innovation Centre - Royal Holloway	Egham	5	5.00	1.70	11.50		18.20	345		450			
Enterprise M3 Transforming Colleges	EM3 Wide	18.35	11.62	4.00	7.62	3.00	23.24	30	1000			740	15
Digital Connectivity for Business	EM3 Wide	3.8	2.00	3.00			5.00	1102	126				
Blackwater Valley Gold Grid	Cross County	15	4.00	5.00	1.50		10.50	50	1000	13000	450	30	50
Station Approach - Winchester	Winchester	7.7	5.00		154.00	2.80	159.00	800		10000	210	9	
Centre of Excellence in Horticultural Science and Learning - RHS Wisley	Woking	3	1.00	50.20	9.80	21.90	61.00	38	200	5448	165	20	
Aldershot Games Hub	Aldershot	1.2	1.2		2.20		3.40	164		1400	21	8	9.6
Niche Sector Incubation	Cross LEP	4.5	4.50	1.00			5.50	1200					
Invest for Growth - Elmbridge	Elmbridge	1.5	1.50		2.50	11.30	4.00	125		1500			
		119.85	71.12	87.63	289.73	1464.92	448.48	15336	2951	109898	6450	1156	1345.31

Annex 2 – Local Growth Fund Proposed Programme

	LGF Projects	Owner	Total Project Cost	OVERALL LGF TOTAL	2015/16 ANNUAL TOTAL	2016/17 ANNUAL TOTAL	2017/18 ANNUAL TOTAL	2018/19 ANNUAL TOTAL	2019/20 ANNUAL TOTAL	2020/21 ANNUAL TOTAL
Enterprise and Innovation	5G Project	Chris Quintana	65.2	5	1.711521	0.5	1.25	1.538479	0	0
	Whitehill and Bordon Business and Enterprise Centre	Chris Quintana	5.65	4	4	0	0	0	0	0
	Wood Processing Grant Programme	Chris Quintana	5	2	0	0.132	1.868	0	0	0
	Innovation and Enterprise Centre (Animal Health)	Chris Quintana	5.315	1.2	0.135	0.265	0.8	0	0	0
	Phase 2 - Permanent Facility for Farnborough International Airshow	Chris Quintana	29	5	0	0	4.596	0.404	0	0
	Growth Hub	Chris Quintana	0.6	0.6	0.045958	0.154042	0.1	0.1	0.1	0.1
	Energy for Life Marwell	Chris Quintana	7.8	1.5	0	1.5	0	0	0	0
	Gateway to National Parks	Alex Piper	2.7	0.85	0	0.85	0	0	0	0
	Regional Cyber Security and Big Data Innovation Centre - Royal Holloway	Chris Quintana	18.2	5			2.5	2.5		
	Digital Connectivity for Business	Chris Quintana	5	2			0.5	1	0.5	
	Centre of Excellence in Horticultural Science and Learning - RHS Wisley	Chris Quintana	61	1				0.5	0.5	
	Aldershot Games Hub	Chris Quintana	3.4	1.2			0.075			1.125
	Niche Sector Incubation	Chris Quintana	5.5	4.5				1.5	1.5	1.5
Enterprise Zone Programme	EZ Prog Director		10.0			10				

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	Invest for Growth Elmbridge	Chris Quintana	4	1.50			1.5			
Skills	Andover Technology and Skills Centre	Sarah Carter	6.45	2.64	2	0.64	0	0	0	0
	Brockenhurst College	Sarah Carter	5.834	3.923	3.310	0.613721	0	0	0	0
	Whitehill and Bordon Future Skills Centre	Sarah Carter	3.957	3.804	0.470125	3.134	0.2	0	0	0
	Brooklands College Ashford	Sarah Carter	9.6	3.2	2.446	0.754321	0	0	0	0
	Hampshire Centre for the Demonstration of Environmental Technologies	Sarah Carter	2.64	1.2	1.2	0	0	0	0	0
	University Centre in Farnborough	Sarah Carter	8	2.611	2.260239	0.350711	0	0	0	0
	Risual Microsoft Academy	Sarah Carter	0.38	0.207	0	0.20705	0	0	0	0
	Juniversity	Sarah Carter	0.8641	0.432	0	0	0.43205	0	0	0
	Enterprise M3 Transforming Colleges	Sarah Carter	23.24	11.62			2	3.62	3	3
Housing	SANGs pilot	Rachel Barker	1.5	1.36	1.36	0	0	0	0	0
	Ball Hill SANGS	Rachel Barker	1.7	1.7	1.7	0	0	0	0	0
	Hart SANGS	Alex Piper	24.8	5.3	0	5.3	0	0	0	0
	East Hants Invest for Growth Initiative	Rachel Barker	2.96	1.6	0.451	1.149	0	0	0	0
	Lower Thames Flood Defence	Alex Piper	300	2	0	0	1	1	0	0

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	Aldershot Town Centre Regeneration	Rachel Barker	61.25	1.2	0	0	0.5	0.7	0	0
Transport	Local Sustainable Transport	Kevin Travers	23.447	23.447						
	Whitehill and Bordon Green Grid, Green Loop	EHDC		0.02	0.02	0	0	0	0	0
	Bordon - Liss Link of the Shipwrights Way	EHDC		0.221	0.084985	0.136014	0	0	0	0
	Guildford Riverside Route - Phase 1	GBC		0.5507	0.115962	0.434761	0	0	0	0
	Andover Accessibility Improvements	HCC		0.3	0.3	0	0	0	0	0
	Basingstoke pedestrian, cycling and accessibility	HCC		0.4383	0.186038	0.192288	0.06	0	0	0
	Fleet Station Access Improvements	HCC		0.0360	0.00873	0.02731	0	0	0	0
	Petersfield to Queen Elizabeth Country Park Cycle Route	HCC		0.3	0.3	0	0	0	0	0
	Winchester Accessibility, cycling and walking	HCC		0.0924	0.012961	0.079425	0	0	0	0
	WiFi Improvements bus audio-visual	HCC		0.78943	0.676427	0.113	0	0	0	0
	Blackwater Valley Better Connectivity	SCC		0.5	0.058773	0.441227	0	0	0	0
	Egham Sustainable Transport Package	SCC		1.425	0.020246	1.404754	0	0	0	0
	Camberley Town Centre Public Realm	SHBC		0.15	0	0.15	0	0	0	0
	Whitehill and Bordon STP	EHDC		3.16	0	0.02	0	3.14	0	0
	Staines STP Phase 1	SCC		3.713	0	0	1.06	1.838	0.815	0
	Blackwater Valley Gold Grid STP	HCC	10.5	8	0	0	0	2	4	2
	Brooklands Business Park Accessibility	SCC		1.875	0	0	0	0	0.5	1.375
	Woking STP Phase 1	SCC		3	0	0	0	0	0.5	2.5
	To be allocated			2.876099	0				0	0
	Aldershot Town Centre Railway Station - Phase 1	Kevin Travers	1.8	0.9	0	0.05	0.85	0	0	0
Basingstoke North Corridor A340	Kevin Travers	4	3.34	2.854094	0.48567	0	0	0	0	

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Basingstoke NE Corridor to Growth - A33 (Ph 1 = Ringway & Popley Way)	Kevin Travers	2.33	2.13	0.670934	1.260497	0.2	0	0	0
Basingstoke NE Corridor to Growth - A33 (Ph 2 = Binfields, Ph 3 = Crockford & Gaiger)	Kevin Travers	10.63	6.73	1.050704	1.3	3.07	1.311	0	0
Basingstoke NE Corridor to Growth - A33 (Ph 4 = Taylors Farm)	Kevin Travers	1.26	0.7	0	0.06	0.04	0.6	0	0
A30/A331 The Meadows Camberley	Kevin Travers	4.9	3.044013	0.089513	0.657	0.3	1.15	0.8475	0
Runnymede Roundabout	Kevin Travers	5.88	4.55	0.04733	0.70	3.8	0	0	0
Whitehill & Bordon Relief Road Phase 2 & A325 Integration Works	Kevin Travers	29.8	17.5	0.934418	6.67	8.4	1.5	0	0
Basingstoke SW Corridor to Growth (Phase 1 = A30 Winchester Rd roundabout)	Kevin Travers	4.25	2.15	0	2.150242	0	0	0	0
Basingstoke SW Corridor to Growth (Phase 2 = A340/A3010 Thornycroft Roundabout)	Kevin Travers	7.35	6.3	0	0.07	0.093	1	3.25	1.9
Farnborough Growth Package (A325)	Kevin Travers	8.7	6.7	0	0.2	0.5	0.55	3	2.45
Guildford Town Centre Transport Infrastructure Package	Kevin Travers	6.322	4.9	0	0.305	1.63	2.99	0	0
Guildford Town Centre Walnut Tree Bridge	Kevin Travers	2.938	1.54	0	0.305	0.725	0.505	0	0
Woking Town Centre Transport Infrastructure Package	Kevin Travers	25.6	11	0	4.4	5.6	1	0	0
Camberley Town Centre Highways Improvements	Kevin Travers	5	3.75	0	0	0.2	0.6	2.95	0
SARP/Clay Lane Link Road	Kevin Travers	3.5	1	0	0.49	0.51	0	0	0

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Basingstoke South-Western Corridor to Growth - Brighton Hill Roundabout	Kevin Travers	18.6	13	0	0	0.15	0.85	4	8	
Guildford Housing Zone	Kevin Travers	99.65	7.5				2.5	2.5	2.5	
Unlocking Guildford - transport package	Kevin Travers	26.61	12.5			0.5	2	6	4	
Station Approach - Winchester	Kevin Travers	159	5			0.2	4.8			
TOTAL EXPENDITURE		1133.607	229.866871	28.521	37.652	55.209	41.196	33.963	30.450	
				TOTAL CUMULATIVE EXPENDITURE		28.521	66.173	121.382	162.578	196.541
				REPAYMENTS		0.00	2	0.55	0.98	1.3
				TOTAL EXPENDITURE INC REPAYMENTS		28.521	35.652	54.659	40.216	32.663
				TOTAL CUMULATIVE EXPENDITURE INC REPAYMENTS		28.521	64.173	118.832	159.048	191.711
				TOTAL CUMULATIVE LGF ALLOCATION		35.300	76.100	122.201	159.544	177.143
				TOTAL LGF		35.3	40.8	46.1	37.3	17.6