

## Enterprise M3 Board

25 May 2017

### Local Growth Fund Programme Update – Item 11

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

**NOTE** the current progress with delivering the Local Growth Fund programme.

**NOTE** the proposal to combine the Local Growth Fund and Growing Enterprise Fund to create a ‘single pot’ for Enterprise M3 and that further work will be undertaken later this year to reflect the emerging conclusions from the SEP refresh.

**NOTE** the update on the Aldershot Railway Station project

**NOTE** the launch of the National Productivity Investment Fund.

**NOTE** the concerns raised by scheme promoters on availability of revenue funds and proposed work by Enterprise M3 to address this issue.

**1. Growth Deal Update**

- 1.1 Enterprise M3 was allocated a further £40.8m for the 2016/17 financial year from its agreed £219m six year Growth Deal with Government. By the end of 2015/16 £28.7m was paid out, leaving £47.4m for 2016/17.
- 1.2 Appendix 1 shows that the actual funding distributed in 2016/17 was £40.2m and we are in the process of verifying this figure with our Accountable Body. This was in excess of the forecasts provided to the Board in March 2017 and has been achieved as a result of the 5G project and the Woking Transport Package being able to bring forward expenditure from later years. Over the course of March 2017, some slippage was experienced with the Surrey County Council transport schemes, resulting in a £300k underspend against the figures provided to PMG and Board earlier that month.
- 1.3 **Total spend for 2015-18 is forecast at £122.2m, which is £0.5m above our available allocation over the two years.** Whilst this represents a very small over-programming over 2015-18 period, it is felt to be manageable, particularly in light of a number of loan repayments that are due in this timescale.

	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	-0.5m	99%
2017/18	45.7	0	53.3	+7.6m	0%
<b>Total</b>	<b>121.8</b>	<b>68.9</b>	<b>122.2</b>	<b>+0.5m</b>	<b>56%</b>

- 1.4 The focus of the team is now to drive forward the 2017/18 programme, including the Local Growth Fund 3 projects which have now been included in Appendix 2. We expect that the first new projects in the 2017/18 programme will be presented to the PMG and Board for consideration in July 2017. A new dashboard for 2017/18 is under development and will be available at the next Board Meeting. Work on the outcome dashboard has been delayed due to resource constraints but with new staff joining the Enterprise M3 team in May 2017, it is expected that this will be completed before the next meeting of the Board.
- 1.5 Work is also underway to update project information on the Enterprise M3 website and we expect to share the first stage of this website update at the Board Strategic Workshop on 25 May 2017.
- 1.6 The PMG also discussed at its May meeting the potential of bringing all of Enterprise M3's funds into a 'single pot' – this would mean combining our Local Growth Fund and Growing Enterprise Fund. The PMG agreed that this approach would have merit, particularly as the funding streams are becoming increasingly similar, with loans being offered from both funding streams. It is proposed that this issue is given further consideration alongside the emerging conclusions from the Strategic Economic Plan refresh and a more detailed paper will be brought to the Board later this year.

## **2. Aldershot Railway Station**

- 2.1 At their meeting in January the Enterprise M3 Board approved additional expenditure from the Local Growth Fund be approved for the Aldershot Railway Station and Surrounds scheme, so long as the funding is taken from the Wider Aldershot Town Centre package and that the total of LGF funding remains no greater than 50% of the revised total cost of the scheme. This was agreed by Rushmoor Borough Council and they are putting a funding package together to meet these requirements. Unfortunately there is a further delay to the scheme, resulting from the award of the South Western Rail Franchise to a new operator, First MTR.
- 2.2 Whilst Rushmoor Borough Council are leading on the delivery of the scheme, they contracted South West Trains (SWT) to design and tender to scheme on their behalf as it involved working on railway land. Rushmoor BC spoke to SWT to understand what impact the franchising situation may have on the delivery of the scheme and were advised that the Department for Transport (DfT) had told SWT not to enter into any new agreements that extend into the new franchise period and therefore they were deferring this project to the incoming Train Operating Company for consideration and acceptance, before proceeding any further. This type of delay is not acceptable as it directly impacts on our ability to deliver schemes and meet our LGF commitment, we have therefore raised the issue directly with the DfT and are awaiting their response. We will continue to keep Board updated on any developments.

## **3. National Productivity Investment Fund**

- 3.1 The Department for Transport have invited local authorities to bid to the National Productivity Investment Fund for up to £10m of capital expenditure from a £490m pot for transport schemes to be delivered in 2018/19 and 2019/20. The funding is for schemes:
  - to ease congestion and provide upgrades on important national, regional or local routes
  - to unlock economic and job creation opportunities; or
  - to enable the delivery of new housing developments.
- 3.2 Whilst this invitation has gone to local authorities rather than LEPs, the Government has made it clear that it is important that local authorities get LEP support for their bids, in recognition of the significant role we play in influencing transport priorities to support housing and economic growth.
- 3.3 The bidding criteria are quite explicit in terms of the provision of match funding and that any scheme must be delivered by March 2020. Discussions are therefore taking place with

Hampshire and Surrey County Councils about potential schemes that both meet the bidding criteria and have the potential to deliver economic growth.

- 3.4 As the criteria are very tight it is only likely to possible to take forward schemes that have already been designed. The funding systems and incentives in place coupled with the need to respond quickly to bidding invitations make it difficult for scheme promoters to afford the costs of getting schemes to this level of spade readiness. We are therefore also looking at ways in which we can fund and develop a pipeline of schemes that will allow us to respond quickly and effectively to funding opportunities as they arise. At the suggestion of PMG, we are also exploring whether transport projects within the current LGF programme might be eligible for this funding stream and will providing a verbal update on progress at the Board Meeting.
- 3.5 We are considering schemes that best met the criteria and support our strategic priorities as set out in our SEP. Schemes that we are considering with our local authority partners to see if they meet the criteria and thus have a realistic chance of successfully securing funding are:
- A30 / A327 Hartford Bridge Flats Junction Improvements
  - A35 Holmsley Rail Bridge replacement
  - A31 Hickleys Corner Junction Improvements, Farnham
  - Farnham Road Bridge, Guildford
- 3.6 From our initial appraisal bid for all 4 schemes would be supported by the LEP as they would support the local economy by providing resilience on the local road network or address existing congestion issues which can act as a constraint on business growth.

#### **4. Development costs**

- 4.1 A number of scheme promoters have raised concerns about the lack of available revenue funding to support the costs associated with scheme design and development. This has been raised as a particular concern by the highways authorities and they have highlighted that the timetable for any new transport projects in the Local Growth Fund programme may be affected. This issue has been discussed by the Transport Action Group but the lack of revenue funding is an issue for a number of projects across the Local Growth Fund programme and is also critical for the future of our Growth Hub.
- 4.2 We have successfully recruited a Finance Manager who started on 8 May 2017. She is already working with Hampshire County Council on possible options to address this issue and a paper on possible options will be brought to the Board in due course.

Appendix 1 – Dashboard

Appendix 2 – Overall summary of LGF projects (confidential)

**Rachel Barker**  
**15 May 2017**