

Enterprise M3 Board Meeting

27 July 2017

Growing Enterprise Fund – Item 8

Enterprise M3 Board is asked to:

Note the recent progress of the Growing Enterprise Fund projects.

Agree that the staff accommodation at Cranleigh Village Hospital project should be progressed to due diligence

1. Growing Enterprise Fund – Progress

- 1.1 A table summarising the progress of the projects allocated funding is attached at Annex 1 and the Enterprise M3 Board is asked to note the progress update.
- 1.2 A cash flow overview is shown in Annex 2. All repayments have been received on schedule. The overview shows a 2017/18 forecast year-end balance of £7.54m.
- 1.3 Given the forecast year-end balance, the Growing Enterprise Fund remains open to new applications and two meetings with potential applicants have taken place since the last Board meeting in May 2017. Detail of one potential application is given in section 2 below and the other may become a formal Expression of Interest in due course. In addition, Hampshire County Council have confirmed that the 'ring-fenced' £3m (available until September 2017) to support a major inward investment enquiry is still required. There is considerable positive progress with the company involved and we know that we are now one of 2 areas being considered. Board members are asked to note that this is not included in the figures presented in this paper as a formal proposal has not yet been submitted.
- 1.4 PMG and Board discussed in May the possibility of creating a 'single pot' using the Growing Enterprise Fund and the Local Growth Fund. A detailed proposal on this will be brought to PMG and Board later this year, following the conclusion of the SEP Refresh.
- 1.5 Key developments since the Board last reviewed the GEF programme include:
 - The submission of an Expression of Interest from Cranleigh Village Hospital Trust to support the development of 26 staff accommodation units (see section two of this paper).

2. Staff accommodation at Cranleigh Village Hospital – Expression of Interest

- 2.1 An Expression of Interest for the above project was submitted to Enterprise M3 on 3 July 2017 and has been reviewed by the Enterprise M3 team in advance of an update being presented to PMG on 13 July 2017. The proposal is for a health-led scheme which will provide 20 new hospital beds and an 80 bed care home, delivered in partnership with a private sector care home provider. In order to address recruitment difficulties associated with the high cost of housing in the Enterprise M3 area, it is proposed that this development incorporates 26 staff accommodation units for local health care workers and Cranleigh Village Hospital Trust are seeking £1.66m of loan funding from Enterprise M3 to support the accommodation element of the project which has a total build cost of £2.66m.

- 2.2 All Expressions of Interest to the Growing Enterprise Fund are reviewed internally against three criteria before being progressed to independent due diligence – deliverability, economic outcomes delivered and ability of the project to repay. This project is considered to be deliverable with heads of terms agreed with the private sector care home provider, the required land in the ownership of the Cranleigh Village Hospital Trust and a planning application expected to be submitted in October 2017. A start on site is expected in summer 2018. In terms of economic outcomes, the main deliverable from Enterprise M3's funding will be the provision of 26 new staff accommodation units that will provide homes that are affordable for the local workforce, a key strand of Enterprise M3's Strategic Economic Plan. In relation to repayment, the project expects to refinance the accommodation element in 2020 which will allow for Enterprise M3 to be repaid. The project promoters have indicated verbally to Enterprise M3 that they are willing to offer appropriate security and understand that the loan will have an interest rate applied. In light of the above, the Enterprise M3 Programme Management Group agreed that this project should be progressed to due diligence and that the Enterprise M3 loan be focussed purely in line with the accommodation element of the project as this has strong strategic fit with Enterprise M3's Strategic Economic Plan. In light of this advice, the Enterprise M3 Board is asked to agree to progress this project to due diligence. Following the conclusion of the due diligence activity a full report will be brought to PMG and Board before a decision on whether to support the project is taken.
- 2.3 Board Members are also asked to note that the Cranleigh Village Hospital proposal also included a request for elements of grant for the access road and professional fees relating to the overall development. This grant request totalled £232k and the advice of PMG was that this request should not be progressed as the Growing Enterprise Fund is used on a loan basis, except in very exceptional circumstances when the economic outcomes from a project are very significant. The view of PMG was that this was not the case in this instance and therefore only the request for £1.66m of loan funding should be progressed to due diligence.

Annex 1 – Summary of approved projects

Annex 2 – Cashflow overview

Rachel Barker

17 July 2017

Annex 1 - Summary of approved projects

Project	Total funding approved	Spend to date	Repayments to date	Repayment timetable	Project Status	Additional information	Anticipated economic outcomes
Brightwells, Farnham	£1,573,000	£1,564,790.82	£1,564,790.82	All funding repaid to GEF on 30 June 2015.	GEF Agreement signed. Work completed in January 2015.	The additional development unlocked by the project remains on hold. In May 2016 Full Council gave approval for the scheme to go unconditional but has been placed on hold while a judicial review brought on by a group of local residents takes place. This was refused in March 2017 and a start on site is expected in summer 2017.	New homes – 239 Jobs created – 477
Sheerwater Access Road, Woking	£2,000,000	£2,000,000.00	£1,200,000.00	£400,000 on 31 Dec from 2014 – 2018. First repayment made 31 Dec 2014, second repayment made 31 Dec 2015, third repayment made 31 Dec 2016.	Agreement signed April 2013. Works started on site w/c 4 March 2013 new road opened Nov 2013.	Commercial agents fed back increased demand at the Sheerwater Business Park. New supermarket opened Oct 2014. The project was completed and opened on schedule. The scheme is delivering the expected economic, development and housing outcomes at this stage.	Jobs created – 575 (achieved) Jobs safeguarded – 280 (achieved)
Tannery Studios, Send (Ph.1)	£156,000	£156,000.00	£0.00	Lump sum in January 2019 (five years after drawdown)	Agreement signed November 2013.	Works now completed.	Jobs created – 75 (achieved) Jobs safeguarded – 138 (achieved)
Activation Aldershot	£3,000,000	£3,000,000.00	£857,142.86	Seven equal payments starting in March 2016. First Repayment made 7th March 2016. Second repayment made March 2017	Agreement signed Jan 2015. Works commenced in Jan 2015 and completed in July 2015.	Resolution to grant planning permission for Aldershot Urban Extension – July 2013. S106 signed March 2014	Jobs created – 40 Regeneration of Aldershot Town Centre. Acceleration of development.
Tannery Studios, Send (Phase 2)	£1,300,000	£1,100,000.00	£0.00	Over 15 year period.	Agreement signed July 2016, 1st payment made July 2016. Works started in July 2016	15 year legal charge over the lease has been granted to Enterprise M3 as security. Demolition and asbestos removal commenced in January 2017. Rachel Barker visited the site in March 2017.	Jobs created – 650

Farnborough International Infrastructure Development, Farnborough International	£2,500,000	£2,500,000.00	£1,250,000.00	Three payments following airshows in 2014, 2016 and 2018. Second repayment (£1m) was made on 30 June 2016.	Agreements signed in October 2013. Work started on site in October 2013 and completed in April 2014.	Work completed on schedule. All new chalet space was let for 2014 show.	Jobs created – 20 Jobs safeguarded – 38
Enterprise M3 Expansion Fund	£5,500,000	£3,936,138.00	£0.00	Repayments to commence in 2019 and complete by 2021.	Agreement signed 2 July 2014 and fund launched on 11 July 2014. First loans made November 2014.	Board agreed in May 2017 to extend the investment period to June 2018. Evaluation of Expansion Fund completed and reported to PMG and Board in May 2017.	Jobs created – 150 (98 achieved) Leverage - £15m
Chapel Hill, Basingstoke	£2,129,000	£2,129,000.00	£0.00	Estimated to commence in July 2017 and complete by 2021.	Legal Agreement signed in June 2016, loan paid out in July 2016.	Construction work has started on site and the show home opened in February 2017. Land and Property Group visited site in March 2017	New homes – 580
Addlestone One, Runnymede	£3,000,000	£3,000,000.00	£1,500,000.00	6 equal six-monthly payments from March 2016.	Legal agreement signed September 2015. First £500k repayment made in March 2016, second one in September 2016.	Project is slightly ahead of schedule. Multi-storey car park is complete and in use, generating small income stream. Phase 1 complete in April 17 and phase 2 in Dec 17, on target.	Jobs created – 200 New homes - 213
Aldershot Enterprise Centre	£155,000	£115,000.00	£0.00	3 equal annual payments of £15,500 from December 2017.	Agreement signed 29 July 2016. Works completed in November 2016.	Hampshire Day Services have moved on site and are looking at work trials for their clients with resident companies.	Jobs created - 80 (45 achieved to date) New businesses - 25 (14 achieved to date) Apprenticeships - 1
Total	£21,313,000	£19,540,929	£6,371,934				

Annex 2 – Cashflow overview

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Actual Expenditure	£225,900	£4,749,306	£5,920,859	£4,323,281	£3,102,412	£1,219,171.00	£0.00		
Actual Repayments			£650,000	£2,893,362	£2,828,571	£0.00	£0.00		
Forecast Expenditure					£0	£1,763,862.00	£0.00	£0.00	£0.00
Forecast Repayments					£0	£2,376,321	£3,282,321	£976,321	£1,810,821
Balance at End of Year	£19,875,901	£15,126,595	£9,855,736	£8,425,817	£8,151,977	£7,545,265	£10,827,587	£11,803,908	£13,614,730