

Enterprise M3 Board

27 July 2017

Local Growth Fund Programme Update – Item 11

Board members are asked to:

NOTE the current progress with delivering the programme.

NOTE the risk of an underspend this financial year and **AGREE** that we will not seek additional LGF projects at this stage.

AGREE the revised approach to the Hampshire Centre of Environmental Technologies project.

NOTE the proposed approach to major transport packages

1. Growth Deal Update

1.1 Enterprise M3 was allocated a further £45.7m for the 2017/18 financial year from its agreed £219m six year Growth Deal with Government. To date, we have received £121.8m of Local Growth Fund from Government, of which £70.7m has been distributed to projects to date. The table below shows this information by year.

	LGF Funding Allocated	Actual Funding Distributed to date	Forecast Distribution	Difference +/-	% of Allocation Distributed
2015/16	35.3	28.5	28.5	-6.8m	81%
2016/17	40.8	40.5	40.5	-0.3m	99%
2017/18	45.7	1.97	52.1	+6.4m	4.3%
Total	121.8	70.7	121.1	-0.7m	58.4%

1.2 **Total spend for 2015-18 is forecast at £121.1m, which is £0.7m under our available allocation over the three years.** The table above shows that current forecasts suggest that whilst we will spend the entirety of our 2017/18 allocation, it is unlikely that we will distribute all of the funding that has been made available to Enterprise M3 over the 2015-18 period. The forecasts above suggest that this underspend over the three year period will be small but a significant amount of risk exists within the current programme, with five projects forecasting expenditure in 2017/18 yet to submit business cases to Enterprise M3 for consideration. These projects are as follows:

- Regional cyber-security and big data innovation centre – Royal Holloway (*£2.5m in 2017/18 – draft business case received and under review*)
- Aldershot Games Hub (*£75k in 2017/18 – business case expected in September 2017*)
- Enterprise Zone programme (*£10m in 2017/18 - four business cases from BDBC received to date*)

- Aldershot Town Centre regeneration (£0.5m in 2017/18 - Business case expected November 2017)
 - Unlocking Guildford Transport Package (£0.5m in 2017/18 – Business case expected early 2018)
- 1.3 Assuming the worst case scenario (in which none of the projects come forward in 2017/18) expenditure in 2017/18 would be circa £38.5m, £13.6m less than currently forecast for 2017/18. At this stage, we have no reason to believe that these schemes won't be progressing in 2017/18 and therefore haven't yet adjusted the figures in the table above but we wanted to make Board members aware of the risks within the current programme and we will continue to report on these on a regular basis.
- 1.4 The team have started to discuss strategies to mitigate against the risk of an underspend of this scale and will continue to identify opportunities to accelerate projects forecast for delivery in later year, in addition to focusing closely on the schemes already underway. At this time, it is not our recommendation to call for any new projects as any such call for new schemes would be most advantageous following the conclusions of the SEP refresh. The scale of any underspend is currently less than the additional 2017/18 allocation awarded to Enterprise M3 in March 2017 and we are aware that Government accept that LEPs may wish to carry forward funding from 2017/18 given the fact that this funding was awarded at late notice (Enterprise M3 was notified in March 2017 that it would receive an additional £16.6m from the Local Growth Fund in 2017/18).
- 1.5 The PMG agreed this approach and additional information has been added to the paper to reflect the comments and questions raised by the group, in particular further detail on projects and the anticipated level of underspend. The views of the Enterprise M3 Board are sought on this approach at this stage as the 'window' in which we could call for additional schemes to be delivered in 2017/18 will likely 'close' before the next PMG and Board meeting in September 2017. If Board agree this approach, we will have an early discussion with Government to make them aware of our approach and the potential for an overall underspend and at this time we expect this to be in the region of £5m (i.e. total expenditure in 2017/18 of £47m and in 2015-18 of £116m). This conversation will be with the caveat that we are confident that we will spend the entirety of our Local Growth Fund 1&2 allocation which totals £105m (i.e. the amount of funding we thought we would have before the announcement in March 2017).

2. Outputs and Outcomes

- 2.1 Board members will be aware that revisions are being made to our expenditure dashboard and a new version of this is attached at Appendix 2. Board Members are asked to note that expenditure related to Farnborough Airshow has been omitted in error from the dashboard and the figures in the table in section 1 are accurate at the time of writing. To accompany the expenditure dashboard, an outcomes dashboard has also been developed for use by the PMG and Board which will allow for regular tracking of forecast and actual outputs (focusing primarily on jobs, new homes, apprenticeships and commercial floorspace) and this is also attached to this paper. We welcome the input and comments of Board members on these new dashboard which remain in draft form at this time.
- 2.2 All LEPs report to government on the progress of the Local Growth Fund programme on a quarterly basis. Our most recent reporting covered the period between January and March 2017 and reported the delivery of the following using Local Growth Fund to date.
- 928 jobs connected to the interventions (safeguarded/created)
 - 12 new business starts
 - 72 enterprises supported
 - 9,000 sqm of new learning space
 - 770 new learners assisted
 - 226 new homes started

- 2.3 In future the outputs dashboard will enable Board members to monitor the changes in the delivery of these targets over time and will show a direction of travel when compared to the reports generated for the previous quarter. We are also working to bring together the outputs from the entirety of Enterprise M3's activity and the proposals for a 'single pot' incorporating Local Growth Fund and Growing Enterprise Fund will help to achieve this.
- 2.4 Our outputs figures remain low at this stage, reflecting the fact only a small number of our projects are completed but we expect these figures to increase over the next 12 months and will report on these using the new dashboard.

3. Hampshire Centre for the Demonstration of Environmental Technologies

- 3.1 The Enterprise M3 Board approved funding (£1.358m) for the Hampshire Centre of Environmental Technologies in 2016 and a legal agreement with Sparsholt College has been signed which includes a requirement that works on site must be completed by April 2018 so that the facility can formally open later in the year. To complement the project and increase the overall size of the new building, Sparsholt College has also applied for ERDF funding and their application is currently being considered. We understand that the review of this ERDF application by Government is currently experiencing delays and the outcome may not be known until September 2017 and this may have an overall impact on the completion date for the facility.
- 3.2 We are working closely with Sparsholt College on this issue and in light of these delays they have offered to repay all LGF paid to them to date that has not been spent to date. The proposal is that Enterprise M3 will 'ringfence' this money for the project and release it to the project once there is more certainty on ERDF funding. In the worst case scenario, where ERDF funding is not secured for the larger project, the original project will be delivered using LGF funding, albeit with a three month delay in completion. The Enterprise M3 Board is asked to agree this approach which has been endorsed by PMG.

4. Approach to major transport packages

- 4.1 As part of the LGF3 award, funding was set aside for two transformational transport packages focussed on Guildford and the Blackwater Valley. The Unlocking Guildford – Transport Package has received a provisional allocation of £12.5m and the Blackwater Valley Gold Grid, £8m, consisting of £4m LGF3 funding and an additional £4m from the Sustainable Transport Programme. The Unlocking Guildford Transport Package is due to deliver over 4 years, starting in 2017/18 and the Blackwater Valley Gold Grid over 3 years, starting in 2018/19. Both packages also attract match funding, making them two of the largest investments being taken forward by the LEP. We have been particularly pressing that the impact and outputs remain in line, albeit reduced in line with funding, with original proposal.
- 4.2 Both of the initial Expressions of Interest for these packages consisted of a number of interlinked projects, which combined were in excess of the funding available, so an initial sifting and prioritisation process has been required. We have been working closely with the relevant local authorities and has agreed an approach to the development of these packages through the business case and scheme approval process.
- 4.3 In the Blackwater Valley, whilst the area has many strengths it needs tactical interventions to protect and grow its economy. The main challenge to maintaining this position is the growth in congestion. With no single dominant centre, this leads to long distance commuting and low levels of self-containment, exacerbated through a gap in skills of local residents and those needed by the local economy. Local house prices are also 8.5 times the local average wage. To address this the main thrust of the Gold Grid proposal is to improve inadequate infrastructure in Camberley Town Centre so that businesses continue to thrive, invest in walking, cycling and facilities for bus users where evidence suggests it can provide a realistic alternative to the car for local and shorter journeys and provide better integrated public transport between the urban centres by bus and rail. The provisional priority package

identified consists of two main elements, improvements to the public realm in the centre of Camberley that will enhance its accessibility, viability, improving the visitor and resident experience of place, integrate transport modes and to give pedestrians more space and priority in the town centre. This will be coupled with a major step-change to the public transport and sustainable transport corridor linking the major centres in the Blackwater Valley - Camberley, Farnborough and Aldershot. Detailed outputs will be worked up in the business case but the scheme is expected to support the delivery of 600 new homes in Camberley town centre, 41,000 square metres of retail development and 1800 jobs.

- 4.4 In Guildford the major constraint holding back growth are excessive congestion and poor accessibility to and from Surrey Research Park and the Town Centre and on the Guildford approaches. Detail of the package proposed to meet the funding available is still be finalised, but is likely to consist of investments that support the development of the town centre, create a more integrated and reliable public transport system and tackle flood alleviation measures which will allow further development to progress. The aim is to deliver unimpeded access by all transport modes with priority for public transport and sustainable travel from the town centre, the A3 and beyond into and out of the existing (and extended) Surrey Research Park, the proposed University Technical College, Royal Surrey County Hospital, and University of Surrey campus. The package will create the conditions for major development and relieve functional and productivity constraints. It will also help to enable development of over 100,000 sqm of high quality commercial space, the creation of 11,000 jobs and provide infrastructure needed to unlock key town centre sites, enhancing housing supply by up to 5,000 units. Elements of the package will contribute to relief of traffic pressure on strategic routes into Guildford which is currently subject to very significant peak hour congestion, whilst flood alleviation is essential to bring forward new employment and housing sites in the Town Centre.
- 4.5 Scheme promoters will be required to produce stand alone business cases for the individual elements of the packages, however, it is recognised that in many instances these will be closely related and some of the benefits of the investment will derive from the agglomeration effect of this approach. It can be difficult to attribute precise outputs and outcomes to specific schemes and it is therefore intended to look to develop a common strategic case for the individual schemes in each location, which can be complemented by the full business cases.
- 4.6 To maximise the benefits of this approach it is intended to appoint AECOM, who will carry out the scrutiny of these business cases, early in the process, so that they are able to advise on the production of the strategic business cases and ensure they are broadly comfortable with the approach taken. Hence when the full business case is considered, the broad principles of the approach will already be agreed. At this stage, Board is asked to note this proposed approach.

Appendix 1 – Overall summary of LGF projects (confidential)

Appendix 2 – Expenditure and outcome dashboard

Rachel Barker/Kevin Travers

19 July 2017

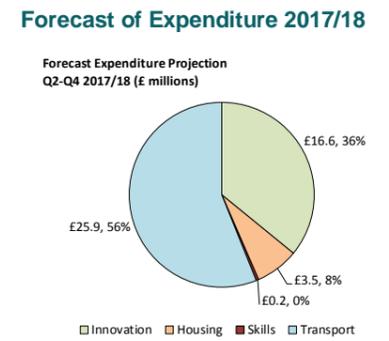
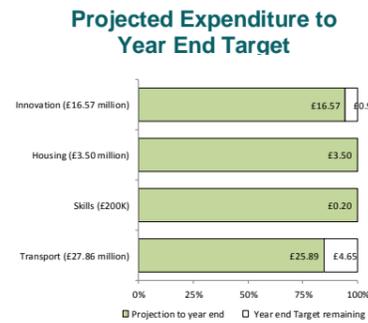
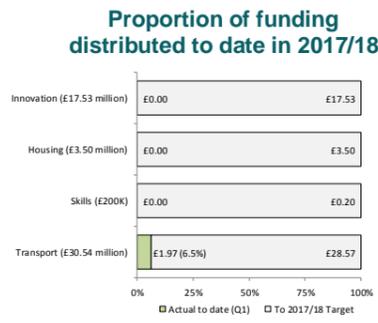
Live Projects 2017/18 Key Points

- Of the 35 'live' projects eight reported actual expenditure in Q1 2017/18, totalling £1,971,000 out of a Q1 target of £6,004,000 (30.8% of Q1 target).
- All Q1 expenditure took place under the Transport theme.
- Forecast of expenditure to year end targets suggests an under spend of £4.65 million for Transport and £960K for Innovation. Housing and Skills projections are forecast to meet year end targets.

£1.97 million
2017/18 Total Spend to Date

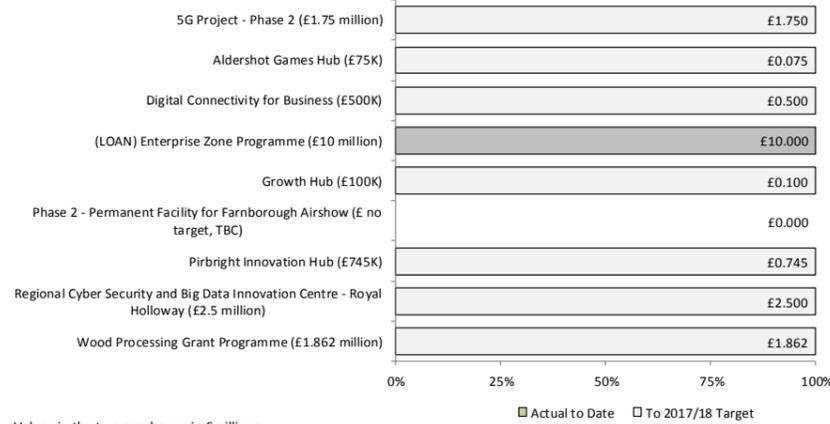
£51.77million
2017/18 Total Annual Target

£47.64 million
2017/18 Total Annual Projection

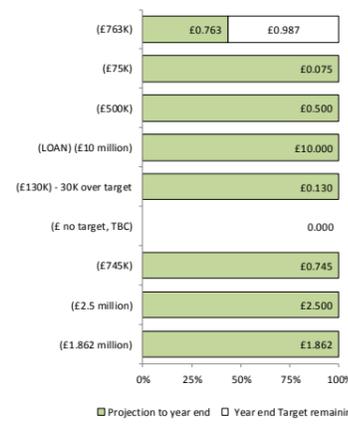


Innovation

Actual Spend To Date (Q1) of 2017/18 Target



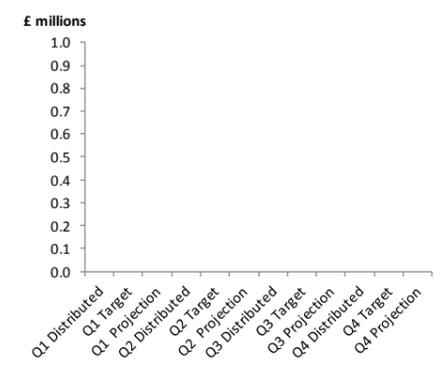
Projected Expenditure to Year End Target



Overall RAG

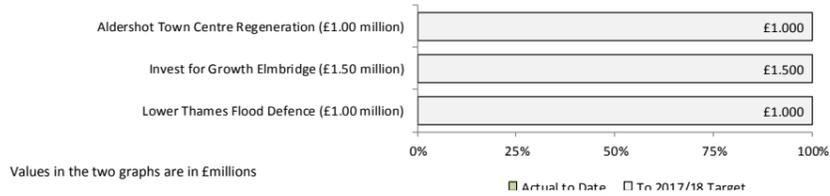


Quarterly Transport Distributed, Target & Projection (2017/18)

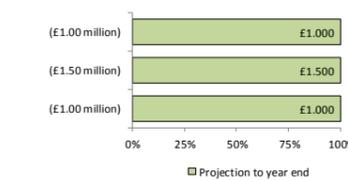


Housing

Actual Spend To Date (Q1) of 2017/18 Target



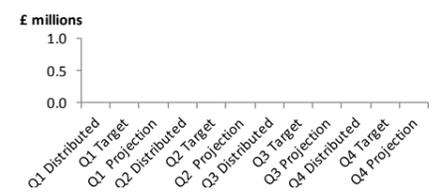
Projected Expenditure to Year End Target



Overall RAG

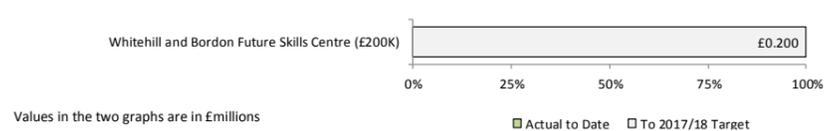


Quarterly Transport Distributed, Target & Projection (2017/18)

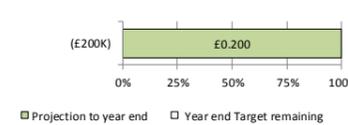


Skills

Actual Spend To Date (Q1) of 2017/18 Target



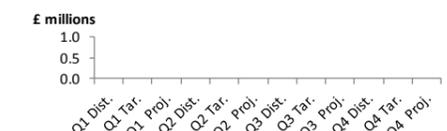
Projected Expenditure to Year End Target



Overall RAG

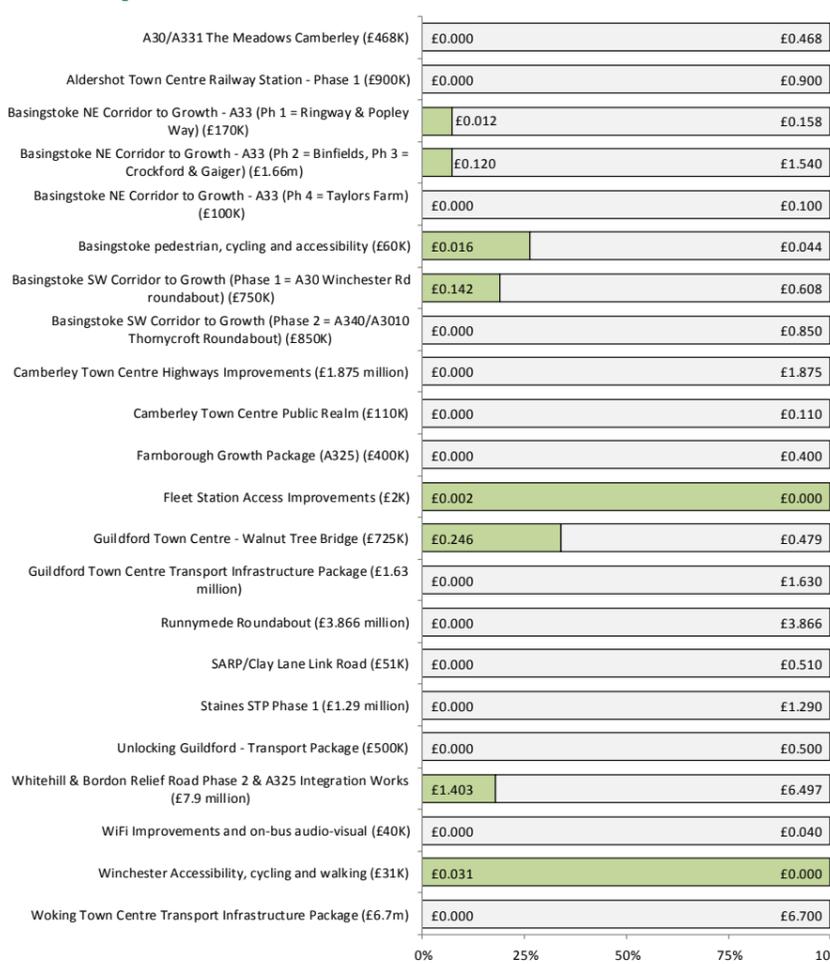


Quarterly Transport Distributed, Target & Projection (2017/18)

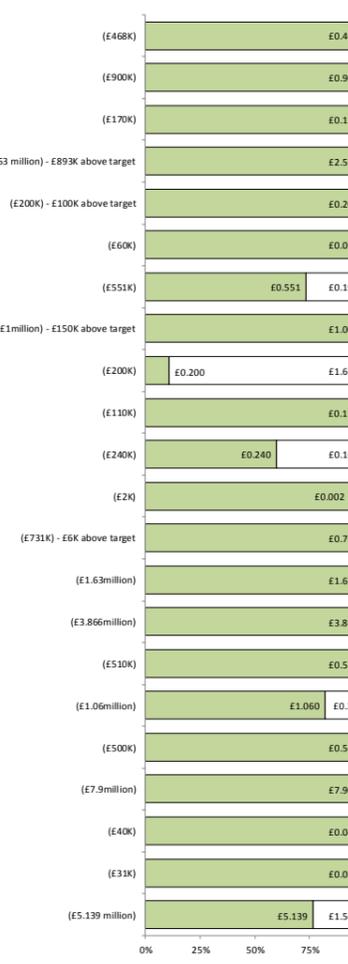


Transport

Actual Spend To Date (Q1) of 2017/18 Target



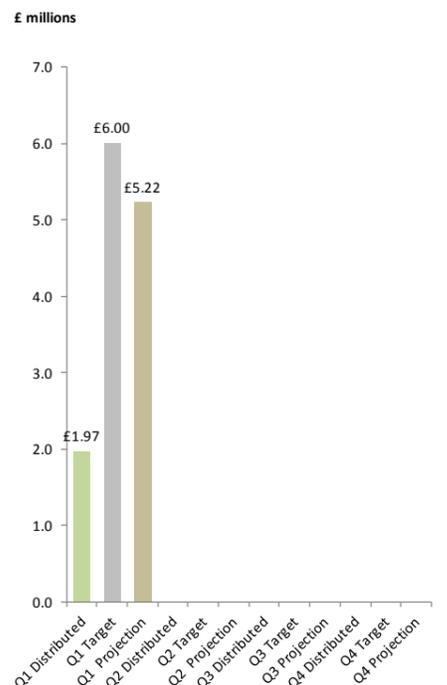
Projected Expenditure to Year End Target



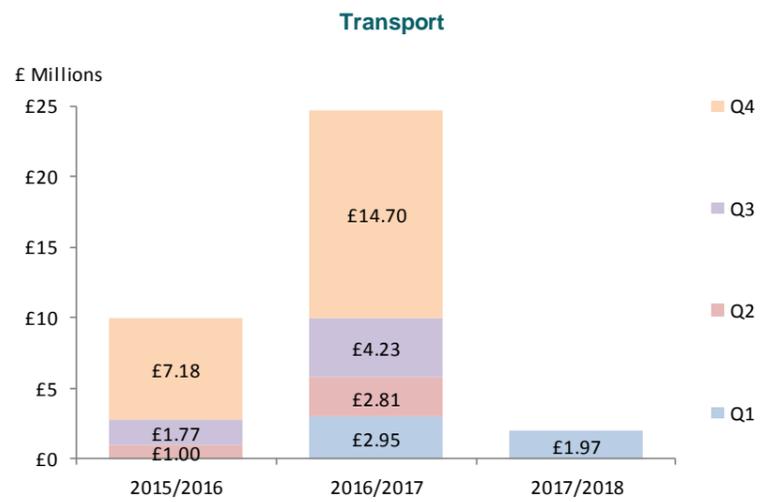
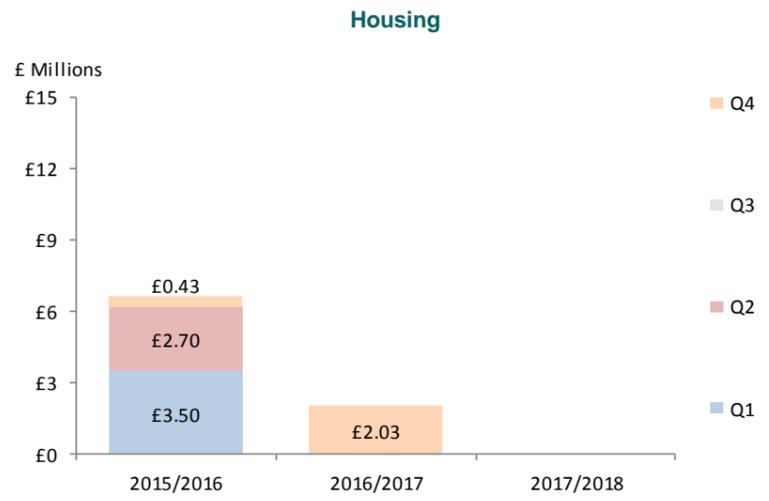
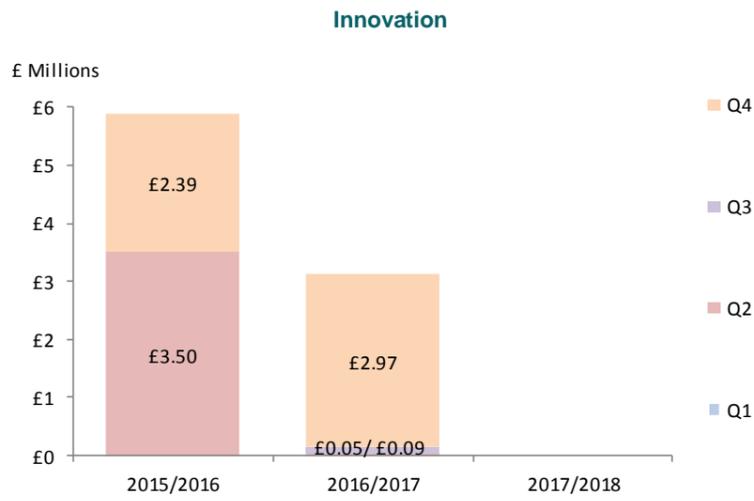
Overall RAG



Quarterly Transport Distributed, Target & Projection (2017/18)



Annual Funding Distributed (2015 -2018)



Summary

1. Key achievements to date

- First draft of outputs dashboard developed

2. Key priorities for next month

- Finalise all 2016/17 accrual payments
- Agree timetable with all outstanding 2017/18 projects who are yet to submit final business organisations..

3. Key Programme Risks

- Delays in committed schemes
- Five business cases for projects forecasting expenditure in 2017/18 still to be submitted

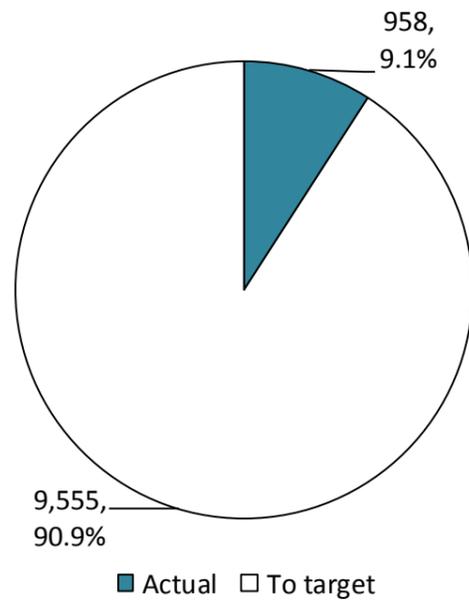
4. Contracts Signed

- Egham Sustainable Transport Package (Phase 1)
- Wider Staines Sustainable Transport Package
- A30 Meadows Gyratory Scheme.



Jobs Created*

Target: 10,513 jobs
 Created to date: **958 (9.1%)**
 To meet Target: 9,555 (90.9%)
 (*Including safeguarded jobs)



Measure: permanent paid FTE jobs newly created or safeguarded as a direct result of the intervention.

Comments

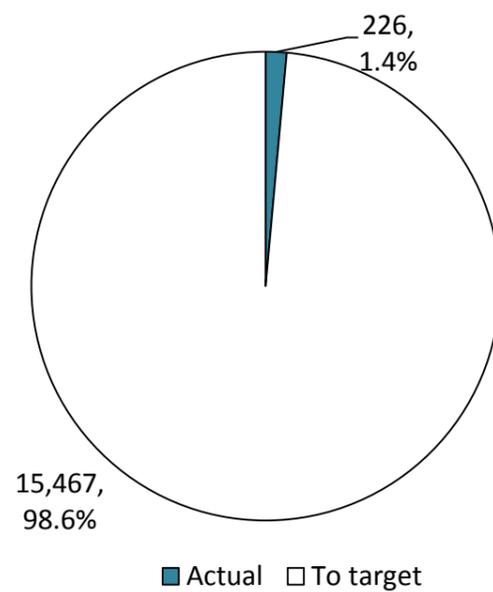
To date 9.1% of target achieved with 958 jobs created or safeguarded.

Seven projects contributed to the 958 figure, although the SANGs Pilot accounted over half with 527 jobs created/safeguarded (55%), while the 5G added 250 (26%).



Housing Units

Target: 15,693 units
 Completed to date: 226 (1.4%)
 To meet target: 15,467 (98.6%)



Measure: number of housing units completed as a direct result of the intervention

Comments

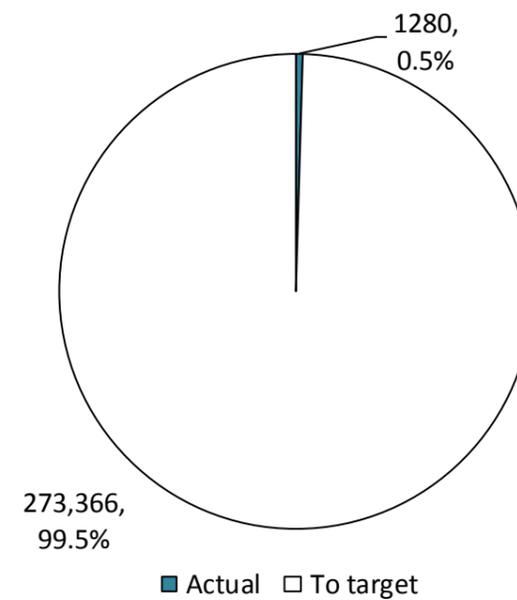
To date 1.4% of the target has been achieved with 226 housing units completed.

Built out housing can be attributed to two projects. The SANGs Pilot accounted for two thirds with 150 houses (66.4%) and the East Hants Invest for Growth Initiative a further 76 completions.



Commercial Floorspace

Target: 274,646 sqm
 Created to date: 1,280 sqm (0.5%)
 To meet target: 273,336 sqm (99.5%)



Measure: commercial area created in square metres of floorspace.

Comments

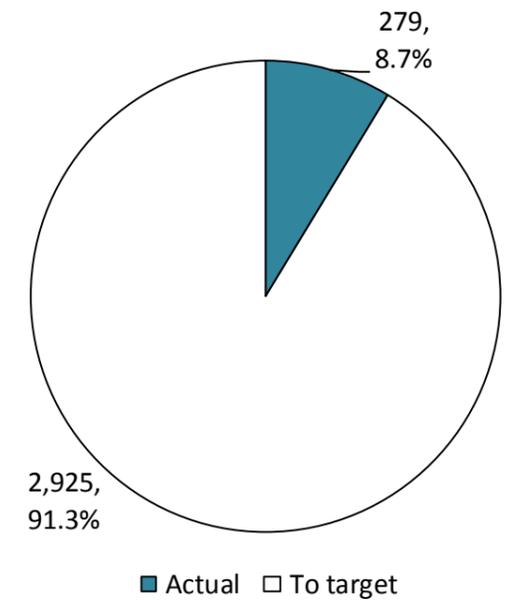
To date 0.5% of the target has been achieved with to 1,280 sqm created

All 1,280 sqm created can be attributed to the Energy for Life Marwell project.



Skills (Apprenticeships)

Target: 3,204 delivered
 Delivered to date: 279 (8.7%)
 To meet target: 2,925 (91.3%)



Measure: number of apprenticeships delivered as a direct result of the intervention.

Comments

To date 8.7% of target achieved with 279 apprenticeships delivered.

The apprenticeships have been delivered through four projects, although 221 (79%) have been delivered through the Brooklands College Ashford (out of 888 projected). A further 45 (16%) were delivered by Andover Technology and Skills Centre (out of 115 projected)