

Enterprise M3 Board

29 March 2018

Growing Enterprise Fund – Item 8

Enterprise M3 Board is asked to:

Note the recent progress of the Growing Enterprise Fund projects.

Agree to the allocation of a £2.85m loan from the Growing Enterprise Fund to the Farnham, Road Bridge, Guildford

1. Growing Enterprise Fund – Progress

- 1.1 A table summarising the progress of the projects allocated funding is attached at Annex 1 and the Programme Management Group 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 £9.3m. This figures includes the recent early repayment of the loan (£1.25m) for the Farnborough Airshow project.
- 1.3 Given the forecast year-end balance, the Growing Enterprise Fund remains open to new applications but enquiry levels are low. As noted by the Enterprise M3 Board in May 2017, it is intended that the Growing Enterprise Fund be merged with the Local Growth Fund at the start of the 2018/19 financial year and a single paper detailing progress across both funds will be presented to PMG and Board from May 2018. As set out in the Local Growth Fund paper, we will be issuing a call for new projects deliverable in 2018/19 in March 2018 which will help us to strengthen our project pipeline.
- 1.4 Recent project monitoring has demonstrated strong progress against delivering outputs/outcomes to date, with the Growing Enterprise Fund having delivered the following to date:
 - 1,344 jobs created/safeguarded (further 1,379 forecast in future years)
 - 67 new homes completed (further 962 forecast in future years)

As 0.5% of funding has been distributed in the form of grants, the realisation of these outputs/outcomes has been at close to nil cost to the public sector. As we move towards merging the LGF and GEF funds, it is intended that these figures be included in our outputs dashboard in 2018/19.

2. Farnham Road Bridge, Guildford

- 2.1 An initial Expression of Interest for the above project was submitted to Enterprise M3 on 21 December 2017 and following initial discussions with Surrey County Council a revised version submitted on 10 January 2018. The proposal seeks a contribution of £2.85m from Enterprise M3 towards bridge strengthening works for Farnham Road Bridge in Guildford, a key access point to the town. It is proposed that this funding from Enterprise M3 would be matched by £0.961m from Network Rail and £0.65m by Surrey County Council.
- 2.2 Farnham Road Bridge has been identified as critically deficient for unrestricted traffic loading, essentially meaning that if works are not undertaken, there would have to be an operational weight limit placed on the bridge of 7.5 tonnes. This would result in heavy goods vehicles and buses being prohibited from using the bridge and would have a major impact on both access to Guildford for this traffic as well as wider implications due to restricted traffic finding alternative routes. As a result, a failure to intervene could undermine Enterprise M3's planned investments across Guildford aimed at easing traffic congestion and unlocking growth.

- 2.3 The works are being led by Network Rail and they have programmed the works to take place between Christmas and New Year 2018. Surrey County Council have responsibility for the highway over the bridge and for contributing to the cost of the bridge strengthening works, over and above those which Network Rail will meet to accommodate vehicles weighing under 7.5 tonnes. It is anticipated that the £2.85m funding from Enterprise M3 will be required in 2018/19.
- 2.4 The Board agreed at their meeting in January that the proposal could be progressed to due diligence on the basis that any funding provided from the GEF would be in the form of a loan and that they were not minded to relax repayment requirements should additional external funding not be secured for the scheme. Surrey County Council have indicated that they intend to bid to the Department for Transport (DfT) Highway Challenge Fund to assist them in making the loan repayment.
- 2.5 AECOM were appointed to carry out the due diligence of the proposal, which focused on 3 key areas. A copy of the due diligence report is available to Board Members on request.
- **Case for the Scheme** – prospect to deliver and safeguard significant level of quantifiable outputs in relation to the level of funding sought and whether a local or more strategic economic impact will result.
 - **Costs and Deliverability** - due diligence to confirm level of confidence that cost of the scheme is robust and that it can be delivered as programmed
 - **Loan and Repayment**– that funding for the scheme was secure and arrangements for repayment of funding sought in terms of the proportion, timing and likelihood
- 2.6 The Expression of Interest submitted laid out the case of the scheme including summarising 5-option development. No quantified dis-benefit analysis of the implications of closure/restrictions on the bridge has been carried out because it is considered a costly and due to all the variables and therefore probably an imprecise exercise. Nevertheless qualitative data on impacts has been provided that presents a strong case that without the works there would be a fundamental and unacceptable impact on employment, economic growth, air quality, the wider environment and on our local and wider communities. It is clear that the closure of the Bridge to HGVs and buses would have a substantial direct costs and significant impacts.
- 2.7 In relation to costs and deliverability Network Rail have confirmed that the scheme is still programmed for delivery in December 2018 and are carrying out design work for a 40 tonne weight limit in good faith, on the basis that Surrey County Council will be able to secure the necessary funding. Work on producing a detailed cost estimate has however been delayed and is now not expected until next month.
- 2.8 The outline costs to the options and initial breakdown for the selected scheme have been provided and were assessed as part of the due diligence. The view is that the current estimates include an appropriately high level of risk/optimism bias, and allowance for inflation. There is still an element of residual financial risk, but this would sit with the local authority rather than the LEP. However, it is recommended that Network Rail provide further cost information when available.
- 2.9 In relation to the funding and loan repayment the Department for Transport have confirmed that securing a loan from the LEP would not preclude Surrey County Council from submitting a bid for funding for the project through the local highways maintenance Challenge Fund process. Surrey County Council has also confirmed that if their bid to the Department for Transport is not successful then they can fund and payback the loan from other sources, within the 5-year timeframe, albeit at the expense of their other programmes.
- 2.10 It is considered that a strong case that has been put forward as to the implications to the economy and the negative transport impact of not strengthening the bridge. In relation to the cost of the scheme it has also been confirmed that whilst more detail would be useful, the figures are robust and contain sufficient contingency funding. The Department for Transport has confirmed that the approval of the loan by the LEP will not affect Surrey County Council's ability to bid for Challenge Fund and Surrey has also confirmed that even if this funding is not

secured they will still be able to repay the loan. On this basis it is recommended that the loan be approved.

Annex 1 – Summary of approved projects

Annex 2 – Cashflow overview

Rachel Barker/Kevin Travers

19 March 2018

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 work started on site in February 2018.	New homes – 239 Jobs created – 477
Sheerwater Access Road, Woking	£2,000,000	£2,000,000.00	£1,600,000.00	£400,000 on 31 Dec from 2014 – 2018. 1st repayment made 31 Dec 2014, 2nd repayment made 31 Dec 2015, 3rd repayment made 31 Dec 2016, 4th repayment made 31 Dec 2017	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 and this has been reflected in lease extensions and new investment. 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. 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. Internal fit out expected to commence Feb 2018.	Jobs created – 650

						Rachel Barker visited the site in March 2017.	
Farnborough International Infrastructure Development, Farnborough International	£2,500,000	£2,500,000.00	£2,500,000.00	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 and 2016 show.	Jobs created – 20 (achieved) Jobs safeguarded – 38 (achieved)
Enterprise M3 Expansion Fund	£5,500,000	£3,936,138.00	£0.00	Repayments to commence in 2020 and complete by 2022.	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	£532,250.00	First repayment made in July 2017 and repayments will be 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 (67 delivered to date)
Addlestone One, Runnymede	£3,000,000	£3,000,000.00	£2,000,000.00	6 equal six-monthly payments from March 2016.	Legal agreement signed September 2015. 1st £500k repayment made in March 2016, 2nd in September 2016, 3rd in March 2017 and 4th in March 2017	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 due to complete in Spring 2018.	Jobs created – 200 New homes - 213
Aldershot Enterprise Centre	£155,000	£115,000.00	£15,500	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 (+80 achieved to date) New businesses - 25 (22 achieved to date) Apprenticeships - 1
Total	£21,313,000	£9,069,684	£7,819,684				

Annex 2 – Cashflow overview

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
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	£2,682,250.00	£0.00
Forecast Expenditure					£0	£1,263,682.00	£500,000.00
Forecast Repayments					£0	£944,071	£2,032,321
Balance at End of Year	£19,875,901	£15,126,595	£9,855,736	£8,425,817	£8,151,977	£9,295,445	£10,827,767