

**Enterprise M3 Board Meeting**  
**26 July 2018**  
**Capital Programme Update – Item 12**

Enterprise M3 Board is asked to:

- NOTE:** - The outcomes of the Programme Management Group (PMG) on the 5 May 2018 and telephone PMG on 22nd June 2018
- NOTE:** - The progress made on managing project risk for key targets
- AGREE:** - The recommendations of The Resource, Finance and Audit Committee (RFAC) of the 9 July 2018, to the Financial Management Principles

**1 Forecast Spend Update**

1.1 PMG were presented with a revised layout for the presentation of financial information, Table 1 below, that matches the approval process to the amount of spend for the period 2018-19. Table 1 has been updated to include the agreements reached by PMG in May and June 2018 as noted in the minutes (Item 11).

1.2 Table 1

	<b>LGF/GEF Process Description</b>	<b>£m</b>	<b>% of total funding available</b>
	<b>Total Funding available in 2018/19</b>	<b>69.4</b>	
A	Expression of Interest/Business Case received	0.5	0.7%
B	Projects agreed by PMG to progress to due diligence (Table 2)	1.8	2.6%
C	Projects seeking final PMG/Board approval	19.6	28.2%
D	Projects contracted or awaiting contract completion	40.7	58.7%
E	Unallocated	6.8	9.8%

1.3 Table 1 shows that 58.7% out of a sum of £40.7m of the total funding available including carry forward, is already contracted or agreed by PMG to be contracted (table 1 D).

1.4 This figure could increase by £3.1m (Table 1D and reduce at Table 1C) if Board approve the projects at item 9 on this agenda. The projects are Whitehill and Borden Sustainable Transport Package and the Unlocking Guildford Package. Both are over £3m, thus require Board Approval.

- 1.5 The following two projects (table 2 below) totaling £1.8m were approved by PMG and are included in Table 1B above.

Table 2

	<b>Project</b>	<b>Value in 2018/19</b>
1	Aldershot Games Hub	£1.8m
2	Commercially sensitive project at this stage	

- 1.6 The following projects (table 3) below were approved at the May/June PMG to go to legal agreement and are included Table 1 row D above

Table 3

	<b>Project</b>	<b>Value in 2018/19</b>
1	Brooklands College Condition Works	£4.0m*
2	Brockenhurst College Condition Works	
3	Centre for Social Innovation, New Forest	
4	Centre for Digital Creativity -	
5	Guildford Technology Tower	
6	Condition Works at Sparsholt	
7	Pathway to Virtual Campus	
8	Brooklands Business Park Accessibility	
9	Blackwater Valley Hotspots	

\* Note 1 - The figure of £4.0m only includes those projects under £3m, agreed at the May and June PMG. It does not include those previously agreed by PMG and/or Board awaiting legal completion, which is the total figure at Table 1 row D

- 1.7 Against the current programme EM3 targeted to achieve in 2018/9 the following outputs/outcomes, subject to projects commencing on time: -
- 1000 jobs created/safeguarded
  - 540 new homes
  - 3,000 sqm of new employment space
  - 250 apprenticeships
- 1.8 The latest dashboard figures are attached to this report showing the year end target for jobs is slightly below the forecast for jobs create/safeguarded. However, the housing units, commercial floorspace and apprenticeships are exceeding profiled targets. Please note however that the Q1 monitoring forms are still being returned at the time of writing the report so there are further updates to be made.

2. Pipeline of projects have been included in local growth fund but need to be fully scoped in order to come forward to PMG to be included in table 1 above

Table 4

Project and LGF contribution	Expected date for business case to be presented to Board/PMG
5G Project – Phase 3 (£1.54m)	Delayed from July to September 2018
Aldershot Games Hub (£0.867m in 2018/19)	September 2018
Regional Cyber Security and Big Data Innovation Centre (£5m; £2.5m forecast for 2018/19)	Delayed from July to September 2018
Alton Advances Manufacturing and Technology Park (5.85m in 2018/19)	September 2018
Niche Sector Incubation (£4.5m; £0.5m forecast in 2018/19)	Delayed from September 2018 to March 2019.
Basingstoke Work Based University Centre (tbc)	November 2018
Enterprise M3 Transforming Colleges (£11.62m; £2m forecast in 2018/19)	November 2018
Aldershot Town Centre Regeneration (£1.2m in 2018/19)	November 2018
Farnborough Growth Package (£6.7m; £0.65m forecast in 2018/19)	January 2019
Guildford Housing Zone (£7.5m; £2.5m forecast in 2018/19)	TBC
Unlocking Guildford Transport Package (£12.5m, £2m forecast in 2018/19)	Final business cases to follow in September 2018.
Camberley London Road Highway Improvements (£3.75m, £0.4m forecast in 2018/19)	November 2018
Woking Sustainable Transport Programme (£3m; currently no forecast expenditure in 2018/19 but investigating options to bring forward).	November 2018
Blackwater Valley Gold Grid – Public Transport Corridor (£4.5m; currently no forecast expenditure in 2018/19 but investigating options to bring forward).	November 2018 – brought forward from March 2019
Station Approach Winchester (£5m)	November 2018
Basingstoke South-Western Corridor to Growth – Brighton Hill Roundabout (£13m, £0.5m 2018/19)	March 2018

3. Managing Project Risk

- 3.1 At the July PMG members discussed the project risks that might impede the ability to achieve year end targets for outputs and actual spend. In this financial year the spend at

the end of Q1 is £3.8m, which represents 91.8% of Q1 spend. As the first target spend figure was relatively low to overall spend it is expedient to introduce measures now to ensure targets are met. Prudently we are putting measures in place now to ensure year end spend targets

- 3.2 PMG discussed the overall spend position and discussed measures that we could take longer term to manage the spend. This report updates members on the progress of short term actions advised.
- 3.3 The measures already in hand are:
  - Update RAG status on capital programme overall summary and dashboard to highlight any projects at risk of not achieving current spend profile
  - Reprofile spend across the remaining 2018/9 quarters.
- 3.4 EM3 are progressing with the work to identify longer term project risk and to analysis the results. A full report will be presented to the September PMG and then to the September Board, showing our findings and proposed measures should the exercise demonstrate significant risk of underspend and underachievement of outputs. This is a prudent approach to programme management as the early detection of risk allows adequate time for remedial action.
- 3.5 Because the spend profile has been back-loaded to the final quarter, it is difficult to accurately assess progress against the end of year target. EM3 are undertaking a reprofiling exercise in consultation with delivery partners

#### **4. Measures proposed to ensure EM3 meet year end spend and outcome targets**

- 4.1 The first task is to accurately assess and categorise the risks and likely impacts on the programme. This exercise enables us to introduce measures commensurate with the risk of underachievement. Conversely, in the event of overachievement of the programme, RFAC have discussed the actions proposed in the Financial Management Principles paper detailed in Section 5 below.
- 4.2 Measures under consideration for underspend include:
  - Identifying those existing large projects that have the capacity to spend in this financial year and reprofiling spend to match milestones, Currently the majority of actual spend (58%) is projected to spend in Q4. PLUS identifying additional larger value projects in line with LIS
  - Amending the Prospectus that goes to applicants to advise that grant awarded could be withdrawn if the spending profile slips significantly. This would reduce any underspend being carried forward automatically and encourage compliance with the grant agreements
  - Reviewing the bottlenecks in the process that are causing delay in getting to contract. For example, the over reliance on one contractor for due diligence could be eased by the procurement of additional contractor/s.
  - Providing additional administration support to enable the contracting and invoicing to be completed in a shorter period. This item is included in the Item 10 - Enterprise M3 Resources paper, on this agenda.
  - Adding to the rolling programme of calls for projects, plus specific projects calls within the Clean Growth, based on discussions around our energy strategy and Digital

agenda to reflect emerging priorities in the Local Industrial Strategy and projects with a value in excess of £1m.

- Proactively seek out and encourage large scale proposals from our key sectors

4.4 Updated Dashboards for spend and outcomes are attached.

## 5. Financial Management Principles

5.1 Members will recall that the Local Growth Fund income figures were confirmed as follows:

Table 5

	2018/19	2019/20	2020/21
	£m	£m	£m
Local Growth Fund	37	17	43

5.2 Board will recall the issue of smoothing cash flow across financial years and the need to speak to Government to see if this might be possible. In the event that this cannot happen and in order to ensure that EM3 has in place a financial solution for smoothing cash flow of funds received between 2018 and 2021 it was proposed by RFAC that, if agreement was not reached with Government to smooth the income for GEF/LGF funds then Hampshire County Council would act in the role of lender with the following principles attached:

- The rate of loan interest to be applied to be agreed by this PMG/RFAC, but not to exceed that available to HCC on the open market
- Any lending would be short-term, repayable on receipt of LGF funding or adequate loan repayments
- That allocation of funds to projects would not be restricted to HCC's geographical area.

5.3 It was further discussed that in the event that over programming by EM3 exceeded the ability to meet the financial commitment then HCC would again perform the role of lender.

5.4 EM3 will work with HCC Finance to produce an agreed position and a detailed paper will be brought back to RFAC and PMG.

**Sally Agass**

**Interim Assistant Director – Operations**

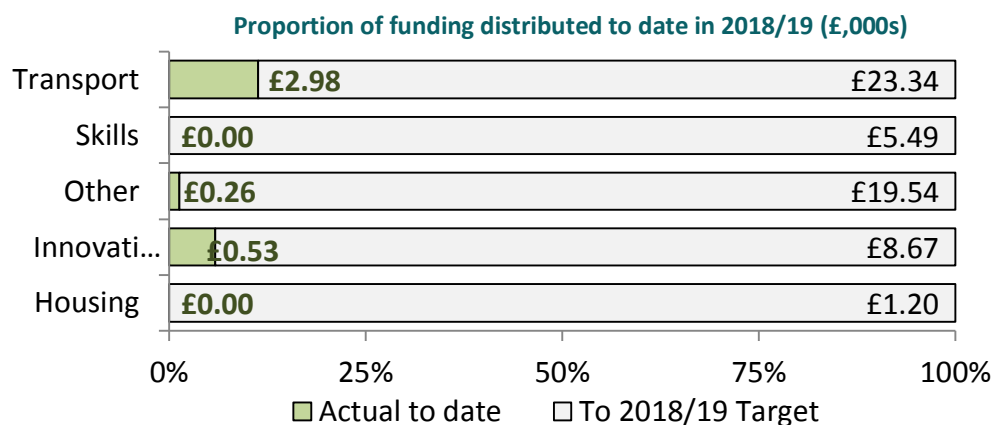
**19 July 2018**

Latest Summary of Live Projects

Annual Funding Distributed (2018 - 2019)

**£3.8 million**

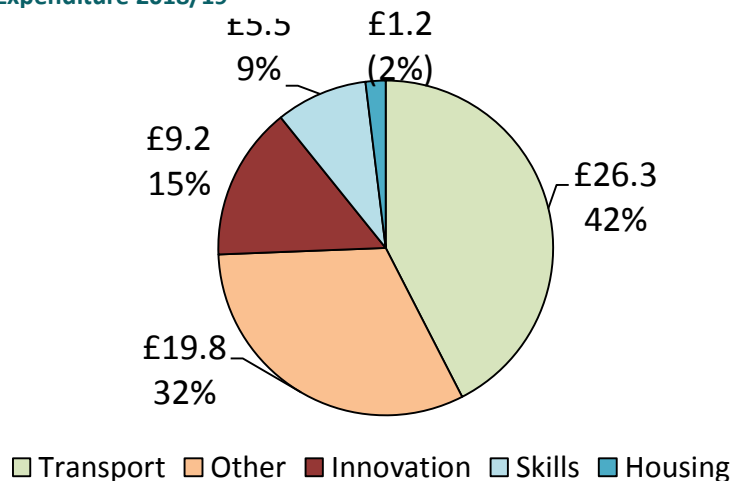
2018/19 Total Spend (distributed) to Date



2018/19 Total Annual Expenditure Target by Theme (£,000)

**£62 million**

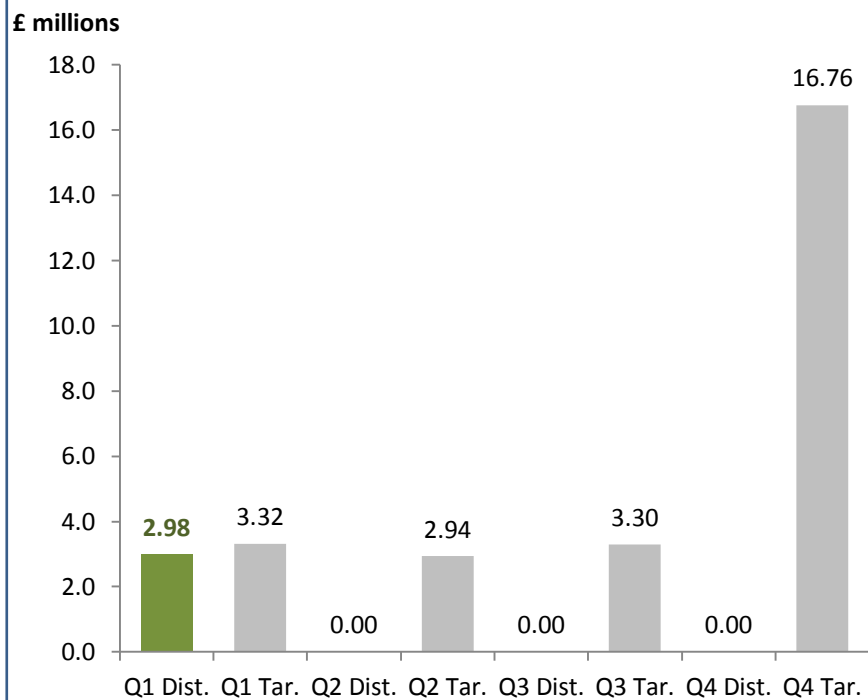
Expenditure 2018/19



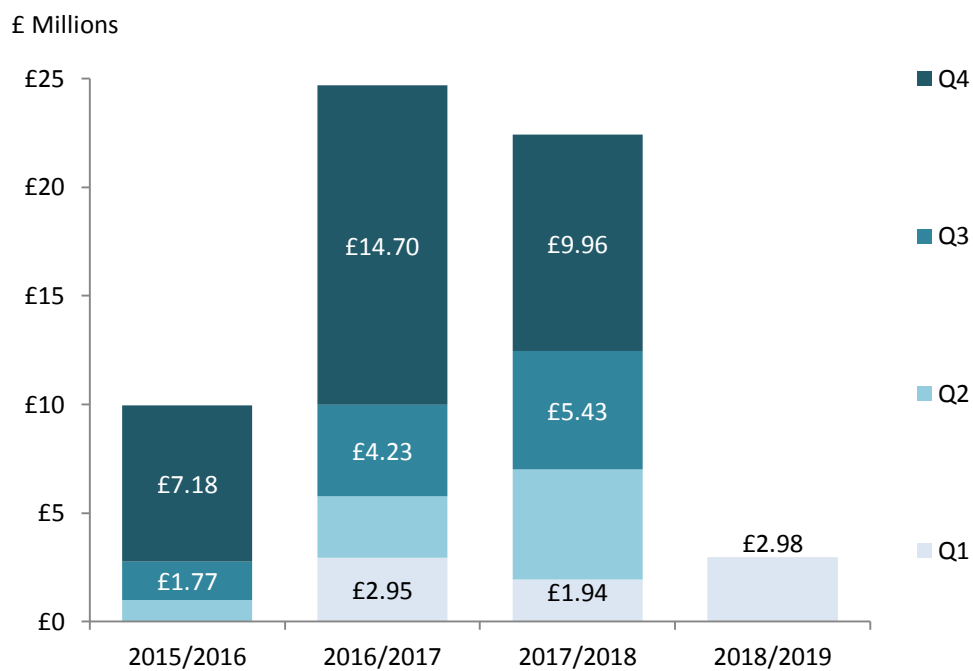
Time Series Annual Funding Distributed (2015 - 2019)

Quarterly Transport Distributed & Target (2018/19)

Transport



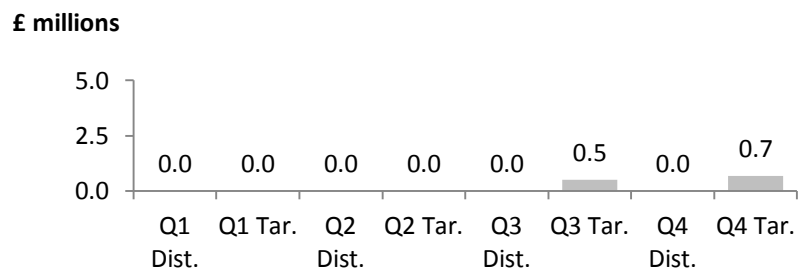
Quarterly Transport Distributed & Target (2015/19)



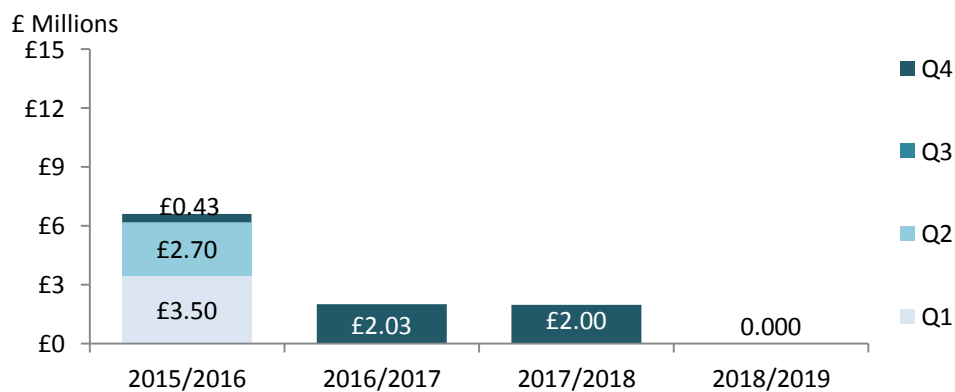
Transport expenditure in Q1 was £2.98 million on nine projects, of which the Whitehill and Bordon Relief Road Phase 2 at £1.3 million was the largest.

Quarterly Housing Distributed & Target (2018/19)

Housing



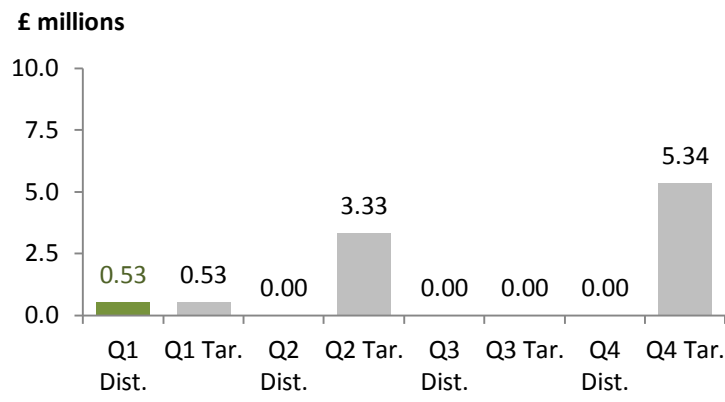
Quarterly Housing Distributed & Target (2015/19)



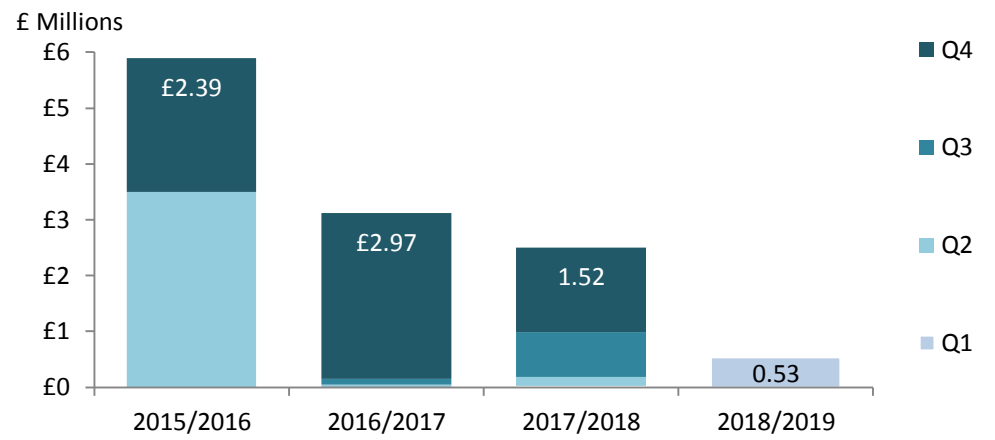
There was no housing expenditure reported at the time of publication.

## Innovation

Quarterly Innovation Distributed & Target (2018/19)



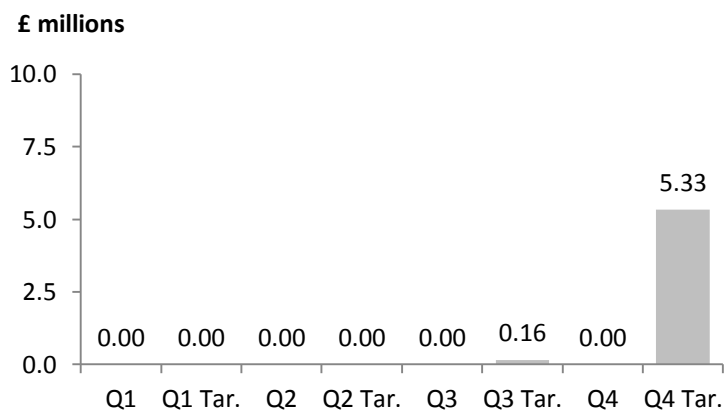
Quarterly Innovation Distributed & Target (2015/19)



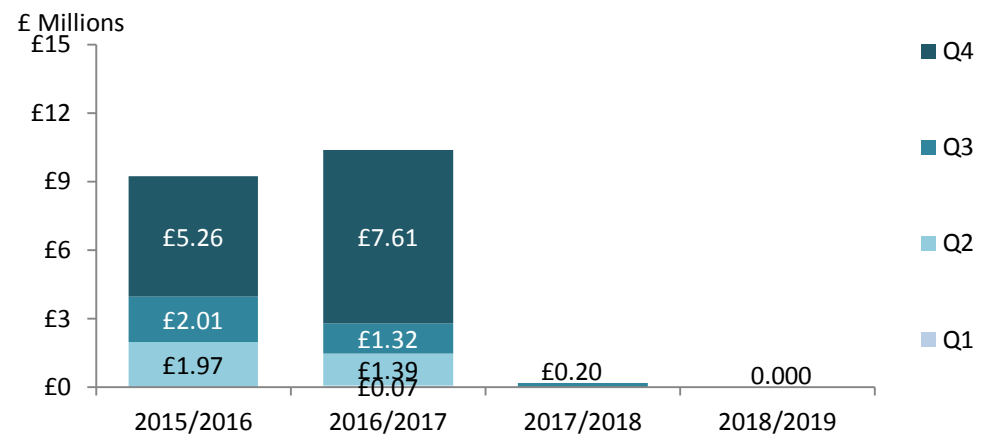
Innovation expenditure in Q1 to date was £535K, with the Growth Hub (£335K) and the Tannery Studios Phase 2, Send (£200K).

## Skills

Quarterly Skills Distributed & Target (2018/19)



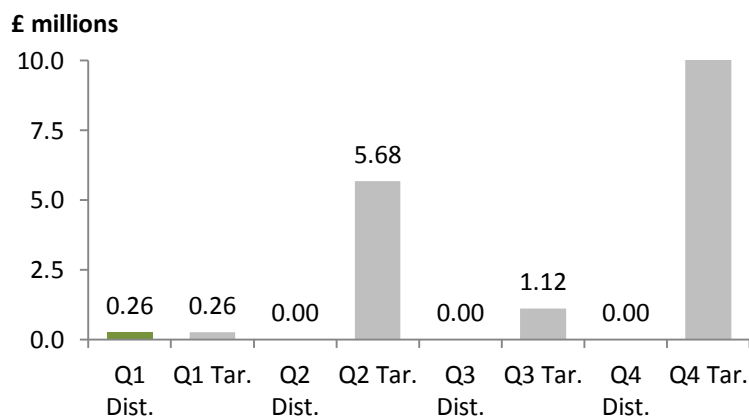
Quarterly Skills Distributed & Target (2015/19)



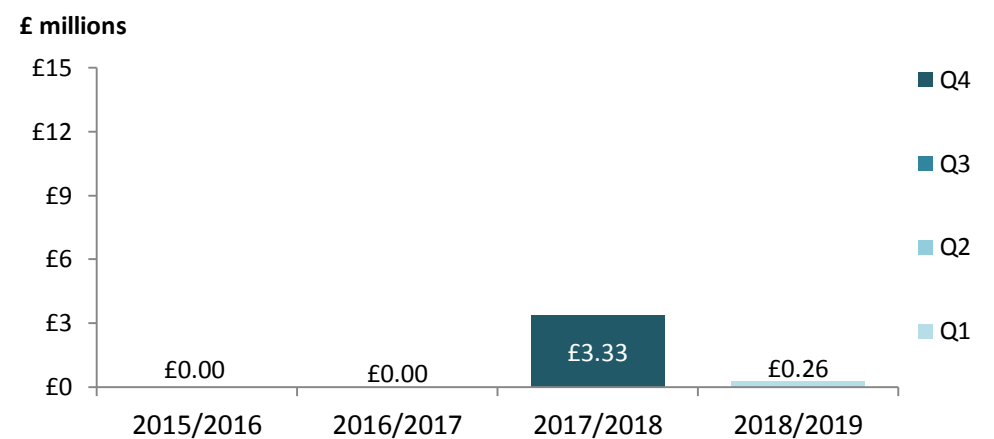
There was no Q1 expenditure for skills at the time of publication.

## Other Projects

Quarterly Other Projects Distributed & Target (2018/19)



Quarterly Other Distributed & Target (2015/19)



There was £258K of Q1 expenditure on 'Other' projects at the time of publication, and split between three projects: E23 BV1 Plot K/K1, E23 BV3 Plot J and E23 BV7 Plot W.

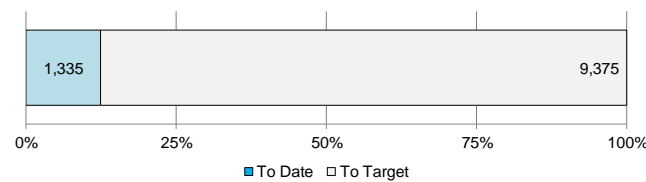
Source: EM3 database extract 17/07/2018



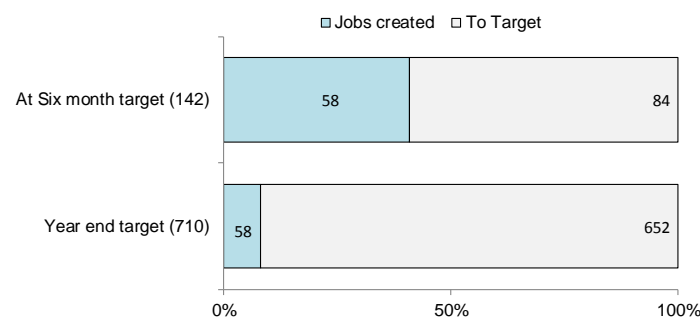
## Jobs Created\*

Target: 10,710 jobs  
 Created to date: **1,335 (12.5%)**  
 To meet Target: 9,375 (87.5%)  
 (\*Including safeguarded jobs)

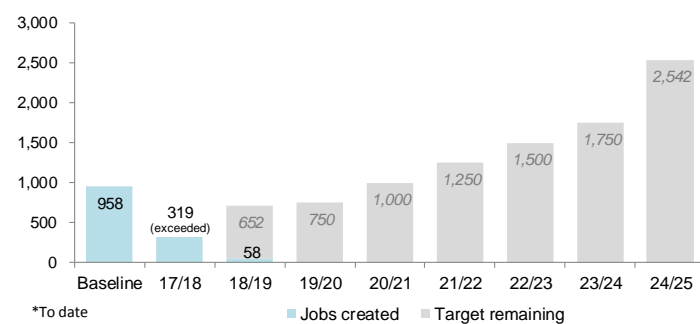
### Status to date (cumulative – 2015-2025)



### In year to date (2018-2019)



### Annual Time series (2015 – 2025)



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

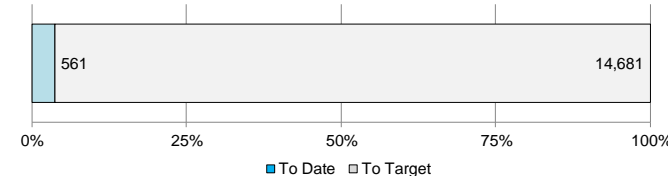
**Comments:** “To date 12.5% (1,335) of the overall long-term target has been achieved, with 958 jobs created or safeguarded in the baseline period, 319 created in 2017/18 and 58 so far in 2018/19.



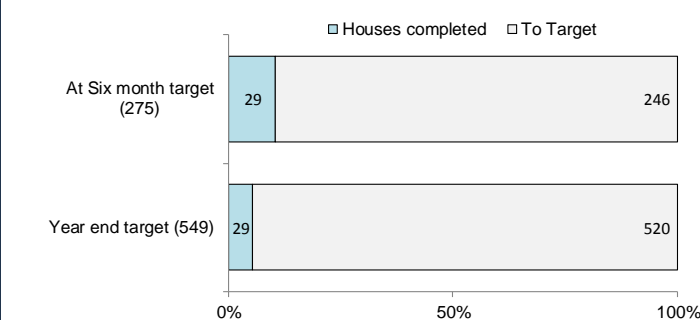
## Housing Units

Target: 15,242 units  
 Completed to date: **561 (3.7%)**  
 To meet target: 14,681 (96.3%)

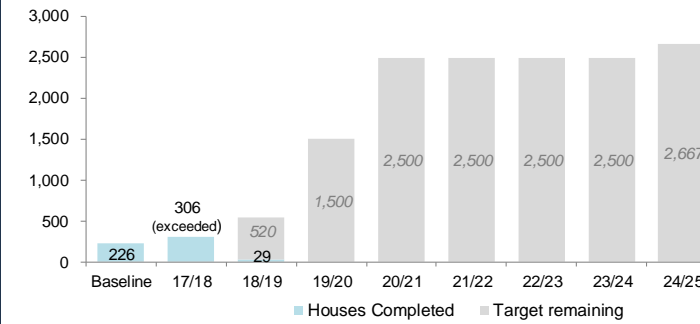
### Status to date (cumulative – 2015-2025)



### In year to date (2018-2019)



### Annual Time series (2015 – 2025)



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

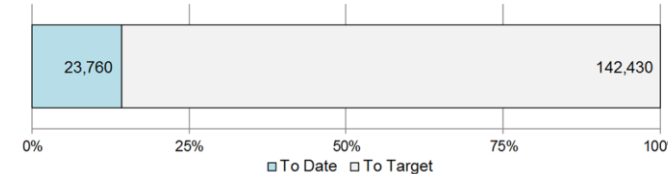
**Comments:** To date 3.7% (561) of the target has been achieved with 226 housing units completed in the baseline period, 306 completed in 2017/18 and 29 completed so far in 2018/19.



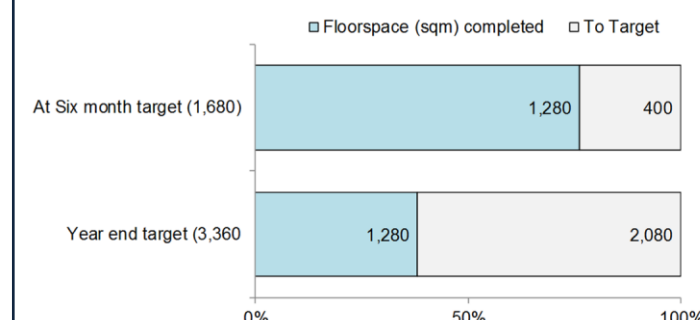
## Commercial Floorspace

Target: 166,190 sqm  
 Created to date: **23,760 sqm (14.3%)**  
 To meet target: 142,430 sqm (85.7%)

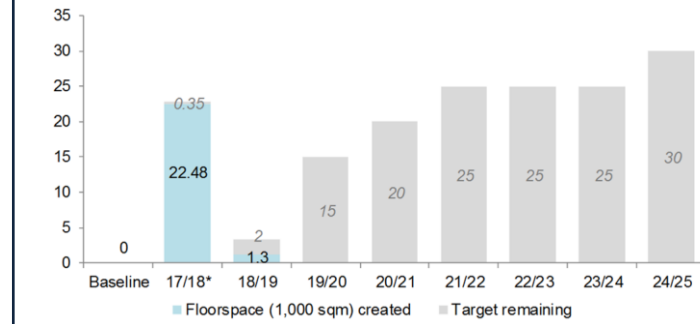
### Status to date (cumulative – 2015-2025)



### In year to date (2018-2019)



### Annual Time series (2015 – 2025)



**Measure:** commercial area created in square metres of floorspace.

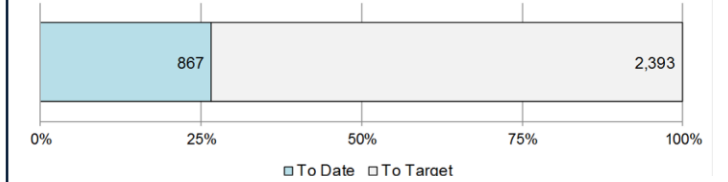
**Comments:** To date 14.3% (23,760 sqm) of the target has been achieved with 22,480 sqm completed in 2017/18, and 1,280 sqm so far in 2018/19.



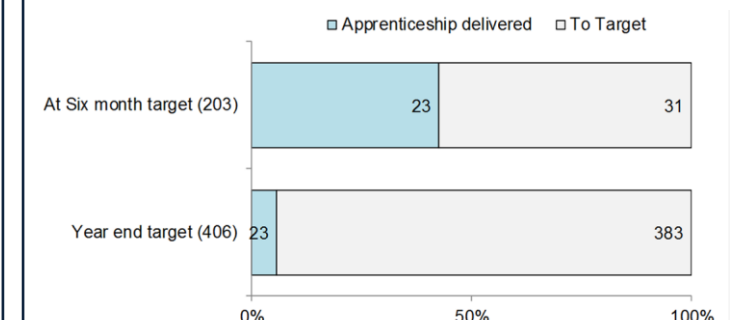
## Skills (Apprenticeships)

Target: 3,260 delivered  
 Delivered to date: **867 (26.6%)**  
 To meet target: 2,393 (73.4%)

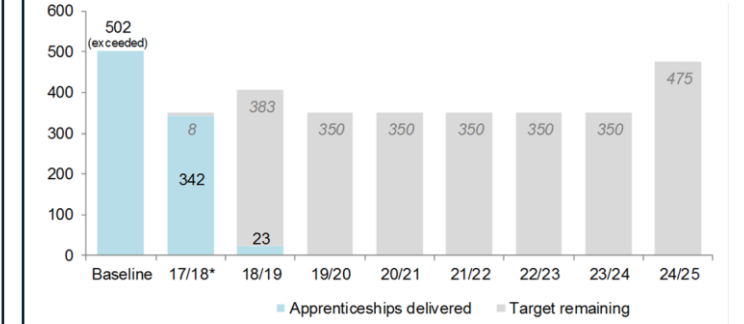
### Status to date (cumulative – 2015-2025)



### In year to date (2018-2019)



### Annual Time series (2015 – 2025)



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

**Comments:** To date 26.6% (867) of the overall target has been achieved with 502 apprenticeships delivered in the baseline (changed), 342 in 2017/18 and 23 so far in 2018/19.