

Enterprise M3 Board

28 March 2019

Capital Programme Update – Item 12

Enterprise M3 Board Members are asked to:

NOTE: the projected expenditure forecast to end of 2018/9

NOTE: the current progress with delivering Enterprise M3's capital programme and the draft minutes from the Programme Management Group on 14 March 2019 (attached at item 16)

NOTE: the emerging capital programme for 2019/20 including the development of a project pipeline following the submission of Expressions of Interest in February 2019.

AGREE: that the Future Towns Innovation Hub project should be invited to develop a full business case.

NOTE: the funding available for capital projects for 2019/20 and 2020/21

NOTE that the fund will be kept open until the next closing date of 18 April 2019 and partners are made aware of this ongoing opportunity.

1. Background - Enterprise M3 Capital Funding

1.1. Since the Enterprise M3 Board last met in January 2019, we have seen a number of key achievements within our capital programme, including:

- A strengthening of our forecast year end position for 2018/19 both in terms of expenditure and outputs.
- The first closing date following the launch of our new Prospectus in December 2018. We received 17 bids, seeking over £30 million of funding from Enterprise M3. Agenda item 6 gives further detail on each of these projects. The overall quality of these bids is high.
- The signing of six contracts and several due in lead up to Board

2. Projected expenditure forecast to end of 2018/9 and to end of current programme

2.1. At our Annual Performance Review in early January 2019, we reported that we anticipated spending 99% of the Local Growth Funds awarded to us in 2018/19 (a sum of £36.8m). The team has focussed closely on achieving this figure by the end of this financial year. Our current forecasts suggest that expenditure will be in excess of 95% of the 2018/19 allocation of funding and the most optimistic scenarios indicate that the 99% figure used at the Annual Performance Review could be exceeded. As we approach year end these figures are changing frequently and Board will be briefed on the latest position at the meeting on 28 March 2019.

2.2. Expenditure to date for 2018/19 is just over £17m with a number of significant Q4 claims expected to be received within the next week. Board Members should note that a significant proportion of our Q4 projects (mostly relating to our transport projects) will be in the form of accruals and we are working closely with the project leads to ensure we have accurate forecasts in place.

2.3. Programme Management Group reviewed the latest projects and their associated risk ratings at their meeting on 17 January 2019. It was acknowledged that the risk assessments presented at PMG are a useful tool but asked for some further detail to understand not only risk associated with not achieving expenditure in year, but also to consider broader risks associated with the overall deliverability of projects, including their approval status with

Enterprise M3. This work is underway and will be presented to Board in the new financial year. As an interim measure, the RAG ratings used in Annex 1 reflect the following information:

Red = Project not yet approved by PMG/Board

Amber = Project approved but not yet contracted

Green = Signed contract in place for the delivery of the project.

- 2.4. This Programme Management Group on 14 March 2019 and this Board Meeting at the end of will consider possible new projects to be added to the delivery programme in 2019/20 and 2020/21. Decisions to take forward any new projects will need to be taken in the context of approvals and committed expenditure levels across the capital programme. The current position (over the two years, 2019/20-2020/21) is that we have £111.7m of projects in the capital programme. Of this funding 30% is contractually committed, 23% is approved but not yet contracted and the remainder is yet to be approved by PMG and Board.
- 2.5. The experience from previous years of the capital programme is that not all the projects yet to be approved by PMG and Board will proceed as planned and therefore we may see the figure allocated within this category decrease. Equally, we may see projects that are already approved/contracted experience slippages or may not proceed at all. To help manage the programme with these eventualities, the Enterprise M3 Board agreed in September 2019 that the capital programme can be over programmed by 10%. As we move towards the end of the six year programme, it is important to keep contractual commitments under close consideration and the latest position will be reported to PMG and Board on a regular basis so that this informs future approvals.

3. Projects awaiting approval

- 3.1. As nearly 40% of the capital programme as below, is still subject to either PMG/Board approval, it is proposed that the presentation of full business cases to these groups is closely monitored. We will look closely at projects that are slipping from their expected Business Case submission date and may take action to replace them with projects from the emerging 'Development Pool' where appropriate. The advice of PMG will be sought before any action is taken to remove projects from the programme and any such decisions will be reported to the Enterprise M3 Board.

Project	Amount	Expected date for business case to be presented to Board/PMG
Camberley London Road Highway Improvements	£3.75m	May 2019
Sparsholt Animal Health & Welfare Research Facility	£1.95m	May 2019
Innovation South Virtual Campus	£490k	May 2019
Guildford Housing Zone	£7.5m	May 2019
Basingstoke SW Corridor to Growth – Brighton Hill	£13m	May 2019
Farnborough Growth Package	£7.5m	July 2019
Aldershot Town Centre Regeneration	£1.2m	July 2019
Blackwater Valley Gold Grid Public Transport Corridor – Hampshire Elements	£1.5m	July 2019

- 3.2. Board Members may recall that at the January 2019, it was decided that a letter of support for the proposed project must be received from Stagecoach before the Camberley London Road Highway Improvements project was presented to Board for approval. Surrey County Council are working closely with Stagecoach and Surrey Heath Borough Council to ensure that the scheme meets the needs and aspirations of all parties. Surrey County Council have advised that good progress is being made and it is envisaged that this project will be brought to Board for approval in May 2019.

4. Future Pipeline Development

- 4.1. The Enterprise M3 Local Growth Fund prospectus 2019-21 was launched on 13 December 2018. This was launched in order to further strengthen our pipeline of capital projects and in particular sought to bring forward projects which help to deliver our refreshed Strategic Economic Plan and emerging Local Industrial Strategy. The Prospectus identified that projects supporting digital and data technologies and clean growth would be key areas of focus along with seven sector specific opportunities. These related to:
- Clean growth
 - Space
 - Aerospace and defence
 - New mobility
 - Digital health
 - Sustainable transport
 - Transforming colleges
- 4.2. The first deadline for Expressions of Interest was Thursday 21 February and 17 EOIs were received by the closing date. We are very pleased by the level of response and the quality of the applications received, with the independent review concluding that the general quality of the documentation was stronger than in previous exercises, reflecting the levels of collaboration between the applicants and Enterprise M3 team members. Of the EOIs, 3 are in Surrey, 12 in Hampshire and 2 are Enterprise M3 wide. The projects are diverse in nature with five of the sector specific opportunities being addressed with the exceptions being space and new mobility. Projects range in size seeking a contribution of between £300k to £5.15 million from Enterprise M3. Only 1 application is for a partial loan although some could be a mix of loan/grant funding subject to feedback with applicants. Applicants include private sector, universities, the NHS and Local Authorities. No EOIs were received from either HCC or SCC for major transport schemes which was in line with expectations.
- 4.3. To assist with the ranking of projects, an independent assessment was undertaken by Deborah Wyatt of Hanmer Management Ltd. The assessment undertook the following activities
- review of all EOIs and submitted documentation
 - completion of a project assessment template
 - suitability of the project based on SMART objectives as detailed in the prospectus.
- 4.4. This assessment provided an initial ranking of projects as A, B or C. An A project is a well written proposal that responds to the Enterprise M3 SMART objectives across all areas. A B project does respond but questions remain over one or more areas of the EOI. A C project has 3 or more areas of concern within the EOI bid and should not be progressed. The EOIs were also reviewed by the Enterprise M3 Team on 1 March 2019.
- 4.5. At their meeting on the 14 March 2019, the Programme Management Group were updated on the latest position in terms of available funding. Since this meeting, the figures have changed to reflect the latest position and this paper provides the most up to date information. The current capital programme is valued at £111.7m, versus available funding including a 10% over-programming of £114.8m.
- 4.6. The work undertaken by the Enterprise M3 team indicates that there is currently £14.09 million of funding available within the current programme. This figure is made up of the remaining funding from the transforming colleges and sustainable transport programmes which is not yet allocated to a specific activity and projects currently within the programme but where there is level of doubt at the current time that it will proceed as planned.

4.7. The table below gives some further detail on the available funding. Based upon current forecasts, we believe we have just over £17.2m to allocate to new projects as a result of this funding call. This figure is subject to change and will be closely monitored as we approach year end of 2018/19 and it is possible that further funding will become available over the coming weeks, either as a result of underspends or projects not proceeding. The figure available to allocate to new projects has increased (from £15.2m) since PMG met on 14 March 2019. The majority of the increase is as a result of Surrey Heath Borough Council advising that the Camberley Login Business Café project will no longer be proceeding.

Item	Amount £m
LGF and GEF carry forward	35.0
LGF amounts for 2019/20 and 2020/21	60.2
Loan repayments	9.2
Available funding	104.4
(+10% over-programming)	114.8
Current programme (as of 18 March 2019)	111.7
Future funding pot (including transforming colleges and sustainable transport)	10.6
'At risk' projects within the current programme	3.5
TOTAL	14.1
2019/20 and 2020/21 = (available funding +10% over-programming + future funding) – available funding (114.8 +14.1 – 111.7)	17.2

4.8. Programme Management Group agreed the proposed categorisations of the Expressions of Interest when they met on 14 March 2019. They agreed that the following eight projects should be invited to develop a detailed business case (where the projects exceed £1m) or in the case of the Guildford Bike Share project should proceed directly to due diligence. PMG noted that whilst the North Downs Line project was under £1m, given the complexities surrounding this project it would be appropriate to request that a full business case be developed. PMG also noted that a full business case for the Whitehill and Bordon Sustainable Transport Package had already been developed and gone through independent due diligence and therefore the applicant would be invited to update/strengthen their Business Case before this being considered by PMG at its May 2019 meeting.

4.9. PMG agreed that all of the projects listed below responded to an area of focus in the prospectus, were strategic in nature and appeared deliverable based on the information provided and also generated appropriate outputs. In approving the projects, PMG asked that a number of project specific issues be addressed, and these are detailed in the draft PMG minutes which have been circulated with the Board Papers (item 16). The value of the eight approved projects is £13.8M and further details about each of the projects can be found in Annex 2:

- EOI 44 – Basing View 5G Living Lab (£2.448 million)
- EOI 48 – Health Tech Accelerator (£2.160 million)
- EOI 43 – Performance Materials Innovation Centre (£2 million)
- EOI 49 – Aerospace Research and Innovation Centre (£2.517 million)
- EOI 50 – Whitehill & Bordon Sustainable Transport Package (£1.32million)
- EOI 36 – Fleet Pond Green Corridor (£2.1 million)
- EOI 47 – Guildford Bike Share Scheme (£300k)
- EOI 41 – North Downs Line (£955k)

- 4.10. There was one further project included in Category A which was seeking a contribution of £3m from Enterprise M3 and therefore needs to be referred to the Board for approval. This was the Future Towns Innovation Hub project (EOI 46). The PMG agreed that a recommendation to proceed to Business Case development should be presented to the Board for approval and the Board's agreement to this approach is sought.
- 4.11. In agreeing these recommendations, PMG noted that they were approving projects in excess of the agreed over-programming levels. It was agreed that this would be managed and carefully reviewed before any project is approved to move to contract and will form a key part of risk management for the capital programme as we move into the penultimate year. Following the PMG meeting, we advised the Cities and Local Growth Unit of our work to further develop our pipeline of projects and they welcomed the approach that is outlined in this paper.
- 4.12. PMG agreed that 4 projects should be allocated to the B category and these had a total value of £12.25m. These are
- EOI 39 – Digital Futures Centre
 - EOI 40 – Heat Enabled Virtual Power Plant
 - EOI 42 – Ash Road Bridge
 - EOI 45 – Future Winchester Sustainable Transport Package (STP)
- 4.13. EOI 39 – Digital Futures Centre does not provide any outputs and is not clear on what the scheme is intending to do. Enterprise M3 will work with the college and partners to better shape a proposal for Basingstoke College. EOI 40 – Heat Enabled Virtual Power Plant is a private sector submission that fits with the Clean Growth agenda. However, significant issues exist around state aid which require investigation with the applicant before proceeding any further. EOI 42 – Ash Road Bridge indicates that planning permission is yet to be granted and a public inquiry might be required. Contact will be maintained with the applicant on these challenges. EOI 45 – Future Winchester STP is a combination of three separate projects comprising a park and ride scheme, smart mobility and public realm improvements which would stand better as individual requests. Work needs to be completed with the applicant on splitting this EOI and presenting as three separate schemes.
- 4.14. PMG supported the approach that the Enterprise M3 team will work with each of these projects with a view to addressing these issues. Should these issues be satisfactorily addressed, these projects would be presented again to PMG/Board for consideration and approval to allocate funding (subject to funding availability).

C projects

- 4.15. Four projects have been assessed as C category projects. These are
- EOI 34 – M3 Junction 9 improvements
 - EOI 35 - 5G Digital Aldershot
 - EOI 37 - Southern Health Lighting Upgrade
 - EOI 38 - Employability and Digital Skills Hub
- 4.16. The C projects are not suitable for progression at this time typically due to non- strategic fit or a number of challenges that exist within the EOI. Appropriate feedback on each of these projects is being supplied to all project applicants.
- 4.17. PMG in particular discussed the M3 Junction 9 improvements project. This is a strategically significant project for Enterprise M3 and has been highlighted in a number of Enterprise M3 projects, including our Strategic Economic Plan and Enterprise M3 continues to offer strong support for the project. The request for £980k of funding towards the project (0.8% of the total project costs) did not address the specific priorities set out within the Prospectus and did not contain information that would be expected at this stage, particularly in relation to project outputs. PMG unanimously supported what this project seeks to achieve but agreed that it

was not suitable for this particular funding stream. It was noted that Highways England are currently identifying suitable local contributions for the project and it was agreed that Enterprise M3 would contact Highways England to convene a meeting with, Solent LEP and Hampshire County Council to discuss how best we use our available funding to support this project. Highways England have been contacted and Enterprise M3 was awaiting a response.

Next Steps

- 4.18. All applicants will receive feedback from the appropriate Enterprise M3 Project Manager. For B projects, we wish to develop these collaboratively with applicants and provide opportunity for future submission. This will ensure a pipeline of projects is available in case due diligence identifies that an A project cannot proceed and/or additional funding becomes available.
- 4.19. All A projects over £1 million in value will be invited to produce a full business case and will be encouraged to do so as soon as possible. Projects under £1 million will proceed to due diligence. We will closely monitor business case development and will take early action to remove any allocated funding from projects which are no longer progressing according to the timetable set out in the EOIs. We expect the first set of projects to submit business cases at the end of March and therefore will be reported to PMG at their next meeting in May 2019.
- 4.20. PMG agreed that the fund will be kept open for a further round until Thursday 18th April 2019 which is the next EOI submission date as stated in the prospectus. Enterprise M3 would like to encourage EOI submissions focussed on clean growth specifically. Loans are also encouraged and will be viewed favourably over grant only applications. We will make it clear to potential applicants that support for projects is subject to funding availability and we make look to develop a 'Development Pool' of projects which can proceed swiftly if funding becomes available.

5. Outputs and Outcomes

- 5.1. The latest output/outcome dashboard is included at Annex 3. Against the current programme, Enterprise M3 is forecasting to achieve the following total outputs/outcomes targets in 2018/19:
 - 694 jobs created/safeguarded
 - 549 new homes completed
 - 3,630 sqm of new employment floorspace completed
 - 406 apprenticeships supported
- 5.2. At end Q3 the jobs output for 2018/19 has exceeded the year-end target with 704 being achieved, this figure is expected to exceed the target further once Q4 figures are received. To date the overall long-term jobs target has been achieved with 1,981 jobs being created or safeguarded which equates to 18.1% of the overall long-term target. The housing units output figure shows 422 units being achieved to date in 2018/19, it is anticipated that the year-end target will be achieved as housing monitoring on a number of projects is carried out annually. The output for commercial floorspace for 2018/19 is currently below the target figure but forecasts suggest that this will be met by the end of the financial year.
- 5.3. The apprenticeship output is of particular concern as is significantly below target with only 87 apprenticeships reported being achieved in 2018/19 and in a large part reflects a national trend. This issue will be raised with the colleges to identify whether the problem lies with insufficient apprenticeships being achieved, lack of reporting or whether the targets set initially were over ambitious. This will be reported to the next PMG and Board Meeting.

Rachel Barker, Assistant Director – Operations
Justine Davie – Programme Administrator
18 March 2019

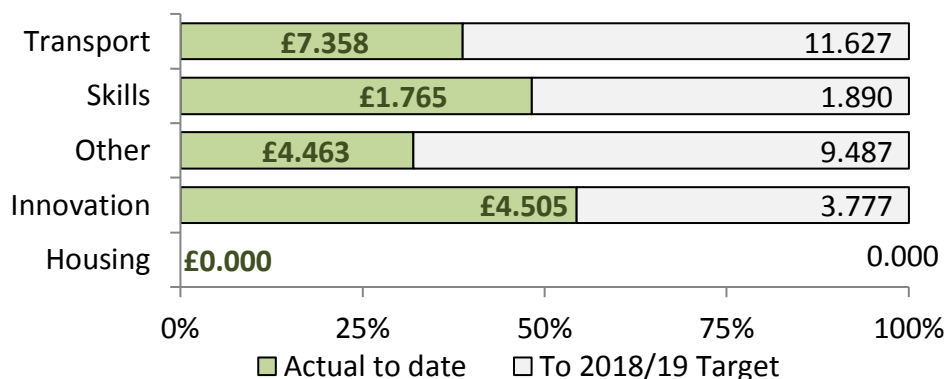
Latest Summary of Live Projects

Annual Funding Distributed (2018 - 2019)

£18,985,000

2018/19 Total Spend (distributed) to Date

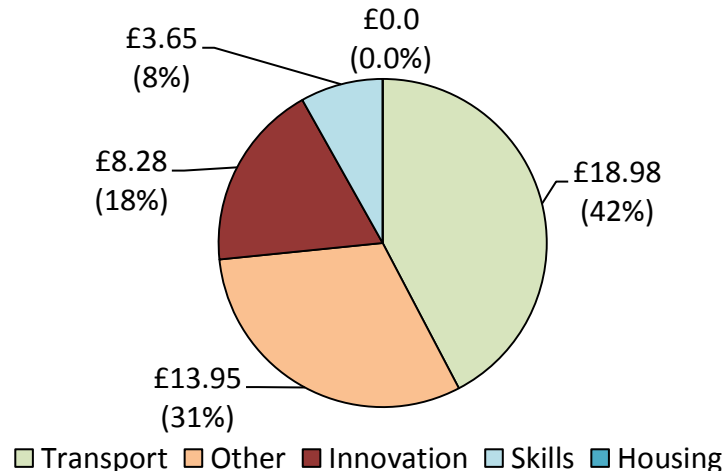
Proportion of funding distributed to date in 2018/19 (£,000s)



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

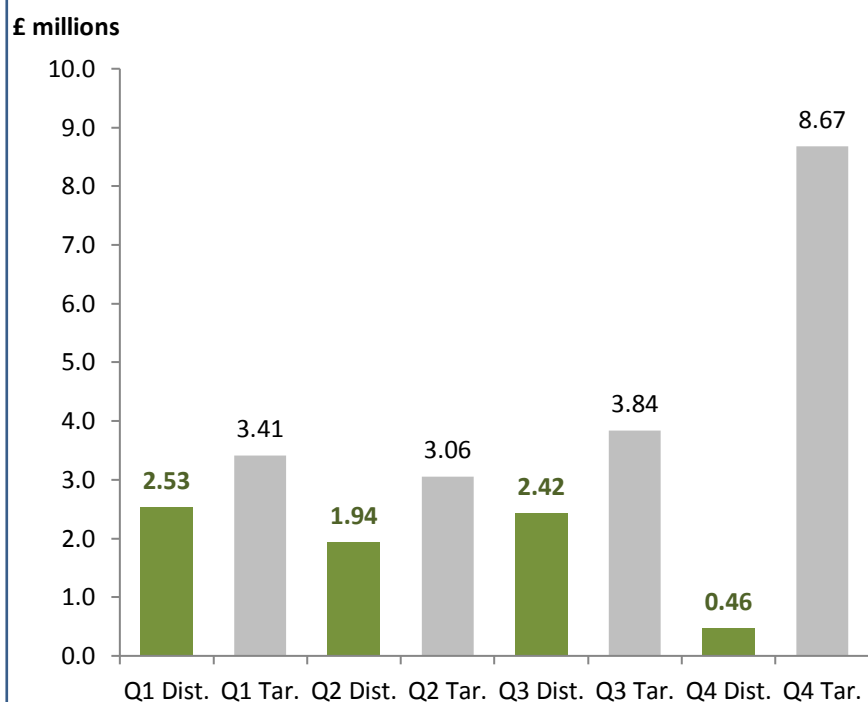
£44,871,000

Expenditure 2018/19



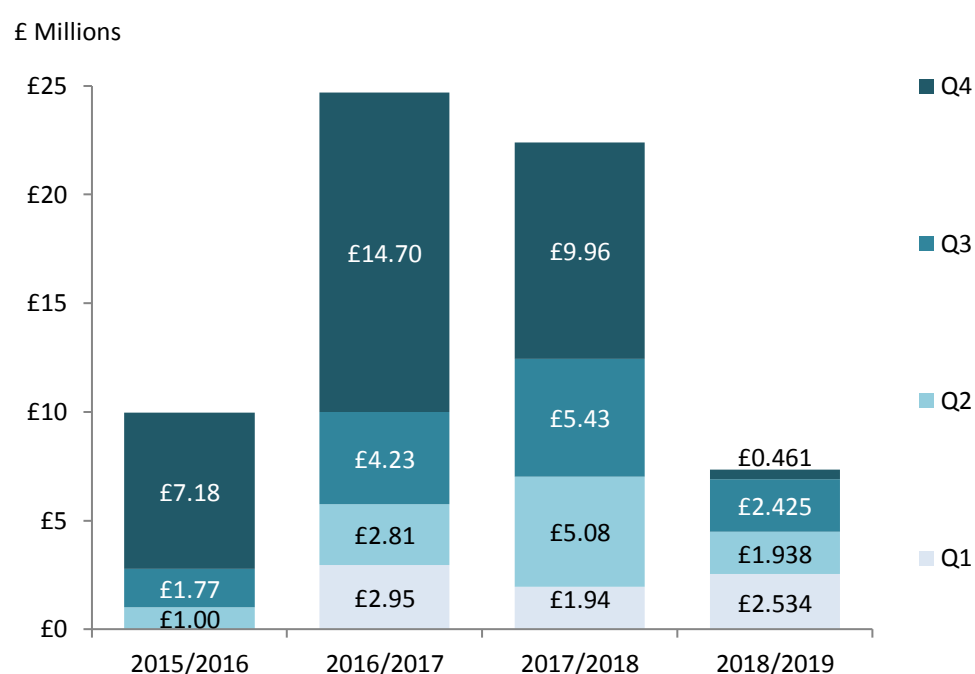
Time Series Annual Funding Distributed (2015 - 2019)

Quarterly Transport Distributed & Target (2018/19)



Transport

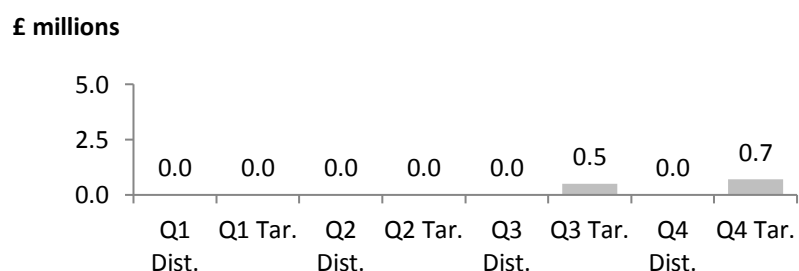
Quarterly Transport Distributed & Target (2015/19)



Total spending to date on transport is £7.35 million across the four quarters. Transport expenditure in Q1 was £2.53 million across nine projects, the largest of which is the £1.33 million funding for the Whitehill and Bordon Relief Road Phase 2. A further £458K was distributed to the Basingstoke NE Corridor to Growth - A33 (Ph 2 = Binfields, Ph 3 = Crockford & Gaiger).

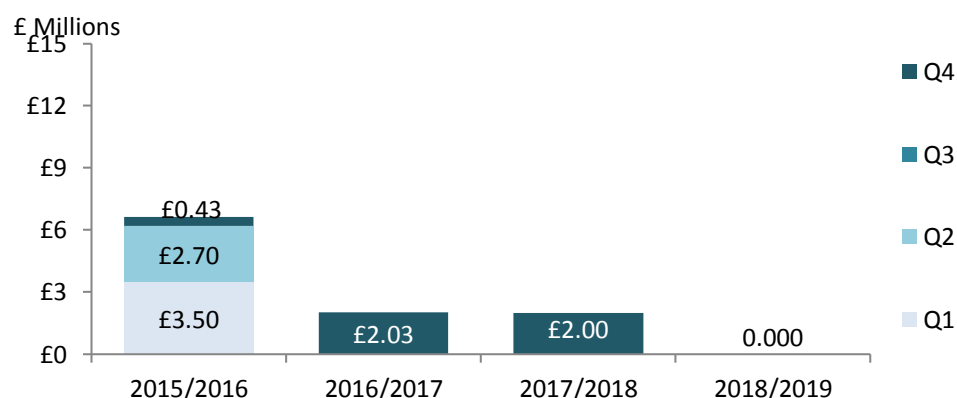
Q2, expenditure is s £1.94 million across nine projects, the largest amount was £683K on Guildford Town Centre Transport Infrastructure Project. In Q3 there was £2.42 million across five projects with largest amounts (£774K) on the Guildford Town Centre Transport Infrastructure Project. Q4 has seen £460K to date on four projects.

Quarterly Housing Distributed & Target (2018/19)



Housing

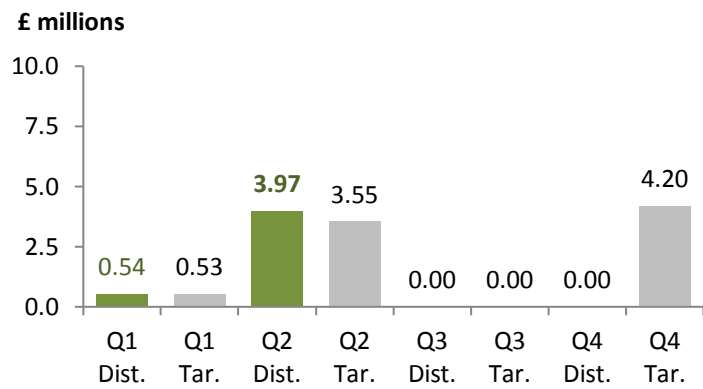
Quarterly Housing Distributed & Target (2015/19)



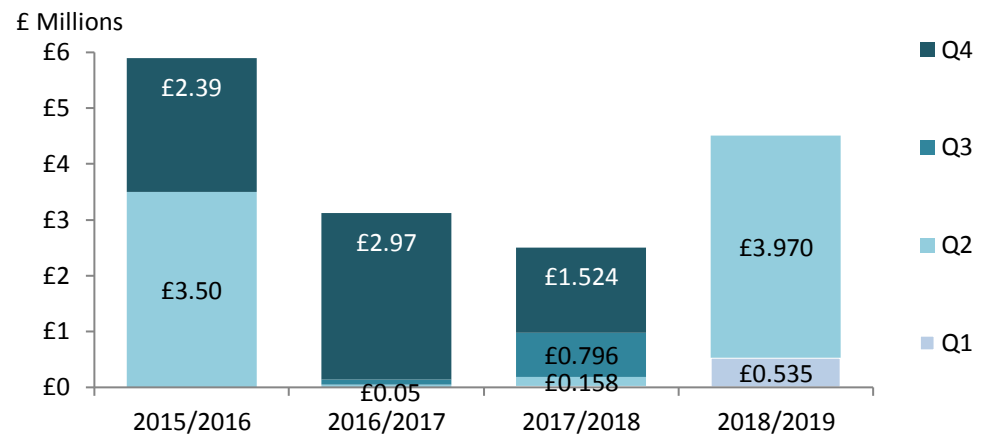
There was no housing expenditure reported at the time of publication.

Innovation

Quarterly Innovation Distributed & Target (2018/19)



Quarterly Innovation Distributed & Target (2015/19)



Innovation expenditure in Q1 to date is £535K across two projects. £334 was distributed to the Growth Hub, and £200K to the Tannery Studios Phase 2, Send.

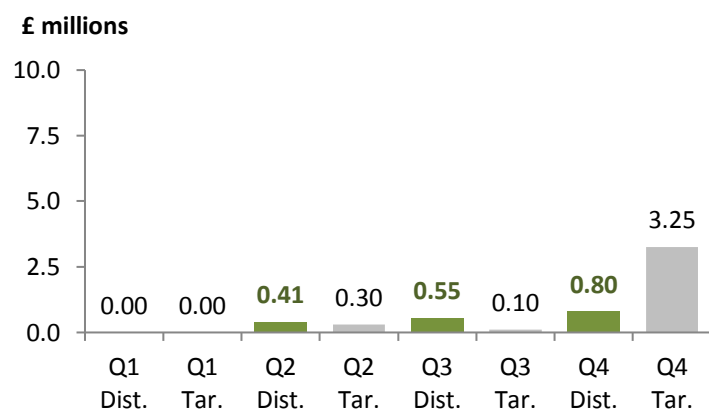
A further £22K was distributed to the Centre for Social Innovation (C4Si). This exceeds the target for Q2, which is currently £3.55 million.

Expenditure in Q2 to date is the £3.97 million. Phase 2 - Permanent Facility for Farnborough International Air show accounts for £3.75 million.

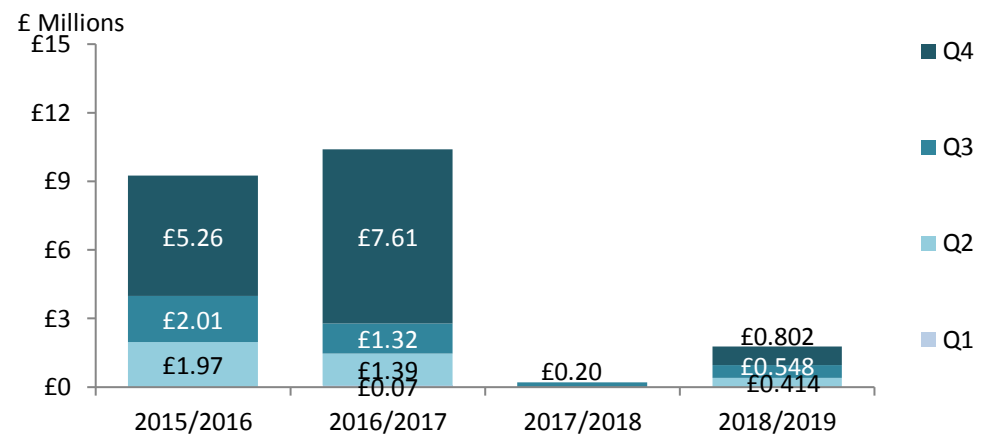
This brings total expenditure to date of £4.51 million. There has been no reported expenditure to date in Q3 or Q4.

Skills

Quarterly Skills Distributed & Target (2018/19)



Quarterly Skills Distributed & Target (2015/19)

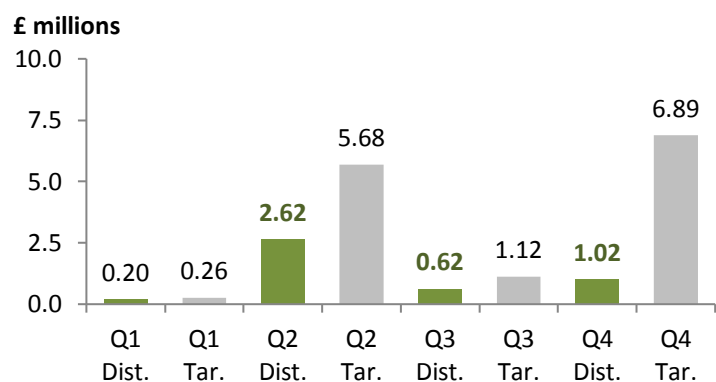


Skills expenditure to date across Q2-Q4 is £1.76million.

In Q2 there was £410K across four of the six live projects. In Q3 there was £550K of expenditure across three of the six projects and finally £800K was expended in Q4 across three projects.

Other Projects

Quarterly Other Projects Distributed & Target (2018/19)



Quarterly Other Distributed & Target (2015/19)



Other expenditure to date for Q1 is £200K covering two Enterprise Zone projects. EZ3 BV7 Plot W received £176K and EZ3 BV3 Plot J £24K.

In Q3 there was £620K of expenditure across two projects (Fund Management Service and EZ3 BV7 Plot W). In Q4 to date there has been £1.02 million of expenditure on EZ3 BV3 Plot J.

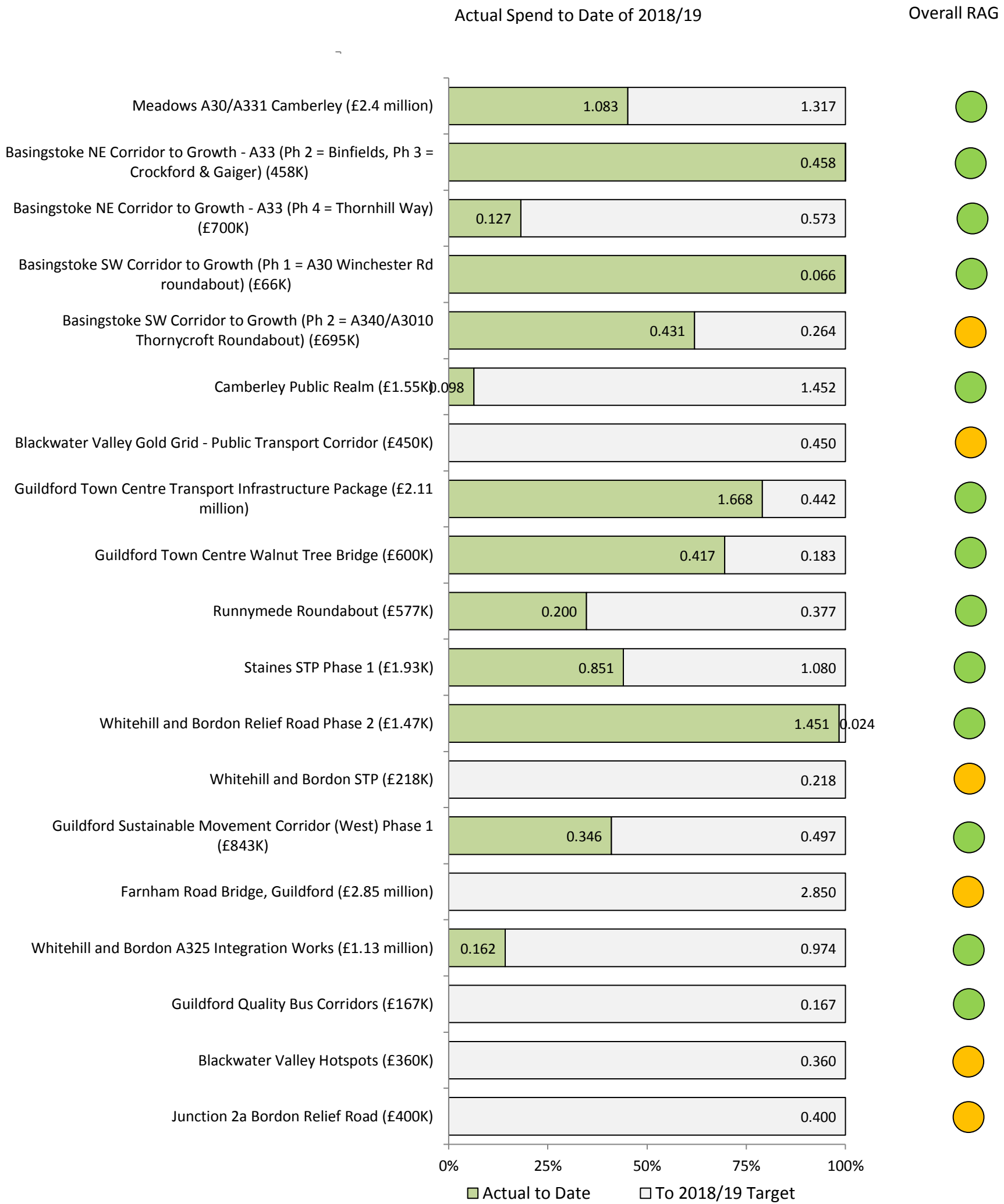
Current expenditure to date for Q2 is £2.62 million. This includes £1.6 million to the Fund Management Service. This also includes just over £1 million in total to EZ3 BV1 Plot K/K1, EZ3 BV3 Plot J and EZ3 BV7 Plot W.

This brings total expenditure to date to £4.46 million.

Source: EM3 database extract 13/03/2019, Produced 18/03/2019

Appendix: Individual Live Projects

Transport



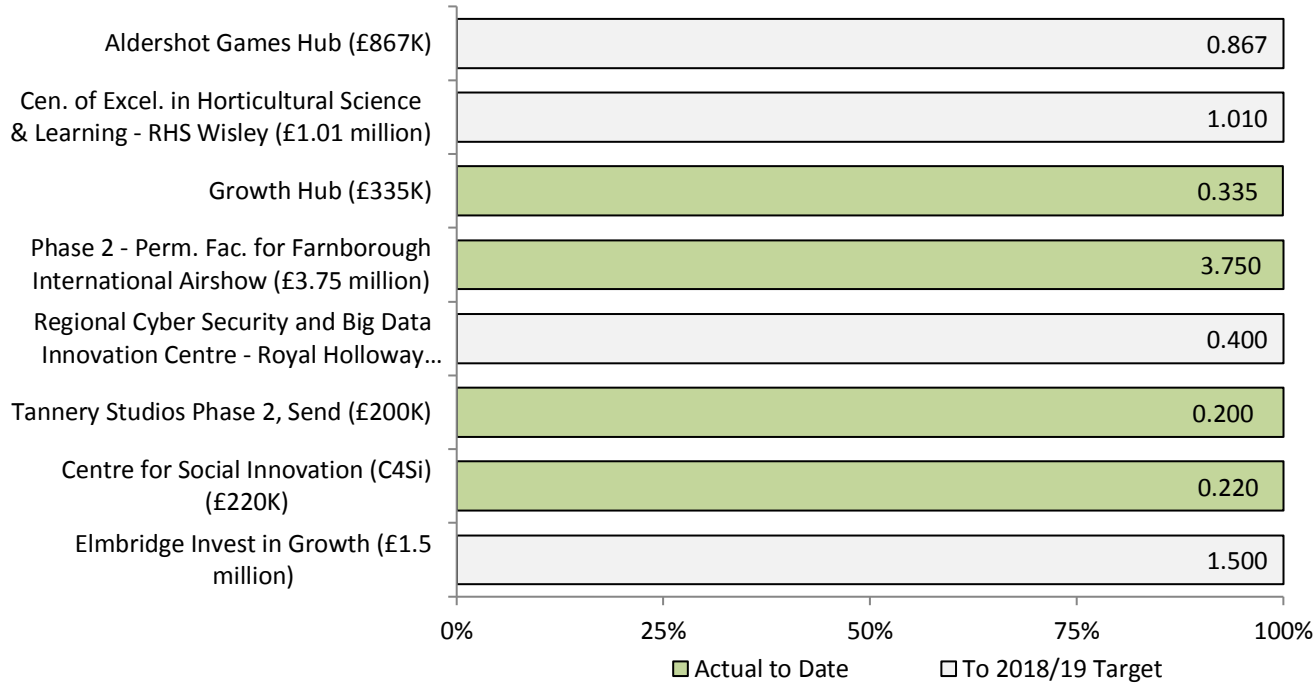
Values in the two graphs are in Emillions

RAG Key ● >80% ● 50% to 80% ● 50% < (Confidence project will be delivered)

Innovation

Actual Spend to Date of 2018/19

Overall RAG

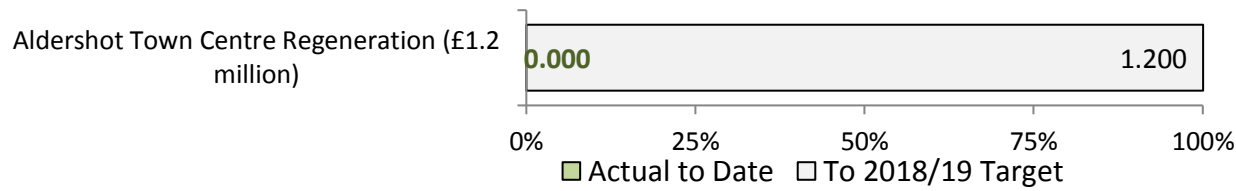


Values in the two graphs are in Emillions

Housing

Actual Spend to Date of 2018/19

Overall RAG

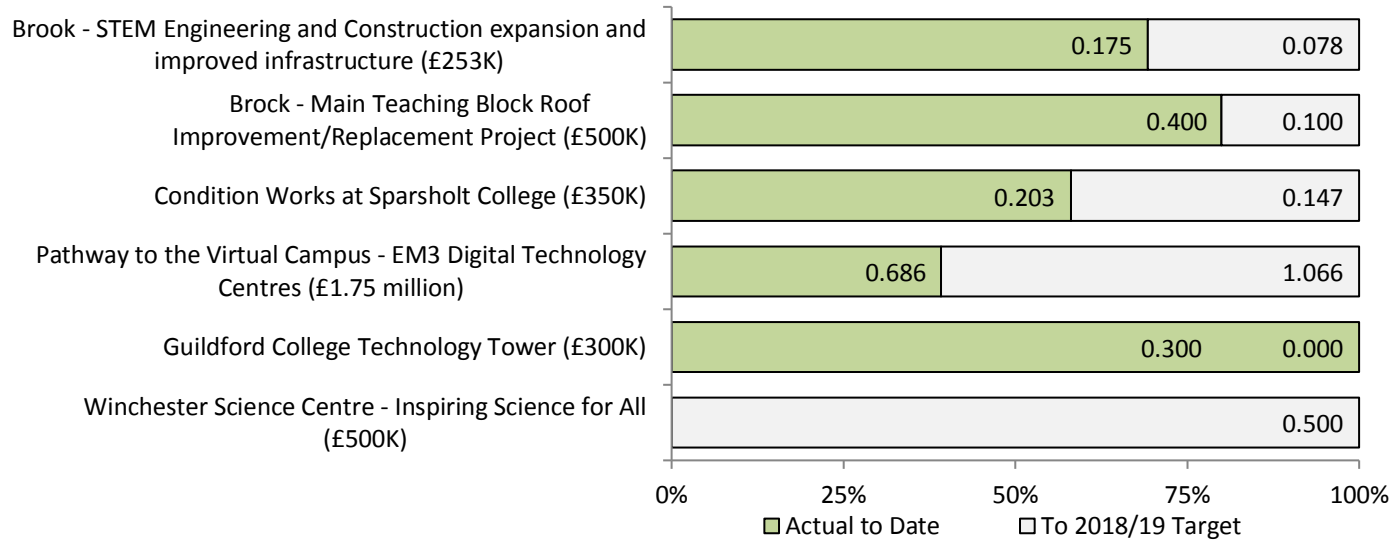


Values in the two graphs are in Emillions

Skills

Actual Spend to Date of 2018/19

Overall RAG

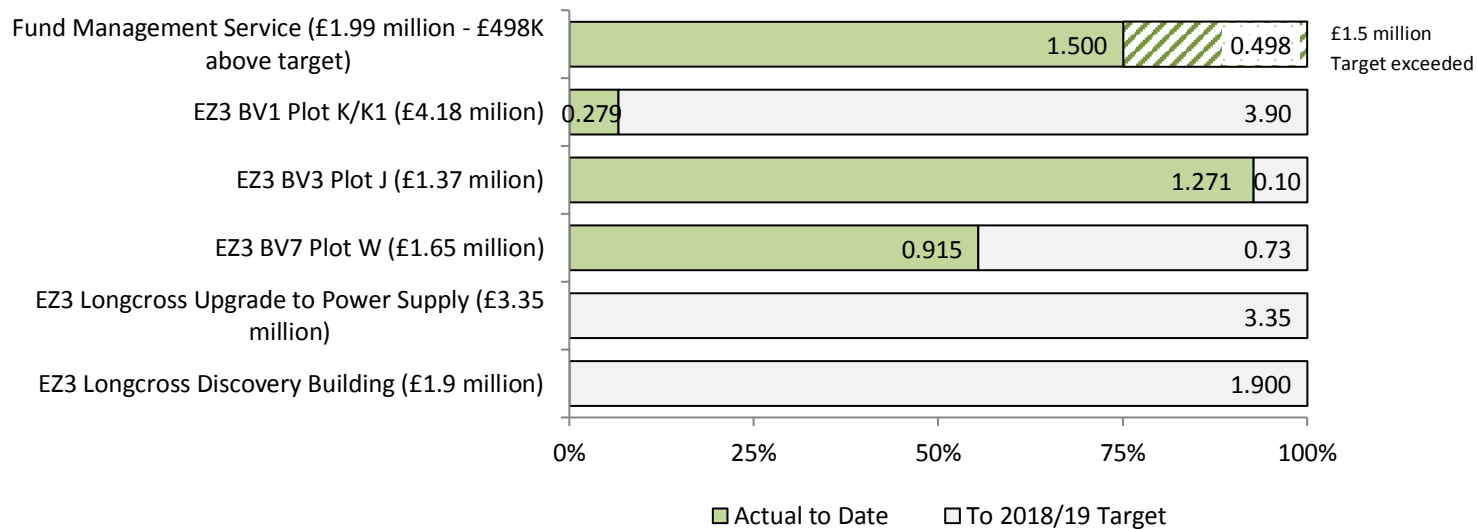


Values in the two graphs are in Emillions

Other

Actual Spend to Date of 2018/19

Overall RAG



Values in the two graphs are in Emillions

RAG Key ● >80% ● 50% to 80% ● 50% < (Confidence project will be delivered)

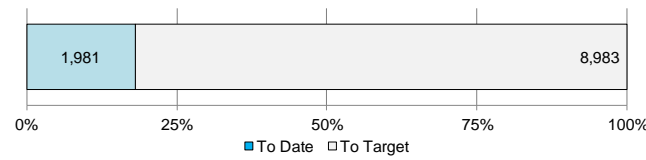
Source: EM3 database extract 13/03/2019, Produced 18/03/2019



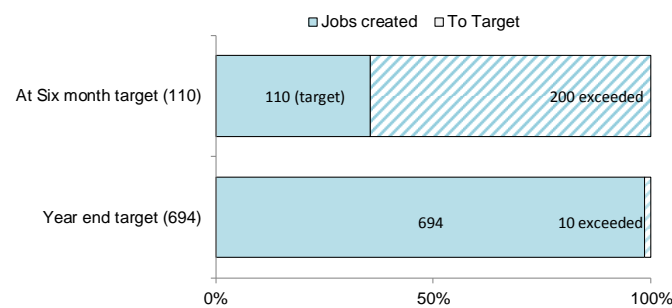
Jobs Created*

Target: 10,964 jobs
 Created to date: **1,981 (18.1%)**
 To meet Target: 8,983 (81.9%)
 (*Including safeguarded jobs)

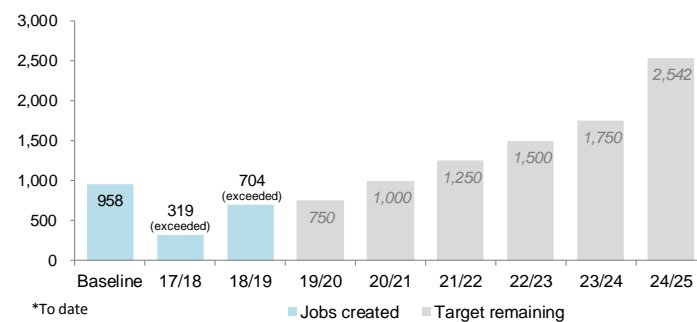
Status to date (cumulative – 2015-2025)



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.

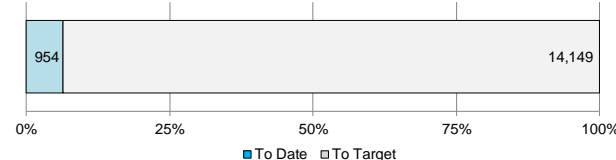
Comments: “To date 18.1% (1,981) of the overall long-term target has been achieved, with 958 jobs created or safeguarded in the baseline period, 319 created in 2017/18 and 704 so far in 2018/19, and exceeding the original 2018/19 target by 10.



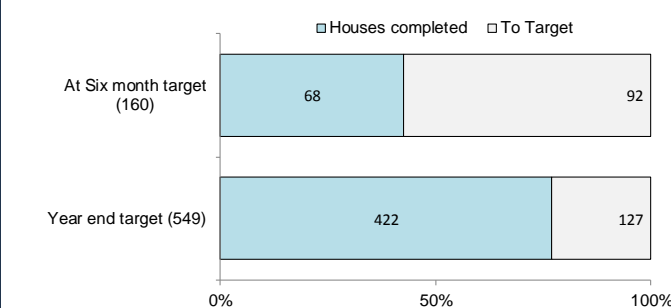
Housing Units

Target: 15,103 units
 Completed to date: **954 (6.3%)**
 To meet target: 14,149 (93.7%)

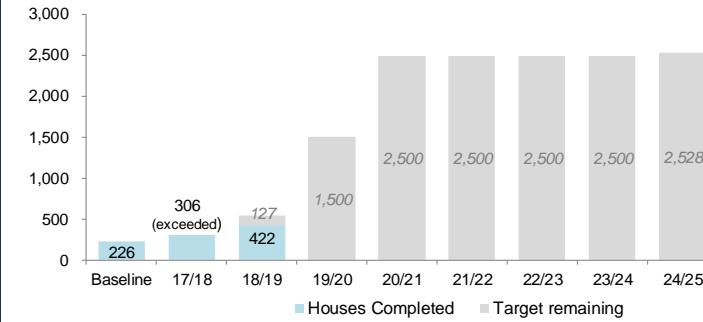
Status to date (cumulative – 2015-2025)



In year to date (2018-2019)



Annual Time series (2015 – 2025)



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

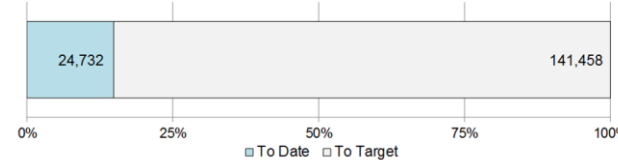
Comments: To date 6.3% (954) of the target has been achieved with 226 housing units completed in the baseline period, 306 completed in 2017/18 and 422 completed so far in 2018/19.



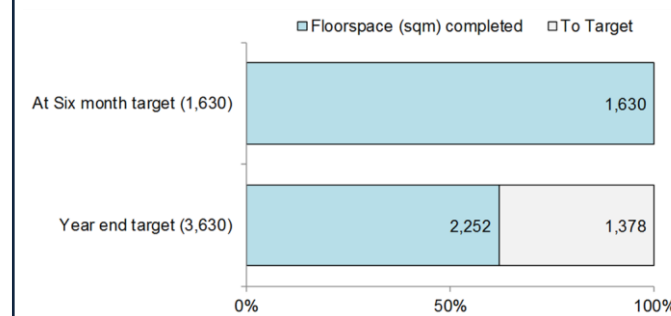
Commercial Floorspace

Target: 166,190 sqm
 Created to date: **24,732 sqm (14.9%)**
 To meet target: 141,458 sqm (85.1%)

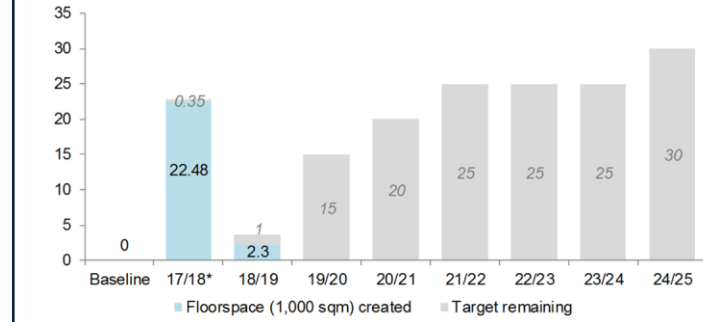
Status to date (cumulative – 2015-2025)



In year to date (2018-2019)



Annual Time series (2015 – 2025)



Measure: commercial area created in square metres of floorspace.

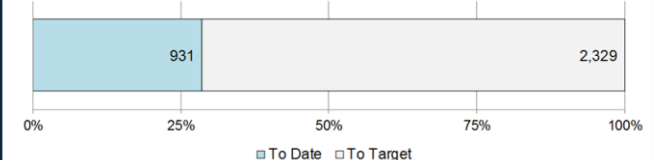
Comments: To date 14.9% (24,732 sqm) of the target has been achieved with 22,480 sqm completed in 2017/18, and 2,252 sqm so far in 2018/19.



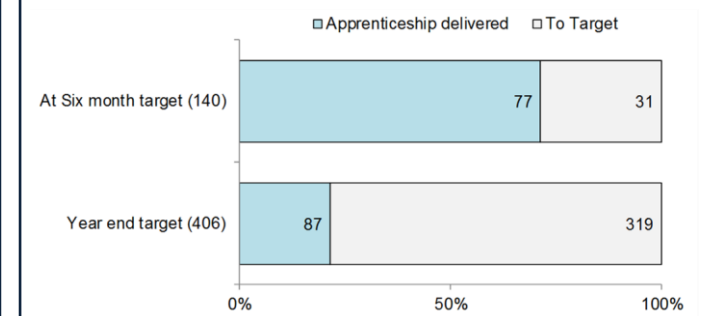
Skills (Apprenticeships)

Target: 3,260 delivered
 Delivered to date: **931 (28.6%)**
 To meet target: 2,329 (71.4%)

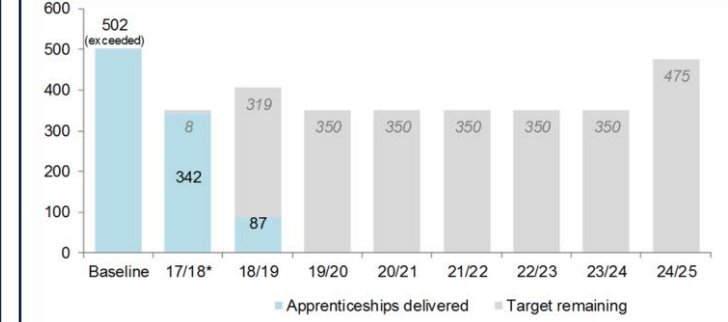
Status to date (cumulative – 2015-2025)



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 28.6% (931) of the overall target has been achieved with 502 apprenticeships delivered in the baseline (changed), 342 in 2017/18 and 87 so far in 2018/19.