

Enterprise M3 Board

28 January 2016

Local Growth Fund 3 – Item 10

Enterprise M3 Board members are asked to:

Note recent responses to the draft prospectus, the summary of Expression of Interests received and the initial results of the assessments.

Agree to the proposed changes to the final prospectus and the timing of the publication of the final prospectus in order to develop a pipeline of projects.

Discuss the items identified as requiring further debate

1 Background and summary

- 1.1 In November 2015 Enterprise M3 published a Draft Prospectus for Local Growth Fund 3 (LGF3), inviting comments on the draft document and initial Expressions of Interest (Eol) for potential projects by 7 December 2015.
- 1.2 Comments were received from three organisations and in total 107 initial Expressions of Interest were submitted. These have been internally reviewed, more details are given below.
- 1.3 Government have indicated that future LGF will be made available from 2017/18 but precise details on additional rounds of LGF are awaited. Enterprise M3 is asking the Board to discuss and agree on the general principles of the prospectus so it can be finalised and published in February. This would enable us to receive final Expressions of Interest in March and then put together a pipeline of projects, ready for when funding is announced. The pipeline could also be used to identify projects for earlier years should any of the current assigned projects from LGF slip.
- 1.4 A summary of the comments and the Eol was presented to the PMG on 14 January, together with the proposal to proceed with publishing the final prospectus in February. While it was recognised there are still many uncertainties about the timing and amount of additional LGF funding from the Government, the PMG recommended that we proceed as suggested to ensure a pipeline of projects can be put together.

2 Latest update from the Government on LGF3

- 2.1 In the 25 November 2015 Comprehensive Spending Review the Government confirmed its commitment to allocate the full £12bn to the Local Enterprise Partnerships for the Growth Deals.
- 2.2 No amounts have yet been announced for the third tranche of financing; this is expected later on this year. While the amounts are not yet known, the Government has indicated future funds would be back-loaded towards the end of this Growth Deal period (starting 2017/18).

2.3 Despite the uncertainty of the amount and timing of additional funding, we are confident that Enterprise M3's good past performance will ensure additional funding will be made available. It is recommended that the finalised prospectus is published and finalised Expressions of Interest be sought from scheme promoters as soon as possible.

3 Comments on the Draft LGF3 Prospectus

3.1 Written comments on the Draft LGF3 Prospectus were received from three organisations: Surrey County Council (SCC), The South Downs National Park Authority (SDNPA) and Sustrans. In addition we have received many verbal favourable comments on the approach we have taken with the draft prospectus.

3.2 The majority of the written comments are of general nature and are concerned with the need to focus on particular themes such as the environment, low carbon economy, broadband and sustainable transport. The comments also promote the grouping of schemes, across all themes on a geographical basis, in order to create a strong narrative of how a mix of investment can unlock growth within places, particularly the Growth and Step-up towns but also in support of the rural economy.

3.3 In addition to the above, changes will be made to the prospectus to reflect further developments in the focus of the devolution deals and the announcement on the successful multi-site enterprise zone; the use of the 1% application fee will also be clarified (propose to have no fee for loans, only for grants). A caveat regarding uncertainty over future funding will be added. We also believe that further consideration should be given towards support for schemes that reduce flooding where there would be a high economic impact.

3.4 We also intend to set out the broad criteria we will use to assess proposals. In addition to basic eligibility criteria (location, alignment with SEP criteria etc.) this criteria will include impact (e.g. scale, economic rate of return, leveraging wider investment), funding (form of funding, amount of match funding) and deliverability.

4 Expressions of Interest Received for LGF3

4.1 A total of 107 initial Expressions of Interest (Eol) were received; some of these were highly developed while others provide only a short overview with little or no details on financing. This was to be expected as it was made clear that proposals should be submitted, even where detail were still to be firmed up. It is good to see such a variety of project proposals as this is encouraging for putting together a pipeline of projects.

4.2 We have provided an overview of the types of Eol that were submitted.

- Geographical spread: 70 projects are in Surrey, 35 in Hampshire, 1 covering the whole LEP area and 1 project that expands into adjacent LEPS. The number of projects in Surrey is high as it includes 42 projects submitted by Surrey County Council which was just an overview list of potential projects; some of these projects were also submitted by Borough/District Councils with more detail.
- Strategic areas: More than half of the Eol are for transport projects (55), 30 are Infrastructure and Housing projects, 18 for Enterprise and Innovation, and 4 for Skills.
- Sector spread: 96 of the Eol were submitted by the public sector, 9 by the private sector and 2 by public/private partnerships

- 4.3 The Eol are currently going through an initial review by the responsible project managers. At this stage the PMs are only making a pass/fail assessment based on the following criteria:
1. Be within the Enterprise M3 area or benefit businesses within the area
 2. Contribute to the achievement of the SEP priorities
 3. Request a sum within the LGF funding parameters
 4. Demonstrate that it can be delivered within a specific timeframe
 5. Be led by an applicant organisation with delivery experience and financial standing commensurate to the nature and scale of the project
- 4.4 The project managers were also asked to indicate whether the Eol contained sufficient information to go through full scoring process, using the internal scoring criteria developed recently to help prioritise pipeline projects.
- 4.5 We were only able to assess 31 of the EOIs received because of the lack of details. 27 of the 107 Eol passed the initial assessment while only 4 failed. The others did not contain sufficient information to make the assessment.
- 4.6 Out of the 27 that passed the initial assessment, 23 contain sufficient information for using the scoring criteria. These 23 are spread over the four strategic areas, giving a good opportunity to test the suitability and effectiveness of the scoring criteria on selected Eol.
- 4.7 The project managers will give initial feedback to all applicants in the coming weeks. The initial feeling is that there are some very strong projects, while many others have potential but still require considerable amount of work.

5 Issues for further debate

- 5.1 Reviewing the initial Eol has raised a number of issues that would benefit from further debate. Most of these do not need immediate answers but can be considered at a later stage, eg. when refreshing the Strategic Economic Plan.
- 5.1.1 The number of skills projects are light with an expectation that applicants are more likely to come forward once the findings of Post 16 Review are known. Should we hold back some of the funding for later applications towards the year end?
 - 5.1.2 There are some regeneration type projects which have identified funding gaps which the market is unable to fill. How far do we want to go down the "gap funding" route where we will not get our funding back?
 - 5.1.3 There is potential to expand some transport programmes across neighbouring LEPs and develop joint submissions to Government. Should we give more recognition to the importance of inter-LEP area travel both in retaining and attracting employees and inward investment?
 - 5.1.4 The uncertainties about timing and amount of LGF funding might deter some applicants from spending time developing an Eol. Should we commit all LGF3 funding at an early stage, or leave some for possible high quality schemes that might only wish to apply after funding has been confirmed?
 - 5.1.5 Out of the initial Eol only ca. 10% were from the private sector. How can we encourage more relevant Eol from the private sector?

6 Recommendation

- 6.1 The Board is asked to note the responses to the draft prospectus and the summary of Expression of Interests received.
- 6.2 The Board is asked to agree with the proposed approach to changes to the final prospectus, and to consider the timing of the publication of the final prospectus in order to develop a pipeline of projects.

7 Next Steps

- 7.1 Enterprise M3 Project managers are already in contact with all Eol applicants and providing feedback on proposals. This will allow applicants to further develop proposals for the final call for projects when we reissue the prospectus.
- 7.2 Following the discussions by the Board the prospectus will be finalised and published in February. Expressions of Interest will be invited from both new applicants and those who expressed initial interest. The Eol form will remain unchanged to avoid unnecessary inconvenience to those who already submitted an initial Eol and wish to further refine it.
- 7.3 After the final prospectus is published we plan to give the applicants 6-7 weeks to submit their Eols – likely to be the end of March. Projects will be reviewed by Enterprise M3 officers and relevant action groups prior to being brought before PMG and then the Board for decision on possible projects for the pipeline. This will enable us to move quickly once the Government announces possible additional LGF funding.
- 7.4 This timeline and process will however need to be flexible once there is greater clarity as the Government's timescales and the level of information and prioritisation they will be expecting LEP to provide to release LGF3 funding.

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19 January 2016