

**Enterprise M3 Programme Management Group**

**10 May 2018, 10:00-13:00**

**Mountbatten Room, Hampshire County Council, The Castle, Winchester, SO23 8UJ**

**DRAFT MINUTES**

**Members Attending**

James Cretney - Chair  
Dave Axam  
Nick Elphick  
David Fletcher  
Colin Kemp

**Guests Attending**

Kathy Slack  
Sally Agass  
Sarah Carter  
Deborah Wyatt  
Justine Davie

**Apologies**

Rob Carr  
David Clifford  
Mike D'Alton  
John Furey  
Rob Humby  
Kevin Lloyd  
Catherine Turner

**1. Welcome and Introductions**

1.1 James Cretney welcomed everyone to the meeting.

**2. Minutes of last meeting and matters arising**

2.1 The minutes of the meetings held on 15 March 2018 were agreed and the actions noted. The Group was advised that James Cretney had agreed to talk to RHS Wisley about opportunities for including low carbon in their project. Gary Thompson had been appointed as an interim Assistant Director - Business Delivery and would be taking on some of the EZ<sup>3</sup> work and Surrey County Council had generously allowed Nikki Nicholson to provide some support to help fill the gap in resource. Sally Agass had been appointed as the interim Assistant Director – Operations to provide cover while Rachel Barker was on maternity leave.

**3. Declaration of Interest**

3.1 In addition to all interests previously declared, the following interest was noted:

<b>Name</b>	<b>Interest</b>	<b>Declared Action</b>
David Fletcher and Colin Kemp	LGF/GEF 2018/19 Projects for consideration	Left the room during the decision making

**4. PMG Terms of Reference**

4.1 The Group received a paper setting out role of the Programme Management Group (PMG) and the revised Terms of Reference. The role of PMG would be to oversee Enterprise M3's domestic funding programme, encompassing both the LGF and GEF and the direct funding for the Enterprise M3 Growth Hub. PMG would also play a key role in ensuring the LEP's European Structural and Investment Funding was aligned with domestic funding. The Board agreed on 29 March to delegate decision making powers for projects seeking funding of less than £3m to PMG.

4.2 PMG would approve projects and/or make recommendations to the Board on the allocation of funds across a range of projects. The recommendations would be based on whether the project fit with the priorities in the Strategic Economic Plan, was deliverable to the specified budget and timescale and the economic outcomes as a result of the delivery of the proposal. Other functions to be undertaken by PMG would be to review potential bids for future rounds

of the LGF and GEF, review due diligence based on advice from Action Groups and promote the development of a pipeline of reserve projects and aspirational projects for future funding.

- 4.3 The membership of PMG was set out and it was highlighted that the Enterprise M3 Joint Leaders Board would be responsible for selecting the local authority member and senior officer representation. Membership of PMG would be reviewed every two years. PMG members would be required to provide details of any relevant interests and a register of interests would be published on the Enterprise M3 website. Members would also be required to sign a code of conduct. PMG meetings would be held every other month preceding the Enterprise M3 Board, however where necessary the Chair of PMG could convene extraordinary meetings. Agenda and minutes would also be published on the website for all PMG meetings. A formal review of the effectiveness of PMG would take place in May 2019 and the terms of reference updated.
- 4.4 The Group discussed the proposed Terms of Reference and it was suggested that there should be annexes attached with the Terms of Reference for each of the Action Groups. There was some concern over how the skills projects would be assessed in the period before the Global Competitiveness through People Board was relaunched. The team would consider the best method for assessing the skills projects although it was acknowledged that the wording on the Terms of Reference was that all projects should be considered by an Action Group, it was not a requirement. It was requested that the Acceptance of Office and Register of Interest forms were circulated to the Group as a Word document so they could be completed electronically.
- 4.5 The Group recommended to the Board to agree the Terms of Reference subject to the inclusion of the amendments discussed.

Action to be taken	By Whom	When
Amend the terms of reference to reflect the suggestions made by PMG before submitting to the Board for approval	Kathy Slack	24 May 2018
Circulate a word version of the Acceptance of Office and Register of Interest form to PMG members	Justine Davie	10 May 2018

## 5. Future Sustainability of LEP: Reserves Policy

- 5.1 The Group receive a paper on the options for Enterprise M3's financial sustainability beyond the current financial year which had been agreed by the Enterprise M3 Resources, Finance and Audit Committee (RFAC). It was noted that this finance paper was brought to PMG as an exception given its relevance to the application of loan fees and the proposal to award a greater proportion of the LGF/GEF funds as loans when applicable. The revenue budget approved on 25 January 2018 by Board showed a shortfall of expenditure in 2017/18 of £222k and in 2018/19 £440k. The shortfall could be covered by funds from retained reserves brought forward. It was however recognised by the Board that the continued use of one off/legacy funds to supplement ongoing funding was not sustainable. Government had confirmed core funding for the LEP and Growth Hub for a further two years although it was unclear what funding would be available beyond 2019/20.
- 5.2 The options for future financial sustainability were set out. The interest built up from balances held by Hampshire County Council over the next three years was estimated to total £417k, although Enterprise M3 aimed to deliver a progressive delivery plan and not to build up interest on balances therefore it was suggested that this should not be factored into sustainable longer-term financial planning. The interest received from LGF/GEF loans over the next three years was forecast at £775k. Encouraging more loan applications would increase the LEPs financial sustainability.

- 5.3 An application fee of 1% was currently applied to LGF grants awarded. Recent analysis showed that the 2018/19 budget fees covered less than one third of the budgeted staff cost and the due diligence, legal, consultancy and other running costs had also to be factored in. It was therefore proposed that the application fee should be increased to 2%. The projected income over the next three years with a 2% application fee was £986k.
- 5.4 Currently 17% of EM3 funding was from Local Authorities and Higher Education establishments, either through direct contribution or supplying resources. An increase in the contribution from Local Authorities and the number of Higher Education contributing could increase funding by £400k over two years from 2019/20. Assuming current activity and funding, over the next three years the anticipated overall Enterprise M3 Revenue Reserves would increase from £2.2m to £2.4m. The significance of the interest reserve in funding future activity was highlighted.
- 5.5 An Enterprise M3 Reserves Policy had been drawn up which proposed that reserves were maintained at a level equal to 50% of annual expenditure to enable Enterprise M3 activity to continue during a period of uncertainty due to lack of confirmed funding beyond 2020. The approach had been endorsed by the RFAC. In setting the reserves Enterprise M3 was mindful of the need to demonstrate to Government that only the minimum prudent level of reserves was held and that the maximum balance of income was applied to programme delivery.
- 5.6 The Group discussed the options and there was some concern regarding the applicant paying the application fee up front and whether this would deter organisations from applying. The Group was advised that an application fee was standard practice across many LEPs and 2% was a modest fee, other LEPs charged up to 5%. It was agreed that there could be some element of discretion built in so as not to deter applicants. There was some discussion regarding the increase in partner contributions and that resource contributions were not acknowledged in the figures. It was recognised that some partners may not be able to increase their contribution although it was agreed that the discussion should take place to identify what was possible. The potential to make the EZ<sup>3</sup> projects a loan rather than repaid through Business Rates income was also discussed and would be considered. The Group noted the proposals from the RFAC.

## 6. Local Growth Fund Programme Update

- 6.1 The Group was advised that the final expenditure for 2017/18 was £30.5m which represented 67% of funding available in that year. All remaining funding from 2017/18 would be carried forward to the 2018/19 capital programme. Overall Enterprise M3 had distributed just short of £100m since the Local Growth Programme began which represented 82% of the available allocation. The interim output/outcome targets showed that the in-year target for jobs created/safeguarded had been exceeded and with the exception of housing, the remaining targets had been missed by very small margins.
- 6.2 The Local Growth Fund and Growing Enterprise Fund would be considered as a single funding stream from 2018/19. In 2018/19 there was £72.1m funding available of which £25.6m was contractually committed, £18.2m was approved but not yet contractually committed and £18.8m was allocated but awaiting approval, which left £9.6m unallocated. It was noted that the unallocated figure could rise in the event that not all approved or allocated projects became contractually committed. Maximising the dispersal of the funds will be a key focus for the team and a forecast of expected delivery dates for business cases was provided to the Group.
- 6.3 PMG members were advised that when considering the 2018/19 capital programme the fact that the Government's proposed capital allocation in 2019/20 was £17.5m, which was half the amount of the current financial year, would also need to be taken into account. As well as ensuring delivery against the full allocation of Local Growth Fund in 2018/19 it was important there was not an overspend situation created in 2019/20 however prudent over-programming, given that not all might reach the contracted stage, was considered acceptable but that the

Group must be appraised of the level. Discussions were being held with Government to see if there was any flexibility in the funding allocation by year and also with the Accountable Body to assist with managing the profile and ensure continued delivery of projects.

- 6.4 The Group proposed that an additional member of staff should be appointed to help work on accelerating projects, and it was agreed that this matter would be considered. There was some concern expressed that spend could slip on projects including those contractually committed and therefore it was agreed that the spend forecast should be heavily over-programmed. It was suggested that a risk assessment should be carried out on projects to identify which of the projects were at risk and which projects had some flexibility in spend should any issues arise with over-programming at the year end.

Action to be taken	By Whom	When
Consider the appointment of an additional members of staff to drive the acceleration of projects	Kathy Slack	June 2018
Carry out a risk assessment on projects to highlight spend risks and flexibility on spend	Sally Agass	June 2018

## 7. LGF/GEF 2018/19 Projects

- 7.1 A call for new projects deliverable in 2018/19 had been issued in March 2018 which resulted in 25 Expressions of Interest being submitted totalling £30.36m. The Expressions of Interest were assessed against three specific criteria which was that the project was deliverable in 2018/19, had a strategic fit for Enterprise M3 and provided value for money. The assessment provided an initial ranking of projects as A, B or C which were then discussed by the Enterprise M3 project team.
- 7.2 There were 10 projects ranked in the A category with a total value of £12.9m. The Group discussed each of the projects in detail and considered the deliverability, outputs, whether the project was a loan or grant, the amount of match funding and alignment with the Strategic Economic Plan. The issue with funding maintenance works at further education (FE) colleges was discussed. The Group was advised that FE colleges had no other funding mechanisms to apply to for these works and the Department of Education had written to LEPs to advise that they would be expected to consider college condition fund projects. It was suggested that a paragraph should be included in the terms of reference regarding FE college condition funding and setting an upper limit for applications should be considered.
- 7.3 The Group was disappointed that Farnborough College of Technology was the only FE college not included in the EM3 Digital Technology Centre project. The Group was of the view that it was important that all FE colleges had common ICT facilities. Sarah Carter would contact Farnborough College of Technology to feed back the view of PMG. It was discussed that funding could be dependent on all six colleges signing up and this would be fed back to the lead college.
- 7.4 The Group agreed that all category A projects should progress to due diligence and recommended to Board to approve the Alton Advanced Manufacturing and Technology Park project to proceed to due diligence. There was some discussion on the category B and C projects and it was recognised that some Category B had the potential to progress further but additional work was required before they could proceed to due diligence.

Action to be taken	By Whom	When
Update PMG terms of reference to include funding college condition fund projects	Rachel Barker/ Sally Agass	May 2018

<b>Action to be taken</b>	<b>By Whom</b>	<b>When</b>
Advise Farnborough College of Technology on the outcome of the PMG discussion and encourage them to join the consortium	Sarah Carter	May 2018
Proceed all Category A projects to due diligence	Deborah Wyatt/ Sally Agass	May 2018
Recommend to Board to approve Alton Advanced Manufacturing and Technology Park project to due diligence	Deborah Wyatt/ Sally Agass	24 May 2018

## 8. Enterprise M3 Annual Report

8.1 The Group was thanked for the feedback that had been provided on the Annual Report and the design and content was well on the way to being fully developed. New photos would be taken of Board members at the May Board meeting and work was currently underway to update the outputs. The Annual Report would be launched at the AGM on 8 June. AGM invitations had been emailed out the previous day and one third of the places had already been taken with 40% allocated to businesses.

## 9. LEP Update on Recent Developments

9.1 Kathy Slack updated the Group on recent developments and activity. There had been lots of activity relating to the Board member applications and some of those that had been unsuccessful in their Board application would be invited to join the action groups. There had been work taking place on the Energy Strategy. Meetings were being held with local authority Chief Executives and Joint Leaders Board to move the Strategic Economic Plan refresh and Local Industrial Strategy forward which would then be presented to the Steering Group and Board. Work was taking place with Government to put Enterprise M3 into the timetable of activity for the Local Industrial Strategy. There would be one or two support officers appointed to provide skills support and five Careers Enterprise Company posts would be recruited as part of the expansion to the Enterprise Adviser Network.

9.2 The Group was updated on the EZ<sup>3</sup> programme. A grant agreement for the Longcross Discovery Building was being drafted. The power upgrade would be a direct grant to SSE and a meeting was being arranged. AECOM had been approached to carry out the project management for the power upgrade on behalf of the EZ. Plot K/K1 Basing View agreements had been signed and the first claim was being processed. The Plot J agreement was in draft format awaiting update and Plot W was with Basingstoke and Deane for final review. The implementation plan was being reviewed and the next batch of development proposals would be agreed with EZ partners.

## 10. European Programme Update

10.1 The Group received and noted the update on the EU programme.

## 11. Forward Programme

11.1 The Group noted the current forward programme.

## 12. Any Other Business

12.1 The future Programme Management Group meetings would be held as follows:

- Thursday 5 July 2018 – 2pm-5pm – HG Wells, Woking
- Thursday 13 September 2018 – 10am-2pm – Marwell Wildlife, Winchester

- Thursday 15 November 2018 – 10am-1pm – HCC, Winchester
- Thursday 17 January 2019 – 10am-1pm – HG Wells, Woking
- Thursday 14 March 2019 – 10am-1pm – Rushmoor BC, Farnborough

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