Driving prosperity in the M3 corridor

Programme Management Group

15 November 2018

Capital funding prospectus 2019-2021 - Item 4

Programme Management Group members are asked to:

APPROVE the 2019-2021 capital funding prospectus

DELEGATE authority to the interim Assistant Director – Operations to finalise wording and style prior to publication w/c 3rd December 2018

1. Introduction

1.1. The current capital funding prospectus for Enterprise M3 was issued in March 2018 and called for projects deliverable in 2018/19. Since this time and in response to the Government's Industrial Strategy (2017), 'Building a Britain fit for the future', Enterprise M3 has developed a Strategic Economic Plan setting out its direction of travel to 2030, whilst also providing a firm foundation in developing its Local Industrial Strategy.

2. New Prospectus

2.1. This new prospectus for capital funding covering the period April 2019 to March 2021 is designed to focus on a number of areas of opportunity that have been identified as being of strategic importance to Enterprise M3. These areas will help shape Enterprise M3 plans to tap into the yet to be defined UK Shared Prosperity Fund, as well as other Industrial Strategy Challenge Funds, which will secure investment for a number of transformational actions and projects that will be needed in the longer term to ensure future prosperity of the Enterprise M3 area.

2.2. The prospectus highlights the importance of digital technology developments and clean growth within all projects alongside focus on key strategic areas. It recognises that Enterprise M3 cannot provide funding for all activities and needs to prioritise. It also is more specific, without limiting innovation, to Enterprise M3 asking for projects rather than just being responsive to those that are received. This is a more efficient way of spending the limited budget that is available. The prospectus stresses the importance of larger scale projects (greater than £1 million of Enterprise M3 funding) and the need for 50% matched funding. Projects in these areas will help Enterprise M3 to understand future funding requirements and provide evidence for the Local Industrial Strategy alongside preparation for any forthcoming CSR and Growth Deal activity.

3. Next Steps

3.1. Following feedback from the PMG, work will be undertaken with White Label to finalise the design in line with Enterprise M3 branding requirements.

3.2. The prospectus will be launched w/c 3rd December 2018.

Deborah Wyatt
7 November 2010

Capital Funding to Support the Enterprise M3 Economy

Prospectus for 2019-21

FRONT COVER GRAPHICS

REQUIRES ENTERPRISE LOGO/BRANDING

STRAP LINE

FOREWORD AND INTRODUCTION – AWAITING APPROVAL

PICTURE OF DAVE AXAM

FOREWORD TO BE INCLUDED

Dave Axam,
Chair, EM3 LEP

SECTION1

BACKGROUND

Since 2012, Enterprise M3 has been allocated £218 million in capital funding from central Government and has used this funding to support almost 100 transformational projects that are helping the local economy to grow and flourish. Through the Growing Enterprise Fund and Local Growth Fund, Enterprise M3 has invested across Hampshire and Surrey to deliver vital jobs, new homes and business growth. These projects have resulted in 1600 new jobs, 600 new homes, over 24,000 sqm of floor space and 900+ new apprenticeships in urban and rural locations, supporting businesses and citizens with their ambitions.

In response to the Government's Industrial Strategy (2017), 'Building a Britain fit for the future'. Enterprise M3 has developed a Strategic Economic Plan setting out our direction of travel to 2030, whilst also providing a firm foundation to develop our Local Industrial Strategy. We now plan to strengthen our evidence base and probe deeper into those areas that are holding back business growth. This will help shape our plans in readiness by 2020 to tap into the newly shaped UK Shared Prosperity Fund, as well as other Industrial Strategy Challenge Funds, to secure investment for a number of transformational actions and projects that will be needed in the longer term to ensure future prosperity of the Enterprise M3 area.

These actions will respond to the Government' s National Industrial Strategy, published in November 2017 which outlined four Grand Challenges for the economy: The Ageing Society; Clean Growth; Future of Mobility and Artificial Intelligence and Big Data.

Following a thorough review of the evidence and extensive consultations undertaken as part of the development of the Strategic Economic Plan, Enterprise M3 LEP has identified five strategic priorities underpinned by two major economic stimulants. The five priorities for growth are

1. High value sectors for a globally facing economy
2. Enterprise and Innovation for Scaling Up high productivity SMEs
3. Skills for a High Value, High Growth Economy
4. Connectivity for a 21st Century Advanced Digital and Low Carbon Economy
5. Dynamic Communities and Sustainable Growth Corridors

Digital and data technologies and clean growth have been identified as the key stimulants in delivering higher productivity across the wider economy. The underpinning and cross cutting nature of digital technologies and clean growth mean they are important not only for directly related sectors, but also for delivering higher productivity across the wider economy. We are therefore determined to fully harness the potential of the digital economy in our area and use this to drive forward smarter cleaner growth. All projects will be expected to demonstrate how their project will maximise opportunities through digital technologies and clean growth.

Insert SEP infographic pg 28

This prospectus focusses on a number of areas of opportunity that have been identified as being of strategic importance to Enterprise M3 and can be delivered by 31st March 2021. Projects supporting these areas along with digital technology developments and clean growth will be prioritised over other applications.

1). SPACE

The UK Space industry is a highly successful and productive sector worth £13.7bn to the UK economy, or 6.5% share of the global market, whilst employing more than 30 thousand employees. With the global market for space forecast to increase from £155bn per annum to £400bn per annum by 2030, the UK seeks to capitalize on this growth and increase revenue to a £40bn turnover per annum and its share of the global market to 10% by 2030, creating a demand for more than 30,000 new jobs skilled in STEM subjects. The opportunity for this growth focuses on four sector market priorities including Earth Information Services, Connectivity Services, In-Space Robotics, and Low-Cost Access to Space according to the Prosperity from Space, Space Growth Partnership report, May 2018.

The Enterprise M3 (EM3) region is responsible for a greater share of the UK Space industry than any other LEP region outside of London. According to the report 'Size and Health of the Space Industry, London Economics/UKSA' published in December 2016, the EM3 region area plays host to 79 space organisations with a total turnover of £1.9bn, and an employment base of over 2000 people in highly productive jobs (2.7 time the average UK national productivity). The EM3 area also has an unusually high fraction of 'upstream' (manufacturing and operations) companies compared to other areas, and 40 of the organisations in the area operate in downstream space applications.

Enterprise M3 seeks to maximise the opportunities of the expected growth of the global space economy by stimulating growth in this high value sector, to double the value of the sector in EM3 by 2030, whilst creating additional high value jobs. We are already working with industry and research-intensive universities on projects to deploy digital technologies to drive innovation and growth, for example, through the work with the University of Surrey and globally significant satellite companies to link 5G and satellite technologies, which will lead to innovation in many sectors including transport and health. Another example is work being carried out by the Enterprise M3 led Innovation South consortium to use digital technologies to drive productivity in health and social care sectors.

Enterprise M3 seeks to support industry/university led initiatives in the space sector and is keen to receive applications for capital funding that further develop projects in the following areas

- Combining 5G and satellite technology with space data and artificial intelligence (AI) capabilities to drive productivity growth and connectivity in space-enabled sectors across Enterprise M3
- The development of Earth information services (production and use) that benefit EM3 businesses and enable other Enterprise M3 high value sectors
- In-space robotics for example in the manufacture of satellites - a concept that provides a revolution in both the risk profile and economics of building the satellites of the future

2). AEROSPACE & DEFENCE

The Enterprise M3 area is home to internationally significant aerospace and defence clusters, for example Farnborough and Aldershot, and is home to some of the world's largest aerospace and defence businesses. Regionally in the South East, the sector has grown by an average of 5.6% per annum since 2011 (Farnborough and Southern Aerospace Cluster study 2018) against a UK wide growth of 2.2% in 2016 (Market Line industry profile, November 2017).

Insert Aerospace companies map, pg 8 of Strategic Economic Plan

The Catapult centres across the UK are a network of world-leading centres designed to transform the UK's capability for innovation in specific areas and help drive future economic growth.
They are a series of physical centres where the very best of the UK's businesses, scientists and engineers work side by side on late-stage research and development – transforming high potential ideas into new products and services to generate economic growth. These centres of excellence bridge the gap between business, academia, research and government; they promote collaboration and knowledge exchange allowing many progressive businesses and organisations to build new partnerships with reduced risks. Catapults are an invaluable resource to companies in a wide range of markets.

The Innovation South audit identified that there was a lack of test facilities for autonomous vehicles alongside a lack of facilities for SME innovation in Farnborough and surrounding areas thereby limiting the development of the sector. Most innovation is undertaken at a business level without access to skills, markets or test equipment.

Enterprise M3 wishes to consider funding a 'Catapult' type facility focussed on the Aerospace and Defence sectors and/or autonomous systems and is looking for innovative proposals as to how capital funding could be used to promulgate this development. It would be anticipated that high value job creation will result following this investment.

3). NEW MOBILITY

Alongside the Government's Grand Challenge of Future Mobility, Enterprise M3 is currently producing its own mobility strategy. We will focus our efforts where we can add value, working with business and not duplicating work underway at a national and international level. Our priorities and investment will focus on four key areas all of which can be underpinned by smart infrastructure. These are

- Automated vehicles
- Connected Vehicles
- Electric Vehicles
- Mobility as a Service

For autonomous and connected vehicles, we would seek to focus support on public transport and fleet vehicles and are keen to work with private sector companies in our area that are already active in this field. Innovation from private sector companies is sought to respond to this challenge.

For Electric Vehicles, development is being led by the market and is not an area the LEP will get directly involved in. However, we can support the rollout of the infrastructure to support Electric Vehicles. We believe that local authorities working in conjunction with the private sector are best able to provide slow and fast charging facilities. Enterprise M3 would look to support the placement of rapid charging points (electric, wireless, inductive charging) alongside these initiatives to future proof the system. Ideally, local authorities will work collectively across EM3 in this activity. LEP funding could match investment for more traditional charging or the upgrading of infrastructure. This development could be particularly beneficial for rural and less urban areas

Mobility as a service clearly also has strong linkages to the proposition related to sustainable transport – see sustainable transport section. However, the key area of our focus will be in supporting projects that making journeys simple and seamless, so that whatever modes are being used there is only a need to plan and pay once whatever journey is being made. There are a number of enablers to this which the LEP would be willing to support. These include:

- shared mobility—ride sharing, car sharing, bike sharing
- E-hailing in terms of hailing a transport service using your smart phone or computer.
- On-demand transportation services which can combine shared mobility and e-hailing.
- Real-time transport and traffic information and incident reporting
- Single payment systems
- Multimodal apps allow the user to compare different transport modes and allowing mixed-modal trips.
- Digital management of networks and systems to maximise efficiency and improve provision of information to enable better decision making

4). DIGITAL HEALTH

Innovation South is a consortium of over 120 private and public organisations from across Dorset, East & West Sussex, Hampshire, the Isle of Wight, Kent, Surrey, and the Thames Valley. In 2017, Innovation South undertook a Science and Innovation Audit, sponsored by BEIS, to review the outstanding strengths of Innovation South in digital enabling technologies and the application of these technologies to make advances in several key sectors including Digital, Biosciences, Marine & Maritime and Advanced Engineering. This audit highlighted a 'powerhouse of world class strengths in digital enabling technologies.'

Bioscience is an industry in which the UK has global strengths. In the South, bioscience is a significant, and high-value, sector. There is strong representation from the larger bioscience businesses and the region has particular capabilities in med tech, and digital health applications linked to changing demand for health and social care and plant and animal health.

Within the Biosciences sector, the Office for Life Sciences highlights the growth of two areas of increasingly important activity

1). Digital Health: with products reliant on digital technologies and content, including hospital and GP information systems and medical data analytics and visualisation, as well as medical devices which have a significant digital component essential for their functionality and/or deliver health related data.

2). Genomics: the sampling, sequencing, analysis, interpretation and application of human genomic information to improve clinical services.

The Science and Innovation Audit identified that new markets are developing in connected medical devices in four main areas. Firstly, this includes 'smart assistive technology', devices helping people perform tasks made harder by their condition, and, when enabled with sensors, help the user, or medical professionals, monitor performance. Secondly, at an operational level, much of the scope for digitisation in the health sector has yet to be realised. The mainstream use of 'machine learning' to support clinical decisions will lead to greater advances in care, and the potential to analyse and visualise multiple patient records. The UK has a fantastic opportunity to gain economically from health service digitisation through the integrated NHS and its potential for robust data collection. Thirdly, computing ability is driving down the cost, and increasing the effectiveness, of drug discovery, as the potential to screen multiple samples and analyse complex data increases. Fourthly, digital technology offers a new opportunity to develop a more integrated approach to plant and animal health science. The UK's strategy for animal and plant health science research highlights an aspiration for a 'UK Animal and Plant Health Internet of Things' enabling faster detection and analysis of animal and plant health risks.

In recognition of these findings, Enterprise M3 seeks to support projects that will involve SME innovators working with universities and large corporates in driving productivity improvements in the Health and Social Care sector. It is anticipated that capital funds will be made available to SMEs to further develop their technology and to roll out its use across the Enterprise M3 area.

5). CLEAN GROWTH THROUGH DEVELOPING A LOW CARBON ECONOMY – THE CLEAN GROWTH ENTERPRISE FUND

The Coast to Capital, Enterprise M3 and South East LEPs have developed an Energy Strategy which aims to achieve clean growth from now until 2050 in energy across the Power, Heat and Transport sectors (draft report - October 2018). Clean growth is about growing our local economy - creating jobs and building sustainable income streams - while cutting greenhouse gases. Delivering clean growth is at the heart of the UK's Industrial Strategy, whilst continuing to provide an affordable, sustainable and secure energy supply for businesses and consumers.

Over the last two decades the UK Government has set an ambitious agenda to foster the transition to a low carbon economy. The Climate Change Act (2008) provided a strong legislative basis for the future direction of our energy system and wider economy, and this led the way to many other fundamental reforms to energy, transport, industrial, agricultural and fiscal policy. The Government's Industrial Strategy and Clean Growth Plan launched in 2017, has laid out a path towards building a system that is cleaner, smarter, more efficient, and reflective of the environmental costs of greenhouse gas emissions.

Five priority themes have been identified as part of the Energy Strategy
These are

1) Low carbon heating - the deployment of heat networks in the energy mix.
2) Renewable Energy - generating more power from renewable, low or zero carbon sources of electricity
3). Energy Efficiency - improving domestic and industrial energy efficiency
4). Smart energy – new and smart technologies for managing the energy network.
5). Transport Revolution - roll-out of low carbon transport infrastructure in the energy mix.

Our vision is for the Enterprise M3 area to become known at home and abroad for its high tech; high growth; low carbon economy. We will help fund ambitious, innovative capital projects which drive clean growth, enhance productivity and create jobs in green industries. Examples might include a proposal to turn an Enterprise Zone, Business or Science Park into a low carbon area with minimal or zero dependence on fossil fuels. Another idea might be to establish a catapult or incubation, innovation and commercialisation facility for hi tech SMEs who wish to develop and test low carbon and sustainable energy technologies with a view to tapping into UK and International export markets. In transport there are many opportunities to reduce our carbon footprint, for example installing more electric car points at petrol stations, shopping centres and supermarket car parks, as well as large business car parks whilst in health and adult social care 5G diagnostic equipment could be used at home rather than the user travelling to a hospital which would create a transport solution as well as improve care.

6). TRANSFORMING COLLEGES

Enterprise M3 has allocated capital funding to its ‘transforming colleges’ programme. This programme is aimed at developing existing college infrastructure across the Enterprise M3 area to meet the future demands of business and industry. Projects such as the Technology Tower at Guildford College and the Emerging Technologies Hub and Innovation Centre at Farnborough College of Technology are currently underway supporting this initiative but further work is still required.

In order to maximise the benefits arising from this programme, Enterprise M3 is seeking applications from the college network rather than individual colleges. These projects should seek to improve college infrastructure and meet future business needs based on documented. Examples might include the redevelopment of motor trade training areas within colleges to be ready for electric vehicle technology or projects that enable and support the development of skills training in low carbon technologies.

7). SUSTAINABLE TRANSPORT

Enterprise M3 will invest in sustainable transport packages, with a strong focus on improving the quality of sustainable forms of transport so that the modes of public transport, walking and cycling can play a role in reducing congestion and providing access to employment, retail and services. Offering a wider range of travel options for local journeys in our main urban centres will help reduce dependence on the private car. By improving access to employment by sustainable modes, this should enable those who currently commute by car to reduce the proportion of disposable income spent on travel to work by switching to the bus or walking or cycling. Sustainable transport projects can also offer employers access to a wider pool of skilled people, including young people, who do not have access to a car or cannot afford to run it (enabling those without access to a car to travel to opportunities further from where they live than would otherwise be the case).

The LEP wishes to continue our strong support of sustainable transport schemes that promote economic clean growth by encouraging and supporting alternatives to the conventional car. The LEP remains committed to continuing to support investment in sustainable transport and maximizing the economic benefits. Proposals that we will look to support should also seek to improve the reliability of the transport network. Funding remains unallocated from previous Local Growth Fund allocations for schemes within this area of activity

SECTION 2

PROJECT LEADS FOR EACH AREA

Before you consider submitting an Expression of Interest form, please contact the Enterprise M3 team to discuss your scheme and its suitability for this funding. An Enterprise M3 lead must be assigned to each scheme before funding application submissions are made.

AREA OF OPPORTUNITY	**ENTERPRISE M3 LEAD**	**CONTACT DETAILS**
Space	Chris Quintana	Chris.quintana@enterprisem3.org.uk
Aerospace & defence	Chris Quintana	Chris.quintana@enterprise m3.org.uk
New mobility	Kevin Travers	Kevin.travers@enterprisem3.org.uk
Digital health	Sue Littlemore	Sue.littlemore@enterprisem3.org.uk
Clean growth	Jennie Pell	Jennie.pell@enterprisem3.org.uk
Transforming colleges	Sarah Carter	Sarah.carter@enterprisem3.org.uk
Sustainable transport	Kevin Travers	Kevin.travers@enterprisem3.org.uk
Enterprise Zones	Christian Cadwallader	Christian.cadwallader@enterprisem3.org.uk

ELIGIBILITY CRITERIA

It is recommended that all applicants complete the following checklist before completing an Expression of Interest form. If you can answer 'yes' to the following statements, then this funding stream might be right for your project. Please note that entering 'no' does not mean that your Expression of Interest will be unsuccessful. If you are unable to answer some of the questions or if you are unsure whether the project fits the scheme, please contact us as we can guide you through the process or, alternatively, advise you on any other funding schemes available that may be right for your scheme.

PROJECT STATUS	Yes	No
My project requires capital funding		
I have an agreed outline and detailed cost breakdown for my project		
Where necessary, legal and planning consents are in place or will be in the next 6 months		
I have spoken with the Enterprise M3 lead for this project		
I can deliver my project by 31st March 2021		
The project is delivered within the Enterprise M3 area		
The project incorporates digital and data technologies, and clean growth		
This project has match funding (public or private) at 50% or more of project cost		
The project supports the Government Industrial Strategy		
The project is linked to the Enterprise M3 Strategic Economic Plan		
The project is linked to the Innovation South Science & Innovation audit		

Please note the following

- All funding is capital, no revenue funding is available
- Projects must deliver benefits in the Enterprise M3 area.
- Projects must align with our areas of opportunity, deliver economic growth, kick start or bring forward development and be deliverable by March 2021.
- Projects must incorporate digital and data technologies, and deliver clean growth
- Funding can be in the form of grants or loans or a combination of the two. Loans will always be preferred over grants. Enterprise M3 must comply with State Aid rules and therefore in the majority of cases this means that a rate of interest will have to be levied on loans and there will be limitations about the type of projects that we can support with grants. Applicants should be mindful of this when submitting an Expression of Interest to the fund and should seek appropriate advice.
- Enterprise M3 funding should be no more than 50% of the total direct investment in the project.
- Larger scale schemes, requiring more than £1million of Enterprise M3 funding i.e. projects with a total value greater than £2million will always be prioritised over smaller schemes.

KEY CONSIDERATIONS

- Payment will be made upon achievement of key milestones
- A 2% application fee will apply to successful grant applications, or the grant portion of the application in case of part loan/part grant projects. This application fee is charged to contribute towards the costs of administering the funding including the appraisal, undertaking due diligence and programme level monitoring processes. The fee should be considered as a project cost and included within the funding sought from Enterprise M3, effectively making the fee recoverable by the applicant. Provision for this should be included in the costing of proposals. The fee will be payable following confirmation from Enterprise M3 that the project is being progressed to the due diligence stage. If the application is not successful following appraisal and due diligence, the fees will be refunded to the applicant, with any costs associated with due diligence having been deducted in order to cover Enterprise M3's costs.
- Interest rates cannot be included in the costings
- All projects must deliver economic outcomes which can include jobs, housing, business support/development and apprenticeships/training. Our expectation is that economic benefits should begin to materialise within 18-24 months from the date of project funding.

VALUE FOR MONEY

As Enterprise M3 is allocating public funds, value for money will be considered based on two factors:

1). Match funding
Funding sought from Enterprise M3 should be the minimum necessary to make the project happen i.e. it should not displace other sources of funding. Where appropriate, we will want to see Enterprise M3's funding being no more than 50% of the total direct investment in the project. We expect scheme promoters to maximise the level of match funding. Potential synergy with other sources of investment support, including European programmes, will be considered.

2). Form of funding
Funding from Enterprise M3 can be in the form of loans or grants or a combination of the two. Loans will always be favoured over grants. To comply with State Aid, interest will be payable on the loan. The Enterprise M3 team are able to provide additional information to prospective applicants and the exact interest rate will be confirmed at the due diligence stage of the process.

DECISION MAKING PROCESS

Enterprise M3 takes a clear and transparent strategic approach to the allocation of funding and runs the following process.

- All projects must submit an Expression of Interest into bids@enterprisem3.org.uk. EOIs must be received by **Thursday 28th February 2019**.
- Expressions of Interest are independently assessed as either A, B or C category projects. An 'A' project is a well written proposal that is deliverable within the stated timescale, provides significant economic outputs, has a strategic fit for Enterprise M3 and is costed appropriately. A 'B' project is judged to be deliverable but questions remain over one or more areas of the proposal either cost, strategic fit and/or outputs. It could be expected that a 'B' project might be reworked by the applicant and resubmitted by the applicant. A 'C' project has 3 or more areas of concern within the bid and will not be progressed.
- Enterprise M3 Programme Management Group (PMG) reviews all Expressions of Interest. Whilst larger scale projects are anticipated, any EOI will be a value less than £1 million or less that is approved by the PMG will be submitted for due diligence. If the project is greater than £1million, the applicant needs to complete a full Business Case prior to due diligence.
- Due diligence is undertaken using a specialist due diligence provider at a level that is proportionate to the type and scale of the individual project. If other public bodies have already undertaken such scrutiny we will take this into consideration to avoid duplication.
- Once the due diligence report is complete, the project is submitted back to the PMG to approve funding
- Legal and contractual agreements are circulated and approved. There is a clear obligation for the Applicant to respond within 2 weeks following receipt of the initial draft and to respond to queries raised by Enterprise M3 in a timely manner. Any unnecessary delays may result in funding approval being withdrawn
- Project can only commence once legal approval is given and all paperwork is complete

For projects worth more than £3million, the Enterprise M3 Board seeks a recommendation from the PMG but it is the Board that makes the final funding decision. The Board approval may come with pre-conditions that need to be met before a legal agreement can be concluded. The Enterprise M3 team will support the applicant to satisfy any remaining requirements so that funding can be made available to successful projects. We work closely with Hampshire County Council who act as the Accountable Body for our funds and ensures the legality of the agreements etc.

Feedback on individual project proposals will be available on request and the minutes of all meetings are provided on the Enterprise M3 website.

Enterprise M3 website
www.enterprisem3.org.uk

Enterprise M3 Strategic Economic Plan
www.enterprisem3.org.uk/strategic-economic-plan/ New link required

Enterprise M3 Annual Report 2017/18 – Link to be inserted

Enterprise M3's emerging Local Industrial Strategy
www.enterprisem3.org.uk/enterprise-m3-strategic-economic-plan-consultation-2017

Draft energy strategy – link to be inserted

Examples of previously successful projects
www.enterprisem3.org.uk/growing-enterprise-fund/
https://www.enterprisem3.org.uk/projects

Government Guidance on State Aid
www.bis.gov.uk/policies/europe/state-aid

European Commission guidance on loan interest rates and State Aid reference rates
http://ec.europa.eu/competition/state_aid/legislation/reference.html

Equality Act 2010 and Public Sector Equality Duty
www.legislation.gov.uk/ukpga/2010/15/contents
www.pfc.org.uk/pdf/equality-duty.pdf

Innovation South report and further information
https://www.enterprisem3.org.uk/innovation-south-sia