

**Enterprise M3 Programme Management Group**

**14 March 2019**

**Capital Programme Update – Item 5**

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
- NOTE:** the emerging capital programme for 2019/20 including the development of a project pipeline.
- NOTE:** the removal of the Alton Advanced Manufacturing and Technology Park project from the programme and the updated position on Camberley London Road Highways Improvements.
- NOTE:** the update on the Enterprise M3 Enterprise Zone.

**1. Background - Enterprise M3 Capital Funding**

- 1.1. Since PMG 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.
- 1.2. As part of the LEP Review, Enterprise M3 is required to prepare a 2019-20 Delivery Plan by April 2019 identifying those actions that will deliver economic growth as part of our LIS. A detailed review of our 2019/20 programme is currently underway to inform the development of our Delivery Plan. A verbal update on the emerging headlines will be given at the PMG meeting.

**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 PMG will be briefed on the latest position at the meeting on 14 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. PMG 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 PMG and Board in the new financial year. As an interim measure, the RAG ratings used in Appendix 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 and Board Meeting at the end of March 2019 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 £121m of projects in the capital programme. Of this funding 31% is contractually committed, 30% is approved but not yet contracted and the remainder is yet to be approved by PMG and Board.
- 2.5. Following the review of projects, we have become aware that the Alton Advanced Manufacturing and Technology Park project being led by East Hampshire District Council is not proceeding as planned. As a result we have agreed with East Hampshire that the project will be removed from the current programme and PMG is asked to note this.
- 2.6. 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 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.

Project	Amount	Expected date for business case to be presented to Board/PMG
Camberley London Road Highway Improvements	£3.75m	March 2019
Woking Sustainable Transport Package	£3m	March 2019
Camberley Login Business Café	£1.5m (loan)	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 PMG Members will recall that at the January 2019, it was decided that a letter of support for the proposed project must be received 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. We are confident that the majority of concerns raised by Stagecoach have been addressed and hope to receive a letter to this effect that can be reported verbally at PMG. An update on any outstanding issues will also be provided to that PMG so they can take a view on how they wish the scheme to proceed.

#### **4. Outputs and Outcomes**

- 4.1. 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
- 4.2. 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.
- 4.3. 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.

#### **5. Enterprise Zone update**

##### Longcross Park, Crest Nicholson

- 5.1 Enabling works to facilitate the construction of the new Discovery Building at Longcross Park have commenced. The building will offer a mix of uses including a delicatessen, bakery and coffee shop as well as two floors of flexible office accommodation. The glass-fronted pavilion-style building will provide 13,500 square foot of office accommodation and form a focal point for the development. Enterprise M3 are supporting the establishment of new outdoor space, creating seating for members of the public and events and will be combined with the refurbishment of existing ponds and water features. The £1.89m project will be completed in 2019/20 following completion of the building and represents the second of two elements of funding at Longcross Park.
- 5.2 Works to upgrade the electricity supply to facilitate the construction of 850,000 square feet of commercial office space has also commenced, completion is forecast for early 2020. Enterprise M3 are supporting the project with £3.35m of funding, £3.0m of which will have been paid from the capital programme in 2019/20.

##### Basing View, Basingstoke and Deane

- 5.3 Construction of the new Village Hotel at Basing View (Plot W) is making excellent progress. The landscaping works have been completed (supported by Enterprise M3 as part of the enabling works) and is proudly showing off the emerging building works at the far end of Basing View. The new hotel will deliver welcome facilities to the business park, including a coffee shop, restaurant, leisure facility etc. providing an additional focal point and high quality accommodation for businesses on Basing View. Completion is due early 2020.
- 5.4 Enabling works to Plots K/K1 (near Waitrose/John Lewis) will commence in March to help facilitate the construction of two new office buildings, providing nearly 90,000 square foot of Grade A commercial office space. The first, which is 45,000 square foot has been pre-let to the pharmaceutical company Eli Lilly, the contract is due to be signed this month. The second, known as Benchmark House, is a five-storey 40,000 square feet building and is currently being marketed by property agents on behalf of Muse Developments. Enterprise M3 are supporting the enabling works with a £3m grant for both plots and a loan facility for £2.2m has been

offered to assist with both further enabling works and the construction of the a new shared multi-storey car park.

- 5.5 Norden House (Plot J) is subject to a new masterplan being developed by Basingstoke and Deane. BDP have just been appointed by the Council to develop the masterplan with a view to marketing the new development by the end of 2019; demolition could potentially commence early 2020. The project is funded by Enterprise M3 as part of the original £1.27m package of funding to purchase the head lease and carry out all the design and demolition works.

Whitehill and Bordon (Techforest)

- 5.6 Discussions are on-going with East Hampshire and Homes England on the development of business accommodation at the Techforest Enterprise Zone. Infrastructure works are due to be completed this month (which has unfortunately has been subject to significant delays) and partners are engaged on how to accelerate development at the site. Occupation of the Innovation Centre remains high and Enterprise M3 are in receipt of business rates income growth from the project.

Rachel Barker, Assistant Director – Operations  
Justine Davie – Programme Administrator  
Christian Cadwallader – Enterprise Zone Programme Director  
6 March 2019

## Appendix 2

### PMG approved projects undergoing due diligence

#### **EOI 16 - Camberley Login Business Café**

Surrey Heath Borough Council submitted an expression of interest for a £1.5m loan. The project seeks to establish a council owned co-working and flexible office space in Camberley Town centre, anchored by a thriving technology tenant and fully functioning commercial coffee shop. It will support the refurbishment of the redundant BHS building in the town centre into new flexible office space with a strong high street retail presence. The building will provide quality meeting rooms for local groups and businesses and flexible office accommodation for start-up and growing businesses. Communal space will be used to hold events, business clinics and networking sessions within a positive, supportive environment. The space will also house a commercial coffee shop.

#### **EOI 31 – Innovation South Virtual Campus**

Originally, the project was requesting £300k of Enterprise M3 funding to match against the Ufi Charitable Trust VocTech Impact 2018 fund. This bid was not successful and the Innovation South Virtual Campus Steering Group have revisited the EOI and are requesting £490,000 of funding to undertake the project. This funding will enable an online platform to be developed providing skills development rather than just qualifications – see project detail. This is a category A project for Enterprise M3. It supports skills development in line with business requirements, utilises previously funded facilities and supports their use of digital technology and provides learners with sector specific skills to help drive productivity improvements.

#### **EOI 33 – Sparsholt Animal Health & Welfare Research Facility**

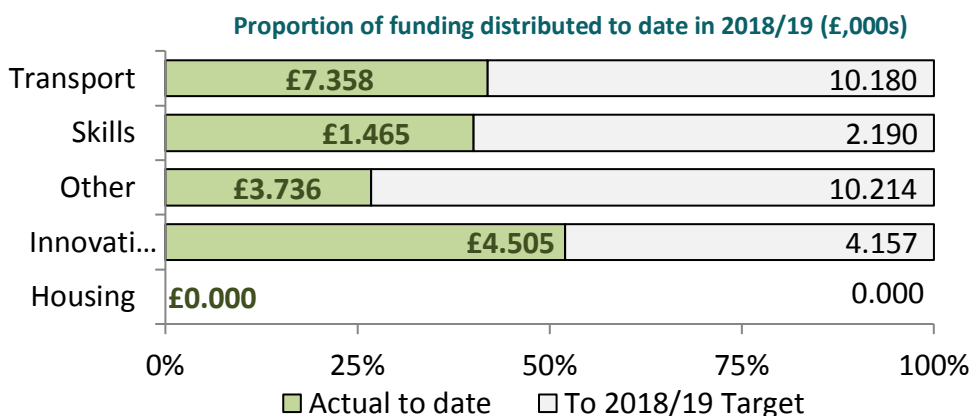
This project is to modernise and extend an Animal Health and Welfare Research Centre at Sparsholt. Originally, this was a category B project as there were less than 50% matched funding available and construction costs appeared disproportionately high compared to refurbishment costs. The project has now been reworked based on our feedback alongside providing an opportunity for an increase in scale. The project will provide 2.5 times more space for a project cost of £1.95 million (originally £1.5 m). Detailed costings have been provided which provide reassurance on allocations between refurbishment and new build. This is a category A project for Enterprise M3. It will support additional apprenticeships and higher-level university learners in the Enterprise M3 key sector of animal health.

Latest Summary of Live Projects

Annual Funding Distributed (2018 - 2019)

**£17,063,000**

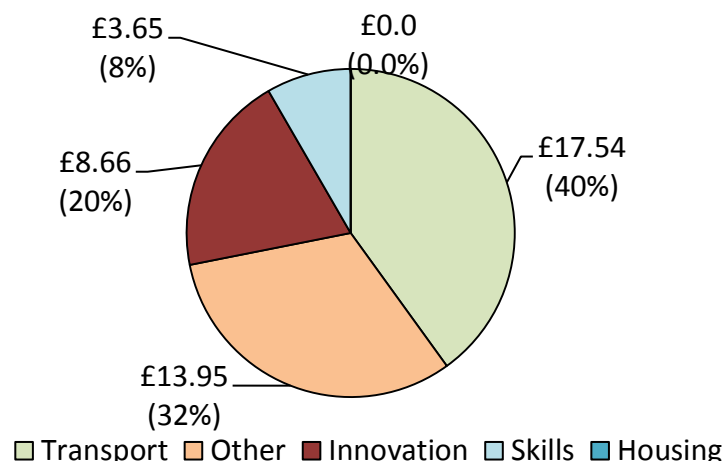
2018/19 Total Spend (distributed) to Date



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

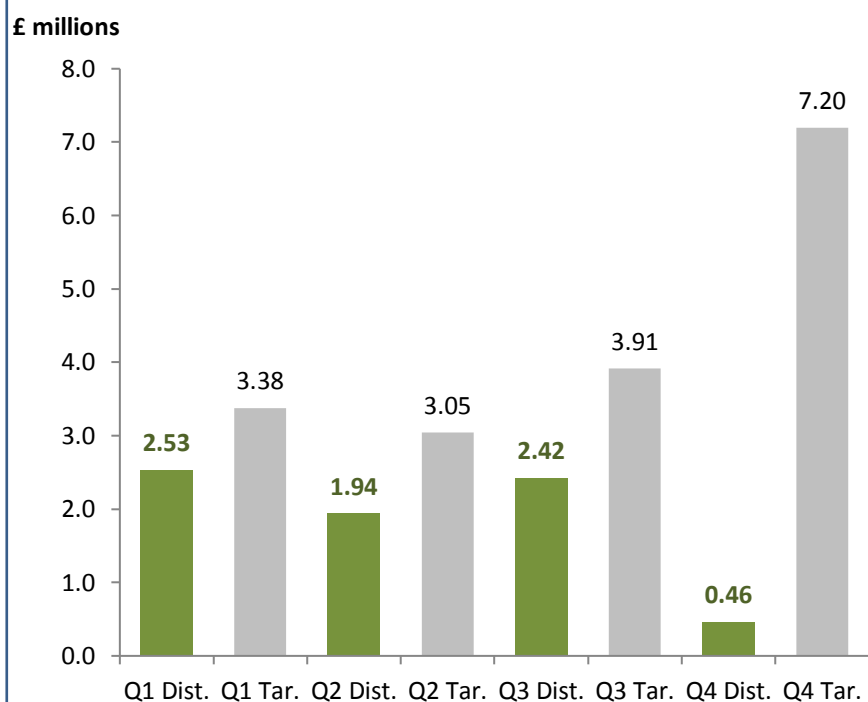
**£43.80 million**

Expenditure 2018/19



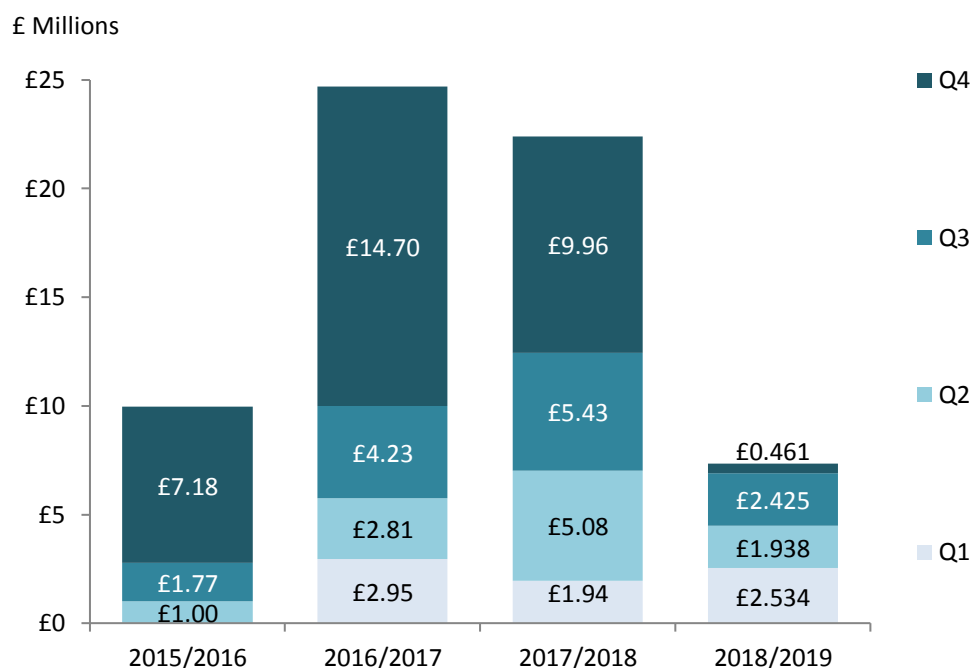
Time Series Annual Funding Distributed (2015 - 2019)

Quarterly Transport Distributed & Target (2018/19)



Transport

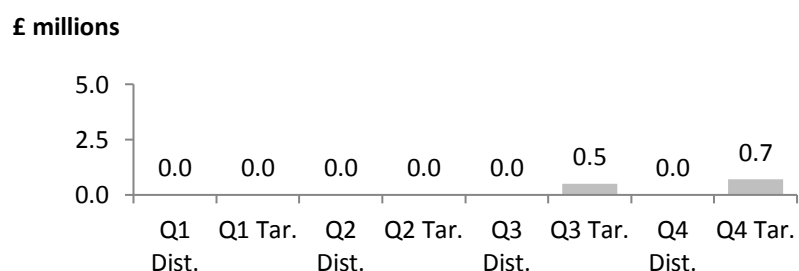
Quarterly Transport Distributed & Target (2015/19)



Total spending to date on transport is £7.35 million across the four quarters. Transport expenditure in Q1 was £2.35 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).

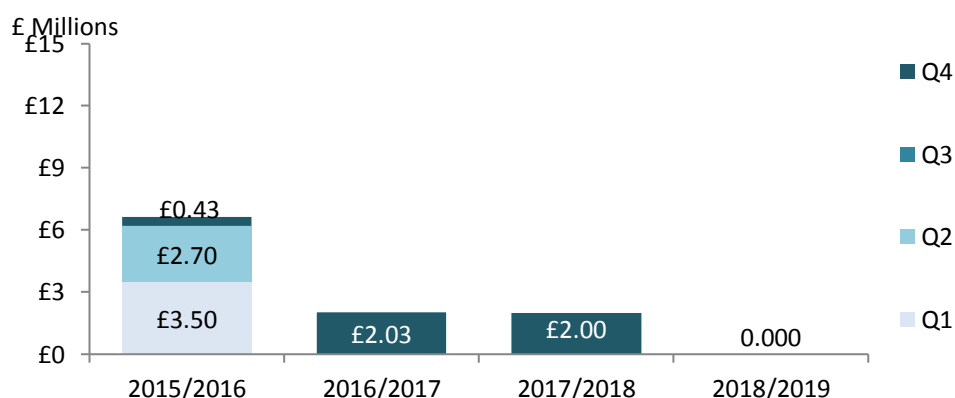
Q2, expenditure is s £1.94 million across nine projects, the largest amount was £683K on Guildford Town Centre Transport Infrastructure Project. In Q3 there was £2.42 million across five projects with largest amounts (£774K) on the Guildford Town Centre Transport Infrastructure Project. Q4 has seen £460K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

Quarterly Housing Distributed & Target (2018/19)



Housing

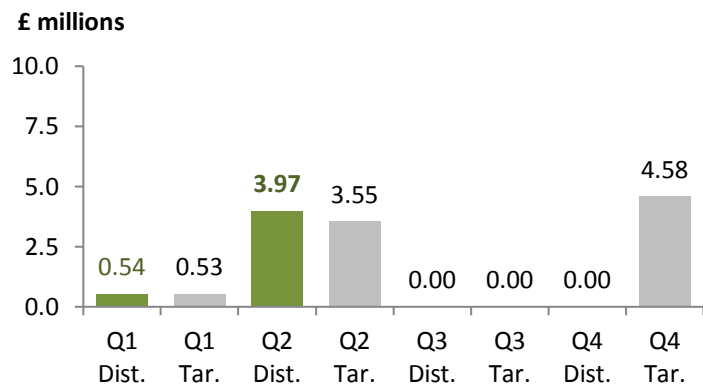
Quarterly Housing Distributed & Target (2015/19)



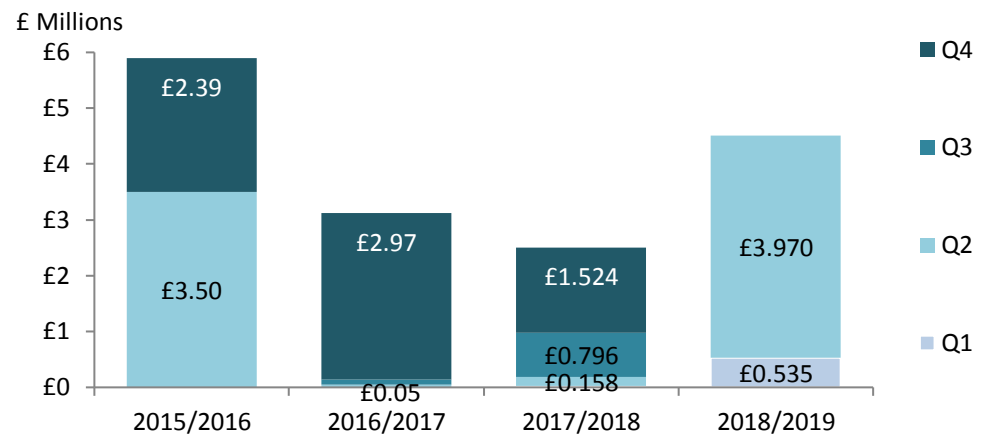
There was no housing expenditure reported at the time of publication.

## Innovation

Quarterly Innovation Distributed & Target (2018/19)



Quarterly Innovation Distributed & Target (2015/19)



Innovation expenditure in Q1 to date is £534K across two projects. £334 was distributed to the Growth Hub, and £200K to the Tannery Studios Phase 2, Send.

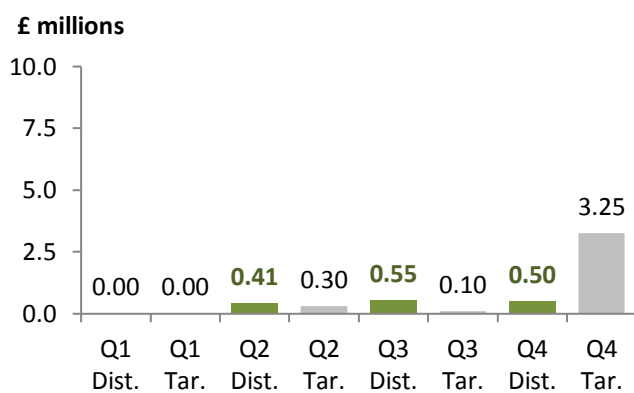
A further £22K was distributed to the Centre for Social Innovation (C4Si). This exceeds the target for Q2, which is currently £3.55 million.

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

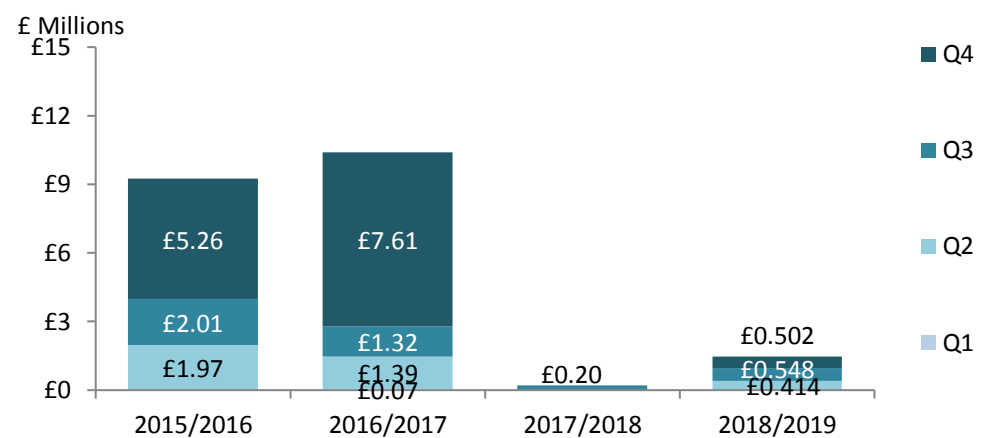
This brings total expenditure to date of £4.51 million. There has been no reported expenditure to date in Q3 or Q4.

## Skills

Quarterly Skills Distributed & Target (2018/19)



Quarterly Skills Distributed & Target (2015/19)

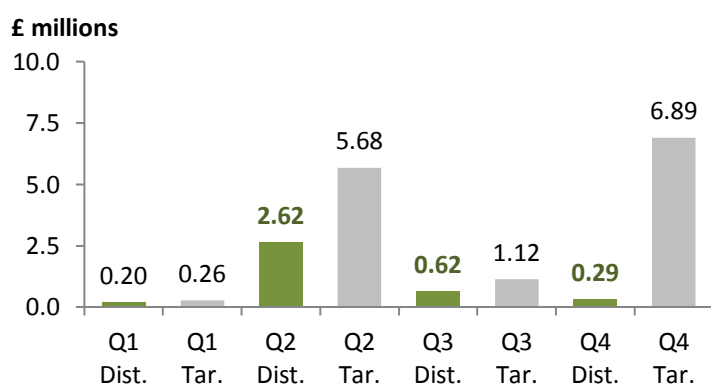


Skills expenditure to date across Q2-Q4 is £1.46 million.

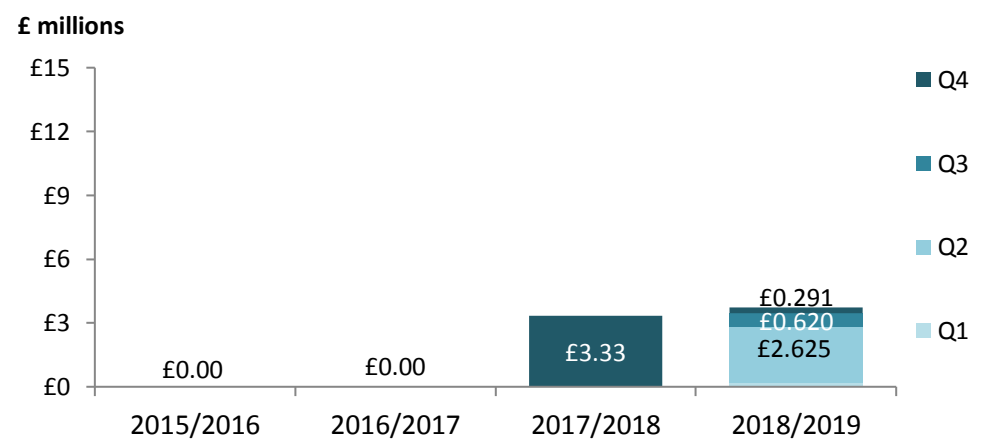
In Q2 there was £410K across four of the six live projects. In Q3 there was £550K of expenditure across three of the six projects and finally £501K was expended in Q4 on the Pathway to the Virtual Campus project.

## 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 £291K of expenditure through the Fund Management Service)

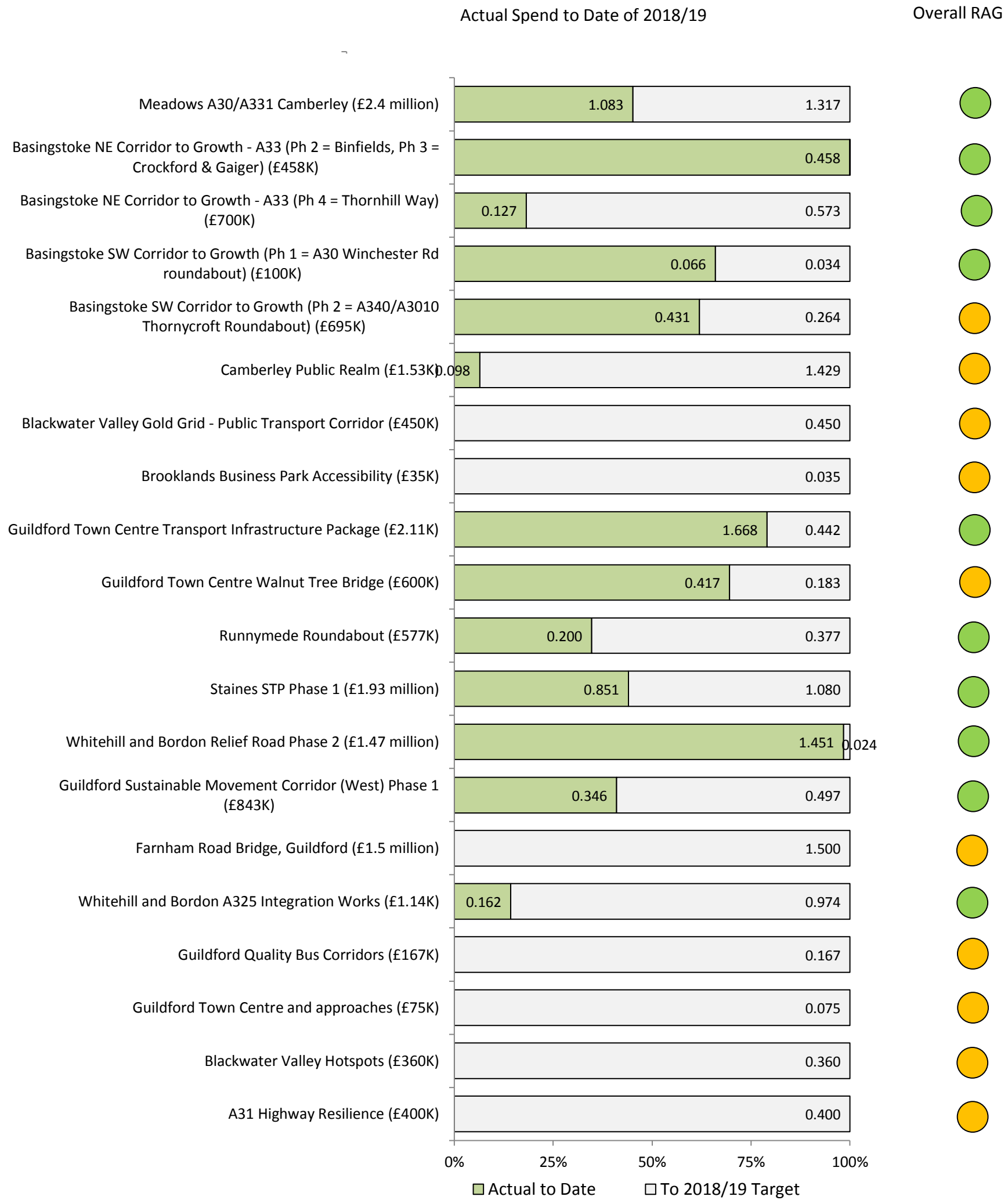
Current expenditure to date for Q2 is £2.62 million. This includes £1.6 million to the Fund Management Service. This also includes just over £1 million in total to EZ3 BV1 Plot K/K1, EZ3 BV3 Plot J and EZ3 BV7 Plot W.

This brings total expenditure to date to £3.74 million.

Source: EM3 database extract 01/03/2019, Produced 06/03/2019

# Appendix: Individual Live Projects

## Transport



Values in the two graphs are in Emillions

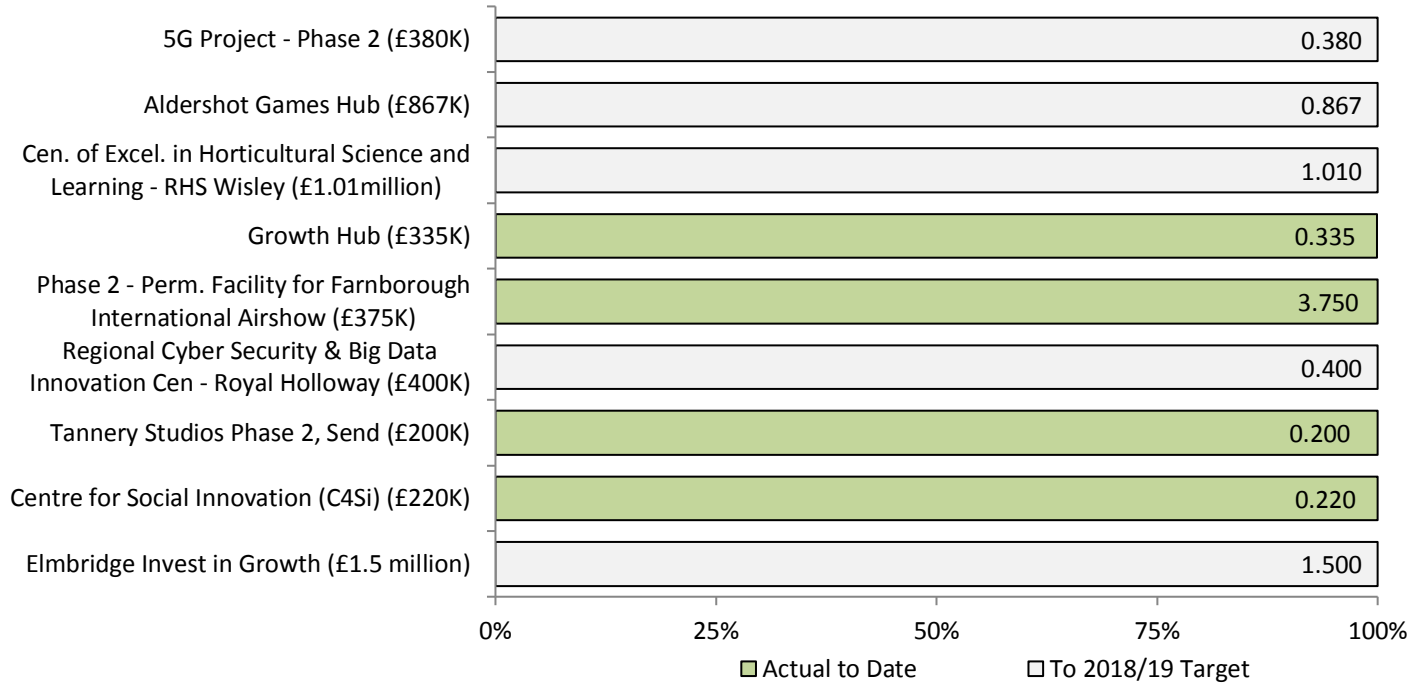
RAG Key ● >80% ● 50% to 80% ● 50% < (Confidence project will be delivered)



## Innovation

### Actual Spend to Date of 2018/19

### Overall RAG

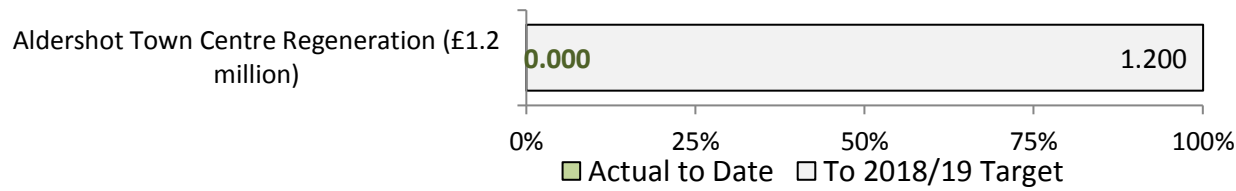


Values in the two graphs are in Emillions

## Housing

### Actual Spend to Date of 2018/19

### Overall RAG

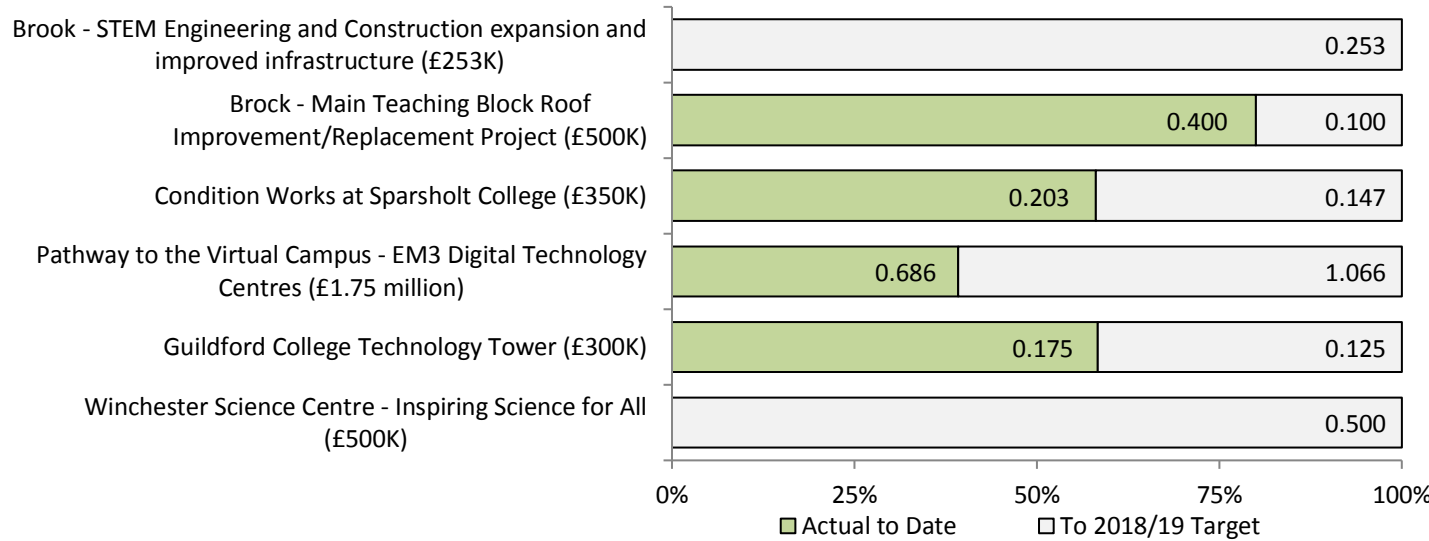


Values in the two graphs are in Emillions

## Skills

### Actual Spend to Date of 2018/19

### Overall RAG

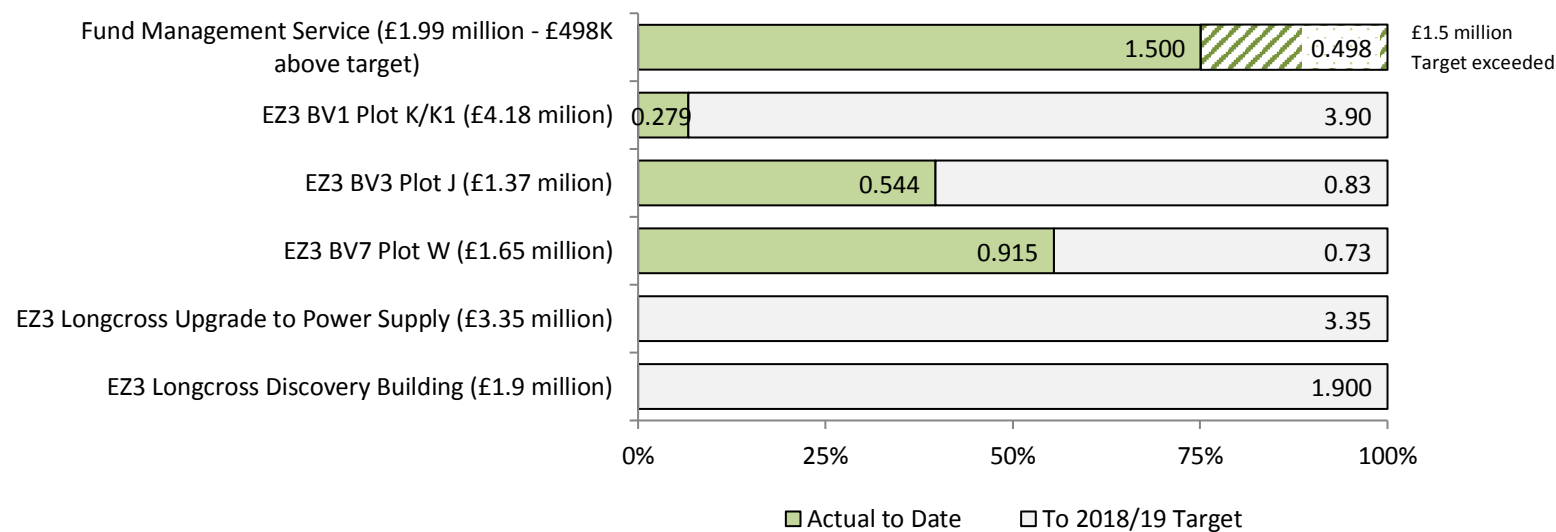


Values in the two graphs are in Emillions

## 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)

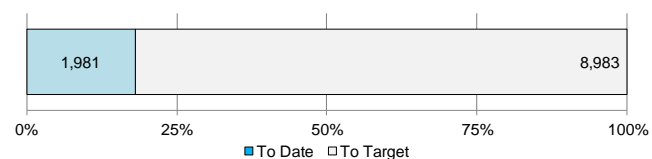
Source: EM3 database extract 01/03/2019, Produced 06/03/2019



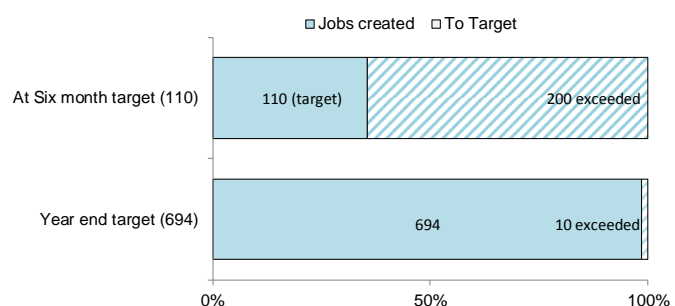
## Jobs Created\*

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

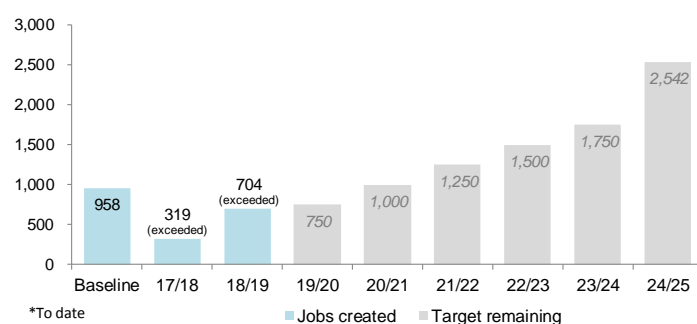
### Status to date (cumulative – 2015-2025)



### 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.

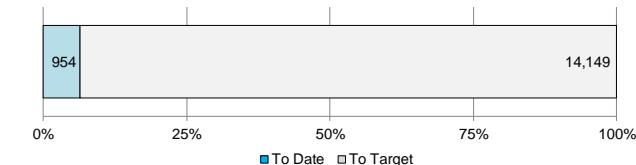
**Comments:** “To date 18.1% (1,981) of the overall long-term target has been achieved, with 958 jobs created or safeguarded in the baseline period, 319 created in 2017/18 and 704 so far in 2018/19, exceeding the original 2018/19 target by 10.



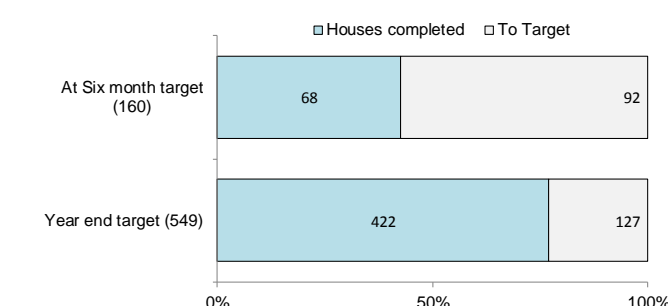
## Housing Units

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

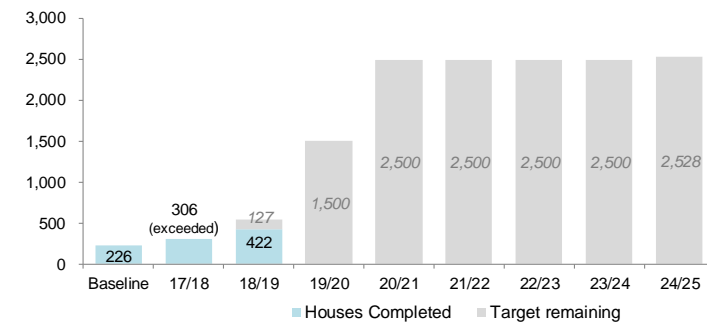
### Status to date (cumulative – 2015-2025)



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



### Annual Time series (2015 – 2025)



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

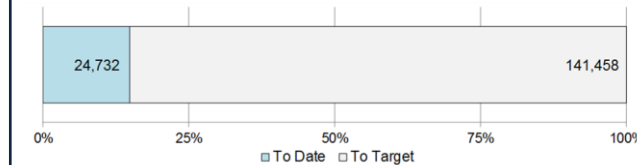
**Comments:** To date 6.3% (954) of the target has been achieved with 226 housing units completed in the baseline period, 306 completed in 2017/18 and 422 completed so far in 2018/19.



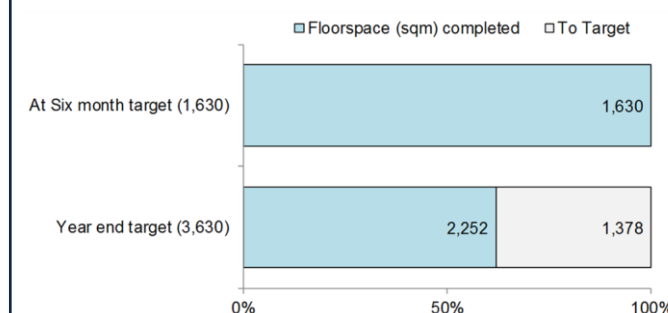
## Commercial Floorspace

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

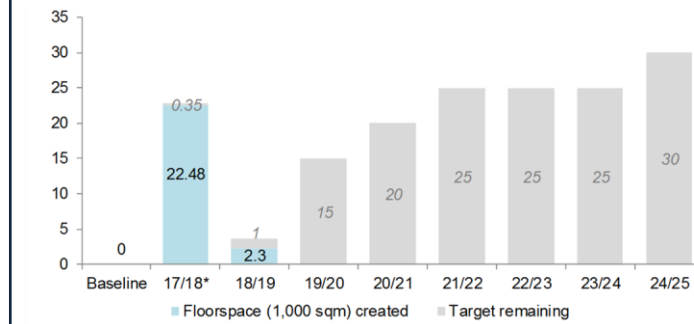
### Status to date (cumulative – 2015-2025)



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



### Annual Time series (2015 – 2025)



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

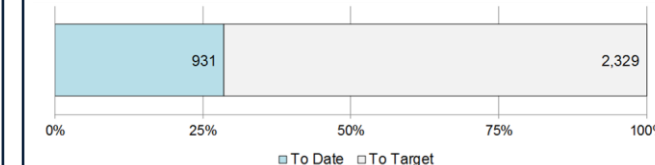
**Comments:** To date 14.9% (24,732 sqm) of the target has been achieved with 22,480 sqm completed in 2017/18, and 2,252 sqm so far in 2018/19.



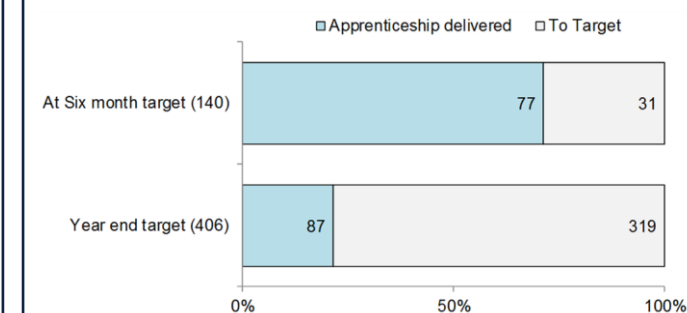
## Skills (Apprenticeships)

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

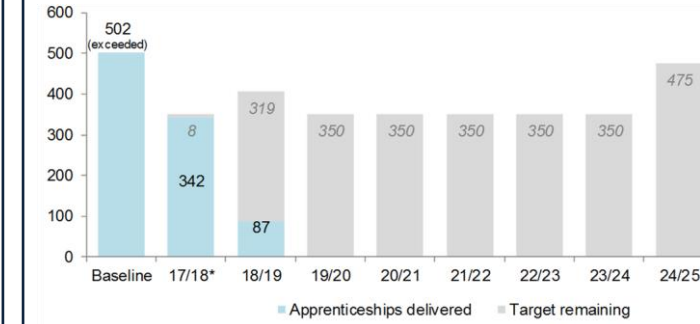
### Status to date (cumulative – 2015-2025)



### 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.