

Programme Management Group

14th March 2019

Capital funding for 2019-20 and 2020-21 – Expressions of Interest – Item 6

Programme Management Group members are asked to:

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

AGREE that in line with the PMG authority level of £3 million capital funding per project, all projects ranked as 'A' are approved and proceed immediately to due diligence (where less than £1 million funding is requested) or business case (where greater than £1 million of funding is requested).

AGREE that projects requesting more than £3 million can be submitted to the Board for their approval

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

1.1. 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

1.2. 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 from £300k to £5.15 million. 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.

- 1.3. 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.
- 1.4. 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.
- 1.5. The EOIs were also reviewed by the Enterprise M3 Team on 1 March 2019. With their project experience and in some cases detailed knowledge of the proposals, some amendments were made to the categorisations.

2. Funding position – March 2019

- 2.1. In order to inform the decision making of the PMG and the future allocation of capital funding, a full review has occurred to identify the amount of funding available to support capital projects in 2019/20 and 2020/21. This has identified that at the time of preparing this paper, the current programme is valued at £121 million, versus available funding including a 10% over programming (agreed by the Enterprise M3 Board), of £116 million. The higher programme value is not of significant concern as experience shows that a number of schemes will not take their full allocation of spend and is being closely monitored by the Enterprise M3 team.
- 2.2. The work undertaken by the Enterprise M3 team indicates that there is currently £20.19 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 from two projects currently within the programme but where there is a reasonable level of doubt at the current time that these will proceed as planned. Live discussions are underway with projects in the latter category to quickly firm up the position on whether these projects will be proceeding as planned and a verbal update will be given at the PMG meeting.
- 2.3. The table below gives some further detail on the available funding. Based upon current forecasts, we believe we have just over £15m 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.

Item	Amount £m
LGF and GEF carry forward	36.5
LGF amounts for 2019/20 and 2020/21	60.2
Loan repayments	8.8
Available funding	105.5
(+10% over-programming)	116
Current programme (as of Feb PMO)	121
Future funding pot (including transforming colleges and sustainable transport)	10.59
'At risk' projects within the current programme	9.6
TOTAL	20.19
2019/20 and 2020/21 = (available funding +10% over-programming + future funding) – available funding (116 +20.19 – 121)	15.19

3. Ranking of projects

A projects

3.1 There are 9 A projects with a total value of £16.8 million. The projects are

- 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 46 – The Future Towns Innovation Hub (£3.0 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)

3.2 All of these projects respond specifically to an area of focus in the prospectus, are strategic in nature, appear deliverable based on the information provided and provide appropriate outputs.

B projects

3.3 There are 4 projects in the B category with a total value of £12.25 million. 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)

3.4 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.

3.5 Subject to this categorisation being agreed by PMG, 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 for consideration and approval to allocate funding (subject to funding availability).

C projects

3.6 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

3.7 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 will be supplied to all project applicants.

4. Project detail

4.1 Specific project details of all EOIs remain commercially confidential at this stage.

5. Next steps

5.1 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.

5.2 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.

5.3 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.

Deborah Wyatt/Rachel Barker
6 March 2019