

Enterprise M3 Programme Management Group

11 July 2019, 10:00-13:00

Ogilvy Room, HG Wells Conference Centre, Woking

DRAFT MINUTES

Members Attending

James Cretney - Chair
 Deborah Allen
 Dave Axam
 Richard Brooks
 Rob Carr
 Matt Furniss
 Paul Millin
 Kathy Slack

Guests Attending

Rachel Barker
 Sue Littlemore
 Kevin Travers
 Geoff Wells
 Justine Davie

Apologies

Mike D'Alton
 David Fletcher
 Rob Humby
 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 9 May and 18 June 2019 were agreed and the actions noted. The Group was advised that the Terms of Reference would be brought to the September meeting as there were a number of changes due.

3. Declaration of Interest

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

Name	Interest	Declared Action
Richard Brooks, Matt Furniss, Paul Millin and Geoff Wells	Future Scheme Development Fund	Left the room during the decision making
Matt Furniss, Paul Millin and Geoff Wells	North Downs Line	Left the room during the decision making
Matt Furniss, Paul Millin and Geoff Wells	Weyside Urban Village	Left the room during the decision making

4. Capital Programme Update

4.1 Rachel Barker reported to the Group on the current position with the capital programme. Since the last meeting the third closing date for new Expressions of Interest had passed and four bids had been received seeking over £6.5m. Those projects categorised as A projects would be brought to PMG for consideration in the Summer. The improvement works at the Meadows roundabout in Camberley had been completed and to budget. Work on the new Eli Lilly headquarters at Basing View had commenced and was expected to be completed in late 2020. The first repayment of £750k had been received from the original Enterprise M3 Funding Escalator which would be used to support

additional projects. It was proposed that the LEP should publicise that money was being repaid and being reinvested.

- 4.2 The Group was advised that, should all projects submitted to PMG and Board in July be approved, a total of 98.7% of the available capital fund would have been approved for projects. The latest forecast for expenditure for 2019/20 ranged between £32m and £58m, however it was expected that it would be likely in the region of £47m. The Group noted that nearly 100% of funding had been approved to projects and following the criticism from the Public Accounts Committee it was proposed that the Enterprise M3 LEP allocation of 98.7% should be publicised and highlighted at the Board meeting.
- 4.3 The Group noted the update on the progress of the projects on the summary document that had been circulated. It was requested that a key was provided on the summary document RAG rating to advise what the Red, Amber and Green rating referred to. It was also requested that at the next meeting the Group was advised on those projects not meeting the contracting dates and the reasons for the delay.

Action to be taken	By Whom	When
Include some publicity on repayments being received and that funding was being reinvested	Rachel Barker	July 2019
Publicise that 98.7% of funding had been approved to proceed to contract	Rachel Barker	July 2019
Include key on project summary document to advise on the RAG rating for Board papers	Justine Davie	July 2019
Provide details on projects not meeting contracting deadlines and reasons for delays	Rachel Barker	September 2019

5. Future Scheme Development Fund

- 5.1 Kevin Travers reported to the Group on the applications for Future Scheme Development Fund from Surrey County Council for A31 Hickley’s Corner Improvements, Farnham and A320 North Corridor, Woking. The total funding sought was £925k however there was currently only £460k revenue funding available for scheme development. The A320 North Corridor project request was for conditional funding as it was envisaged that the majority of the funds would be repayable if the HIF bid for the corridor was successful. Homes England was not expected make a funding decision until October 2019. If the HIF bid was not successful the funding would be a grant and not repaid. The LEP funding was important given the scale of the project and the additional resources required to enable the scheme to stay on track to the original programme.
- 5.2 The A31 Hickley’s Corner Improvements would be submitted via Transport for the South East for Large Local Majors funding as part of the Department for Transport (DfT) Major Road Network Programme. The scheme development funding request was for a mix of grant and loan funding as not all of the work required would be able to be capitalised. Surrey County Council had insufficient funds to advance the development of the scheme in time to meet the timescales to meet the DfT National Roads 5-year funding period and therefore required LEP investment.
- 5.3 Given that only £460k was available from the scheme development fund it was recommended that the Group approved the allocation of the remaining £460k to support further design and development work over the course of 2019/20. It was suggested that a funding agreement was drafted to ensure that the maximum possible percentage of loan funding was repaid, that staged payments were made and that funding was subject to at least 50% match funding being made available.
- 5.4 The Group discussed the fund and questioned why the scheme development funding loaned to schemes that had successful bids for HIF funding had not been repaid. The future scheme development fund was dependent on repayment quickly once funds were successful enabling

funding being to be made available for new schemes in need of development funds. Discussions would be held with project leads for those projects that had been successful in securing HIF funding to see how quickly repayments could be made. The Group was advised that the conditions of the HIF funding were still to be agreed therefore the HIF funding had not yet been allocated.

- 5.5 The Group agreed that the remaining £460k of future scheme development funding be made available for allocation for the A320 North Corridor and A31 Hickley's Corner Improvements subject to the sum provided being a loan, that there be at least 50% match and that the loan was repaid as soon as possible.

Action to be taken	By Whom	When
Proceed the allocation of future scheme development funding for the A320 North Corridor and A31 Hickley's Corner Improvements to contract, subject to the allocation being on a loan basis, there being at least 50% match funding provided and the loan be repaid as soon as possible.	Kevin Travers	July 2019

6. Capital Projects for Consideration

a) Future Town Innovation Hub

- 6.1 The Group received a report on a business case received from the University of Southampton for a Future Towns Innovation Hub. The request was for a capital grant of £2.94m with match funding of £7.36m from the University of Southampton and the Research England Development Fund. The Hub would be a physical space on the University of Southampton Science Park to enable diverse business, enterprise and civic authorities to work together with world leading expertise, skills and facilities. The Hub would comprise of specialist laboratory facilities, general workshop/fabrication areas and office units to attract business to integrate and collaborate with researchers.
- 6.2 A number of industry stakeholders had already indicated interest in engaging in the work of the Future Towns Innovation Hub. The Hub would address the Clean Growth, New Mobility and Sustainable Transport areas identified in the Strategic Economic Plan. A number of benefits and outcomes were identified which included 25 new direct jobs and 87 new jobs in the incubation space, retention of graduates and highly skilled jobs and supporting the creation of 25 new engineering related businesses. Due diligence was carried out on the project which raised some issues which had all been addressed by the scheme proposer and satisfactory responses had been received.
- 6.3 The Group discussed the project and agreed that assurance was required to ensure that there was a clear impact for the towns in the Enterprise M3 area. The Group was advised that the University of Southampton were committed to strengthening links with Enterprise M3 and Sue Littlemore had been invited to join the management group. The impact requirement for the Enterprise M3 area could be included as a condition in the legal agreement. It was agreed that the project needed to be reported to the Joint Leaders Board to encourage local authorities to engage with the University and make use of the facilities. The Group was advised that those using the facilities would need to pay for the research and development facilities however funding could be sought through Innovate UK or other similar funding sources. It was agreed that a Memorandum of Understanding should be drawn up to provide clarity on how the Enterprise M3 area would benefit from the Hub, how the University would engage with businesses and local authorities and to ensure that Enterprise M3 would be given preference to services available. The Group agreed to approve £2.94m capital grant funding to the University of Southampton for the Future Towns Innovation Hub project.

Action to be taken	By Whom	When
Proceed the Future Towns Innovation Hub project to contracting to include a condition relating to the impact for the Enterprise M3 area	Sue Littlemore	July 2019

Action to be taken	By Whom	When
A Memorandum of Understanding to be drawn up to cover clarity on benefits for Enterprise M3 area, engagement with businesses and local authorities and preferential services for Enterprise M3 organisations	Sue Littlemore	July 2019

b) Health Tech Accelerator

- 6.4 The Group received a report on the business case from Surrey and Border Partnership NHS Foundation Trust (SABP) to establish a Health Tech Accelerator. The request was for £1.688m capital grant with an in-kind match of £2.161k towards the revenue costs of the project. The Health Tech Accelerator would include equipment for and refurbishment of two pre-existing labs, with space for a start-up/SME 'business lounge', based at the University of Surrey campus in Guildford. The facility would include an engineering design laboratory, digital ward laboratory and dedicated 'business network lounge'/hot desking space. The in-kind match funding would include free market advice, business case and funding advice to SME's plus clinical expertise and R&D support. The project would create 70 FTE employment opportunities in SMEs, 20 apprenticeships and leverage of a wider investment of an average £5.4m from large health and digital technology businesses. Due diligence was carried out on the project and AECOM recommended some assurances of viability which had been sought and satisfactory responses were received.
- 6.5 The Group discussed the project and raised some question over the period that the in-kind benefit was provided and also the staffing provision that was included in the £950k from the University of Surrey. The Group also requested further detail on how the project would be sustainable in the longer-term. The Group was supportive of the principle, however it was agreed that further detail was required on what the funding would be used for, over what period and how the project would be sustainable before a decision could be taken.

Action to be taken	By Whom	When
Provide further detail on the Health Tech Accelerator project to clarify what the funding would be used for, over what period and how the project would be sustainable in the longer-term	Sue Littlemore	July 2019

c) Basingstoke South-Western Corridor to Growth – Brighton Hill Roundabout

- 6.6 The Group received a report on the business case from Hampshire County Council for the enhancement of Brighton Hill roundabout which was part of the Basingstoke South West Corridor to Growth improvements. The request was for £13m capital grant with match funding of £7.7m through a combination of Hampshire County Council Local Transport Funding and Section 106 contributions. The scheme consisted of highway junction improvement on the strategically important A30 South West corridor. The corridor provided strategic access between the M3 Junction 7 and the Ringway, Basingstoke's orbital inner ring road. Brighton Hill roundabout currently experienced congestion causing journey time delays and extensive queues during peak periods. The scheme comprised of complete signalisation of the roundabout and widening of the circulatory carriageway and flare approaches. The objectives of the scheme were to reduce delays, improve journey time reliability, accommodate forecast traffic growth and improve access to employment centres. The scheme would create 255 temporary construction jobs, support the retention of existing jobs in current employment areas, support housing growth of approximately 5,500 homes and generate approximately £7.55m additional GVA.
- 6.7 The due diligence report concluded that Hampshire County Council had put together a good and well-supported business case which demonstrated good economic benefits and aligned well with the strategic aims. There was an issue with not all of the match funding being available at the start of the scheme, however AECOM were comfortable that HCC had plans to secure funding in the latter stages and would commit to underwrite the funding so there would be no increase in the amount of LEP funding required and the delivery of the scheme would not be delayed. It was highlighted to the Group that it was unlikely that the entire £13m would be allocated by end of 2020/21 however it was

proposed that loan repayments of £5m expected in 2021/22 could be utilised to support the project beyond 2020/21. HCC had also agreed to underwrite the cost if repayments had not been received which would be repaid once loan repayments had been received.

- 6.8 The Group discussed the project and acknowledged that expenditure beyond 2020/21 could be an issue with other projects as the end of the current programme approached. Government would be requested to provide clarity on whether funding not spent by end 2020/21 would be expected to be repaid. Further clarity on likely slippage within the scheme was requested to be included in the report submitted to Board, also if the information was available detailing the flexibility between HCC and Government funding. Details on GVA for all the overall economy, clarity on the benefits directly related to the scheme and air quality benefits were also requested to be included in the Board paper. The Group agreed to recommend to Board to approve £13m capital grant funding for the Brighton Hill Roundabout, acknowledging that £4.814m was estimated to be spent in 2021/22.

Action to be taken	By Whom	When
Request clarity on the Government position regarding unspent LGF funding beyond 2020/21	Kathy Slack/ Rachel Barker	25 July 2019
Recommend to Board to approve £13m capital grant funding for the Basingstoke SW Corridor to Growth Brighton Hill Roundabout scheme.	Kevin Travers	25 July 2019

d) Fleet Pond Green Corridor

- 6.9 The Group received a report on the business case from Hart District Council to deliver the Fleet Pond Green Corridor. The request was for £2.1m capital funding in the form of a £1.4m grant and a £700k loan. The project would be also match funded by 500k from Hart District Council. The proposed package consisted of a set of measures to provide environmental improvements around Fleet Pond whilst delivering sustainable transport solutions. The project would provide a regenerated sustainable green corridor directly linking employment sites with a new residential development and Fleet Rail station. The scheme would realise unmet potential of cycling and help reduce road congestion created by short distance work trips. The scheme would also maximise the benefits of the complementary investment by South Western Rail in cycling infrastructure at Fleet Station and previous LEP investment in sustainable access to Fleet Station.
- 6.10 The due diligence raised some concerns with the scheme which had been addressed by the scheme promoter. An incorrect calculation in the Benefit Cost Ratio had been identified which was being addressed by Hart District Council. The potential for revenue generation from the car park was also highlighted by AECOM which would be explored with Hart District Council. The potential for cost overruns was also highlighted due to the limited design information.
- 6.11 The Group discussed the project and acknowledged the importance of the LEP funding to accelerate the scheme to benefit the new Hartland Village development. The Group agreed to approve the allocation of £2.1m capital funding, £1.4m grant and £700k loan, for the Fleet Pond Green Corridor scheme, subject to a satisfactory active mode appraisal being produced and commitment from Hart District Council to meet any cost overruns, which would be included in the legal agreement.

Action to be taken	By Whom	When
Proceed the Fleet Pond Green Corridor scheme to contracting, subject to a satisfactory active mode appraisal being produced and commitment from Hart District Council to meet any cost overruns	Kevin Travers	July 2019

e) Weyside Urban Village

- 6.12 The Group received a report on a business case from Guildford Borough Council for the Weyside Urban Village scheme. The request was for £7.5m capital grant to complement a bid to the Housing Infrastructure Fund (HIF) for £52m and a Public Works Loan Board loan of up to £90m. Weyside Urban Village was designated as a Housing Zone by Homes England. Guildford Borough Council

were seeking to support the development of 1,500 homes as well as 17,500m² of light industrial and retail space. Significant remediation and enabling works were required to unlock the site for development. The scheme would create 768 direct jobs and 446 indirect and induced jobs and a direct GVA contribution of £175m from the jobs associated with the Weyside Urban Village.

- 6.13 AECOM had reviewed the business case and identified a number of areas where further evidence was required to limit the risk for the LEP including the options analysis, impacts on the local economy, scheme costs, optimism bias and securing funding. AECOM recommended a series of actions to address the issues identified, however some of the actions proposed to minimise the risk to the LEP would result in a delay to the scheme. With regard to the funding, Guildford Borough Council had advised that the £7.5m LEP funding would be used for survey and investigation work, ground remediation to the Internal Estate road and depot ground remediation. Without the LEP funding delivery of the scheme would be slowed down. The LEP funding would demonstrate a firm commitment to the scheme and enable Guildford Borough Council to go to the market much more forcefully and show that funding was in place to make the site more attractive to potential developers. Securing HIF funding was fundamental to the delivery of the scheme but a decision was not expected until later in the year. In order to protect the LEP funding it was proposed that appropriate conditions were built into the funding agreement to seek reimbursement should the HIF funding not be secured.
- 6.14 The Group discussed the project and were advised that there was strong political support for the project and Guildford Borough Council had already committed to the relocation of the sewage treatment works. Further detail was requested to be included in the Board paper to highlight that the LEP funding would accelerate the start of the project. The Group agreed to recommend to Board to approve £7.5m capital grant funding for the Weyside Urban Village scheme, subject to a funding agreement condition that expenditure should be paid back to the LEP if insufficient HIF funding was secured to enable the scheme to proceed.

Action to be taken	By Whom	When
Recommend to Board to approve £7.5m capital grant funding for the Weyside Urban Village scheme.	Kevin Travers	25 July 2019

f) North Downs Line

- 6.15 The Group received a report on a business case from Great Western Railway (GWR) to deliver the North Downs Line 3 trains per hour level crossing works. The request was for £955k capital grant with match funding of £1.207m from Network Rail, rail industry funding and Gatwick Airport. The scheme consisted of necessary interventions at identified level crossings on the North Downs Line to enable the operation of a 3 trains per hour service. GWR had a franchise commitment to operate an additional direct service each hour between Reading and Gatwick Airport. However, GWR had been unable to operate the additional service due to the increased risk at various crossing points generated by the additional service. A more frequent service would bring businesses closer the global economy, employees closer to their place of work and widen the ability for local businesses to bring in the skills required for a high growth economy. The business case reported that the increase in service frequency would facilitate an additional 3,000 passenger journeys each day on the North Downs Line and support the creation of 34,000 new jobs and homes for 63,000 more people within a two kilometres radius of North Downs Line station by 2031.
- 6.16 AECOM reviewed the business case and raised comments and questions which had been responded to by the scheme promoter. The business case was supported by reports which evidenced the high-level impacts which it was felt it was difficult to attribute to the EM3 LEP investment. The main issue was the risk to the funding in that there could be no formal guarantee that the services would be operated as services elsewhere on the network could be given priority. GWR and Network Rail acknowledged that it was not reasonable for the LEP to carry all of the risk associated with the investment. Therefore it had been agreed in principle that the LEP would seek to reclaim 50% of the contribution should the additional services not commence at an agreed date.
- 6.17 The Group discussed the project and expressed concern regarding the issue that the funding could be allocated and the work carried but there was no guarantee that the additional service would be provided. It was felt that the legal agreement should require that 100% of the grant was repaid should the additional services not be introduced in a timescale to be agreed. It was also suggested that

there should be sustainable transport programmes introduced at the stations. The Group agreed to approve the allocation of £955k capital grant funding for the North Downs Line level Crossing Works, subject to agreement that 100% of the funding would be repaid if the additional services were not introduced in a timescale to be confirmed.

Action to be taken	By Whom	When
Proceed the North Downs Line Level Crossing Works to contracting, subject to agreement that 100% of the funding be repaid if the additional service are not introduced	Kevin Travers	July 2019

7. LEP Update on Recent Developments

- 7.1 Kathy Slack advised the Group that there had been a great deal of positive feedback following the Annual General meeting, particularly on the number of businesses that attended. There had been a wash up meeting and areas identified for future AGM's, although the format may have to change in future now the LEP was a Limited Company. It was agreed that the date would need to be set much earlier to encourage attendance.
- 7.2 The Public Accounts Committee Review of LEPs report had been published. There had been an emphasis on LEP's not spending the money allocated but the main criticism was of Government and the lack of evaluation of projects. Rachel Barker had been in contact with the Government liaison to find out when the mid-year review was likely to take place but no dates had been confirmed.
- 7.3 There was still a vacancy for a Hampshire local authority representative on PMG. An appointment would be made at the Joint Leaders Board in September.

8. European Programme Update

- 8.1 The Group received and noted the update on the EU programme.

9. Forward Programme

- 9.1 The Group noted the current forward programme.

10. Any Other Business

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

- Thursday 12 September 2019 – 10am-1pm – Rushmoor BC, Farnborough
- Thursday 14 November 2019 – 10am-1pm – Hampshire CC, Winchester
- Thursday 16 January 2020 – 10am-1pm – HG Wells, Woking
- Thursday 12 March 2020 – 10am-1pm – Rushmoor BC, Farnborough