

Programme Management Group

18 June 2019

Capital funding for 2019-20 and 2020-21 – Expressions of Interest – Item 3

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 of grant 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).

NOTE that the fund will be kept open until the next closing date of 27 June 2019.

1. Funding update

1.1 At the time of preparing this report, there is no available funding to allocate to new projects. However, the experience of managing the capital programme in recent years suggests that as a number of projects progress through the business case and due diligence stage it is possible that they will not proceed as planned. In recent weeks, we have seen two project changes which have resulted in projects with a total LGF request of £3.5m be removed from the capital programme at the applicant's request and currently have £34.7m (30%) of our programme still subject to due diligence and contract. We are therefore working closely with applicants with good quality projects in order to strengthen our project pipeline and have high quality proposals that we can take forward swiftly should funding become available.

1.2 Full detail of the current funding position is provided below.

Item	Amount £m
LGF and GEF carry forward	39.6
LGF amounts for 2019/20 and 2020/21	60.2
Loan repayments	6.2
Available funding	106
(+10% over-programming)	116.6
Current programme (as of June Programme Management Office meeting)	116.6
Available funding to allocate to new projects	0

2. Process update

- 2.1 This second round of submissions to the Enterprise M3 Local Growth Fund responds to the 2019-21 prospectus identifying digital and data technologies and clean growth as 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
- 2.2 The second deadline for Expressions of Interest was Thursday 18 April and 9 EOIs were received (8 new, 1 resubmission). 3 are for EM3 wide projects, 4 in Hampshire and 2 in Surrey. Projects range in size from £210k to £3.8 million. Only 1 application is for a loan and one for a loan/grant mix. Applicants include local authorities and the private sector.
- 2.3 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.
- 2.4 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 requires significant work or fails to meet the objectives and priorities set out in the Prospectus.
- 2.5 The SMART objectives for Enterprise M3 are that a project will significantly support a (S)pecific strategic Enterprise M3 theme as detailed in this Prospectus, it will be (M)easurable through monitoring and reporting throughout the project timeline and beyond, it will be (A)chievable within the specified costs and timeline, it will be (R)ealistic in relation to the rationale for providing public funding and (T)imed with a specified set of project timelines/milestones.
- 2.6 As detailed within the Prospectus, the following criteria will be applied to all projects and must be demonstrated by projects that receive funding
- Have a strategic fit for Enterprise M3 with reference to the Strategic Economic Plan, emerging Local Industrial Strategy and/or Science and Innovation audit
 - Provide a response to the areas of opportunity detailed in the Prospectus including support for digital technology development and clean growth
 - Deliver economic growth
 - Demonstrate value for money

3. Ranking of projects

A projects

3.1 There are 3 A projects with a total value of £4.76 million. 2 of the projects cover the Enterprise M3 area in Surrey whilst 1 covers the whole area. The 3 projects focus on low carbon/green initiatives which had been highlighted as a gap in previous submissions. The A projects are

- EOI 40 – Heat Enabled Virtual Power Plant
- EOI 56 – EV Charge Point Infrastructure Pilot
- EOI 57– LED conversion and Central Management System

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 2 projects in the B category with a total value of £675k. These are

- EOI 51 – Guildford College Care Skills Training
- EOI 58 – Hog’s Back Brewery Development

3.4 EOI 51 – Guildford College Care Skills Training is a well written proposal and should be considered for future funding in support of the transforming colleges theme of the prospectus. The applicant, Activate Learning, needs to provide specific detail on the costs for this project based in Guildford as well as confirming endorsement from Surrey NHS Trust. The satisfactory supply of this information will allow for due diligence on this project to be undertaken (subject to approval by PMG).

3.5 EOI 58 – Hog’s Back Brewery Development needs to be reviewed with the applicant. This is a well written proposal and supports the clean growth agenda. However, a loan needs to be considered alongside potential state aid issues before this project can be progressed further.

3.6 Both B projects have potential to move to the A category subject to feedback on the points noted and availability of funding.

C projects

3.7 Four projects have been assessed as C category projects. These are

- EOI 52 – Pegasus Profiles
- EOI 53 – Basingstoke Sports and Social Club
- EOI 54 – East Hants Invest 4 Growth
- EOI 55 – MEGA (Making Engineering Great Again)

3.8 The C projects are not suitable for progression at this time 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. Detail of all projects

	CATEGORY A
<p>EOI 40 - resub</p>	<p>Project name – Heat Enabled Virtual Power Plant (HE_VPP) Applicant – Clear Blue Energy Ltd Location – Enterprise M3 wide</p> <p>Request for £1.8 million (32%) against £5.9 million project with matched funding providers identified and initial discussions held with consortium partners.</p> <p>HE-VPP project is a clean growth initiative focused on the delivery of low carbon heating. It aims to deliver the installation of 600 low carbon heating systems in homes and businesses in the Enterprise M3 area to include:</p> <ul style="list-style-type: none"> • air source heat pumps • hybrid heat pumps • micro combined heat and power systems • fuel cells • smart thermal stores <p>These installations will reduce customer heating bills by around £3 million and reduce CO2 emissions by around 30,000 tonnes over the life of the systems installed by this project. 12 new jobs are anticipated in the rollout of the technology.</p> <p>All of the above will be IoT connected to, and controlled by, the HE-VPP platform to provide optimised running costs and flexibility value from the smart grid, whilst meeting customers comfort needs.</p> <p>This is an excellent clean growth initiative. Work has occurred with the applicant since the first submission to review state aid issues, understand the proposed technology and costings and to review the company ownership and structure. A consortium of industry partners is proposed with Clear Blue Energy as the accountable company.</p> <p>A full business case will be required for a project of this value. This business case must review the efficacy of the technology proposed along with assessing how the consortium will operate and the roles of each partner.</p>
<p>EOI 56</p>	<p>Project name – Electric Vehicle On-Street Charge Point Installation Pilot Applicant – Surrey County Council Location – 4 Surrey boroughs- Woking, Spelthorne, Waverley, Guildford</p>

	<p>Grant funding of £325k (74%) is sought for a total project cost of £440k. £100k of matched funding is available from the 4 local authorities involved (£25k each) and £15k from Enterprise Holdings, a private sector partner.</p> <p>SCC are looking to undertake a pilot to install 80-100 rapid EV charge points on Surrey’s highway network in Woking, Staines, Guildford and Farnham. The aim is to understand how and if the provision of this infrastructure would facilitate economic growth in these areas and examine the potential for transformative change in the EV market. The aim is to understand the key issues relating to on-street charging and the results would help develop an implementation plan and design guideline for Surrey to be used as leverage for funding from the private sector to deliver the charging infrastructure on the public highway that meets the public need, both EV and non-EV users.</p> <p>As part of the pilot, SCC will be working with Enterprise Holdings to develop a phone application that will complement the objectives of the study as well as promote active and sustainable travel in the County. The app will work primarily as a journey planner but will have the ability to book bus and train tickets, car club cars, electric bikes and collect payment from customers using SCC owned EV charge points.</p> <p>This EOI supports the new mobility and clean growth aspirations of the prospectus and is an excellent opportunity to support a pilot project. The applicant will be asked to complete certain sections of the business plan focussing on the delivery model of the scheme which will assist with the due diligence process.</p>
EOI 57	<p>Project name – LED Conversion and Central Management System Applicant – Surrey County Council Location – Surrey areas within Enterprise M3</p> <p>Loan funding of £2.64 million (14% of total) is sought alongside public sector contributions of £15.76 million (Salix loan and PWLB) for a total project cost of £18.4 million. The loan will be repaid over 5 years. This is an energy reduction and technology project providing up to 17 new jobs.</p> <p>The Council operates and maintains approx. 89,000 street lights across the County which consume in the region of 22 million kilowatt hours per year. This equates to £3.6 million per annum with energy prices forecast to increase by between 5-14% per annum over the next 10 years. The Council already dim lights from 2200-0530 each night and implemented part night lighting in 2017 to reduce consumption (and in turn both CO2 and cost) but there are no further options available to reduce consumption with the existing equipment without turning lights off when really needed. The project will see the 89,000 lights converted to LED over 3 years through a combination of approx. 66,000 lights retrofitted to reduce capital</p>

	<p>costs and waste and for the remaining 23,000 lights where a retrofit is not practical the entire lantern will be replaced. 59,575 of these lights (67%) are located in the EM3 region.</p> <p>The current Central Management System (CMS) equipment is not compatible with LED lights and so will be upgraded as part of the conversion. This is allowing the Council to take advantage of the latest developments in CMS most notably the ability to incorporate a wide range of technologies. Examples of these technologies include traffic count radar sensors to understand vehicle movements and allow responsive actions to traffic management in close to real time or sensors for litter bins or drainage gullies which allow optimised planned maintenance versus visiting on a specific frequency regardless of need.</p> <p>This EOI supports the digital and data technologies stream of the prospectus along with clean growth as well as demonstrating value for money and appropriate outputs. As a loan, this project is prioritised.</p>
	<p>CATEGORY B</p>
<p>EOI 51</p>	<p>Project name – Guildford College Care Skills Training Centre Applicant – Activate Learning (merger partner with Guildford College Group) Location – Guildford College</p> <p>Grant funding of £425k against a total capital project cost of £525k with £376k of revenue funding from Activate and Royal Surrey NHS Trust (subject to confirmation) to support higher level apprenticeships and T-levels (40 over 3 years) and up to 400 new learners.</p> <p>The Care Skills Training Centre is designed to help grow learner numbers into healthcare, including new learners starting from 16 years old who could progress into a healthcare apprenticeship, or Higher Education (e.g. Nursing degree), or healthcare employment locally. The college is working collaboratively with the Royal Surrey NHS Trust.</p> <p>The Care Skills Training Centre, built with industry partner support, will</p> <ul style="list-style-type: none"> • Create a flexible training area similar to a hospital ward / social care setting enabling students to practice in a clinical environment • Develop an innovative technology driven teaching space for students to undertake training in a simulated real-life environment • Deliver health and social care qualifications not previously delivered at Guildford College • Provide a base for The Royal Surrey NHS Trust to train their own staff (subject to confirmation) • Provide a base for local health and social care providers to train their own staff

	<p>This EOI supports the transforming colleges stream of the prospectus alongside supporting higher level and T level apprenticeships. The applicant, Activate Learning, needs to provide specific detail on the costs for this project based in Guildford, rather than the example provided in Reading, as well as confirming endorsement from Surrey NHS Trust before this could progress to the due diligence stage.</p>
<p>EOI 58</p>	<p>Project name – Hog’s Back Brewery Development Applicant – Hog’s Back Brewery Location – Tongham, Surrey</p> <p>£250k of Enterprise M3 grant funding sought for a total project of £750k.</p> <p>This project seeks to reintroduce hop farming to Farnham alongside the development of hop picking, drying and packing facilities that are more efficient than a traditional hop kiln together with visitor’s education and training facilities. The project will make the business more sustainable and unique within the UK brewing industry. By growing, drying and packing 50% of the annual hop requirements on the farm site, the project will dramatically reduce “food miles” and carbon footprint, and demonstrate the value of local sourcing and sustainability to the brewing industry and to similar craft manufacturing businesses.</p> <p>The project comprises the following</p> <ol style="list-style-type: none"> 1. Building of an 8 acre ‘high wire’ hop garden 2. Building of a 2-acre experimental hop garden to allow participation in tests of new varieties 3. Installing hop picking, drying, packing and storage facilities on site so the total journey distance from bine to barrel is around 200 metres 4. Rebuilding of an old-style hop kiln using modern materials. When not drying hops (6 weeks per annum) it will be a Visitors Centre 5. Convert an old barn to provide a site for a fledgling business with complementary local craft credentials. <p>It is estimated the project will generate over 15 full and part time jobs, triple visitor numbers (up to 15,000 pa) and generate an incremental turnover of approximately £700k per annum. The unquantifiable elements are the impact of successful innovation in terms of hop varieties, packing, kilning, infusion or brand marketing - any of which could have wider scale applicability within the £10bn UK beer industry.</p> <p>This project supports the clean growth aspiration of the prospectus. However, a loan needs to be considered alongside potential state aid issues before this project is progressed further. Discussion with the applicant is required to overcome these challenges.</p>

	CATEGORY C
EOI 52	<p>Project name – Pegasus Profiles Applicant – Pegasus Profiles (Southern) Ltd Location - Andover</p> <p>Pegasus Profiles was established in Andover in 1982 producing steel plates with flame cutters. The demand now is for precision cut profiles produced by laser cutters. The company is seeking a £210k grant against a total project cost of £225k for the purchase of a laser cutter.</p> <p>This applicant has been referred to the Growth Hub for immediate assistance with their funding requirements and informed that the Enterprise M3 Local Growth Fund is not appropriate for this purchase. It does not fit with the prospectus, there is insufficient matched funding and state aid will be an issue.</p>
EOI 53	<p>Project name – Basingstoke Sports and Social Club Applicant – Basingstoke Sports and Social Club Location – Basingstoke</p> <p>Funding request of £1.24 million against total project cost of £2.5 million.</p> <p>The project consists of a full redevelopment of the clubhouse at Basingstoke Sports & Social Club consisting of demolition of the existing building followed by construction of a new, larger two-storey facility close to the current footprint which will increase accessibility for a wider range of participants.</p> <p>This proposal does not fit with the prospectus, matched funding is not confirmed and there are insufficient outputs for the funding requested. State aid will also be a consideration. The club do have an alternative scheme available at a lower cost that does not require external funding.</p>
EOI 54	<p>Project name – East Hants Invest for Growth Applicant – East Hampshire District Council Location – Alton & Petersfield</p> <p>Funding request of £3.76 million (20% of total with mix of loan £1 million and £2.76 million grant) against total project cost of £19.2 million with matched funding from East Hampshire District Council.</p> <p>The East Hants Advanced Manufacturing & Technology Park is an East Hampshire Invest for Growth project and builds on the success of the pilot scheme at the Former OSU Site in Liphook (now Ordnance Business Park).</p> <p>The project is the first stage in a strategy to develop an advanced manufacturing and technology corridor through the Enterprise M3 LEP</p>

	<p>area. It is anticipated that a proportion of the capital receipts from the site will be re-invested in subsequent employment sites in the East Hampshire and the Enterprise M3 LEP area. This is a transformational project incorporating the development of two strategic employment sites within the strategic A3/A31 growth corridor and with access to mainline rail services.</p> <p>Funding from the Enterprise M3 LEP will contribute towards the acquisition of the land, formation of a new access and construction costs for incubation space/ units. The funding will enable EHDC to secure the sites and start the project by September 2019.</p> <p>It is anticipated that 400 jobs could be created along with 500 new homes developed.</p> <p>At the time the assessment was carried out EHDC had failed to meet our expectations with respect to loan funding (other similar projects have been funded on a 50/50 loan and grant basis). The project will be reconsidered in June as EHDC have now indicated they will meet our expectations.</p>
EOI 55	<p>Project name – MEGA (Making Engineering Great Again) Applicant – Megaform Ltd Location – Basingstoke</p> <p>£250k of Enterprise M3 funding against a total project cost of £250k.</p> <p>Megaform Limited has limited electrical power at its location on the West Ham Industrial Park in Basingstoke and require a new sub-station to provide adequate power which is critical for their business growth.</p> <p>This proposal does not fit with the prospectus, there is no private sector match from the parent company and outputs are speculative. State aid will also be a consideration. The Growth Hub will work with the applicant to review their business development requirements.</p>