

Programme Management Group

16 August 2019

Capital funding for 2019-20 and 2020-21 – Expressions of Interest – Item 4

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 29 August 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 a project change which has resulted in a project with a total LGF request of £0.5m be removed from the capital programme at the applicant's request. We currently have £15.3m (14%) of our programme still subject to due diligence and approval by PMG and Board. 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. The Enterprise M3 team have worked closely with funding applicants to ensure that they understand the current funding position.
- 1.2 Full detail of the current funding position is provided below. At the time of writing this report, £43.6m has been contractually committed and a further £60.3m has been approved by PMG/Board but is yet to be contracted. This means that currently 93% of our available funding has been approved by PMG and Board. The Enterprise M3 team is currently reviewing the entirety of the capital programme and the initial results of this review will be presented to PMG in September 2019.

Table 1 – Available Capital Funding as at 9 August 2019

Item	Amount £m
LGF and GEF carry forward	39.6
LGF amounts for 2019/20 and 2020/21	60.2
Forecast Loan repayments	11.7
Available funding	111.5
Current programme (as of August 2019 Programme Management Office meeting)	119.4
Available funding to allocate to new projects	0

2. Process update

- 2.1 This is the third round of submissions to the Enterprise M3 Local Growth Fund responding 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 third deadline for Expressions of Interest was Thursday 27 June and 4 EOIs were received (3 new, 1 resubmission). All are for location specific projects; 3 in Hampshire and 1 in Surrey. Projects range in size from £300k to £3.8 million. Only 1 application is for a loan/grant mix. Applicants include one local authority, two colleges and one from 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 2 A projects with a total value of £4.1 million. The A projects are
- EOI 54 (resubmission) – East Hampshire Advanced Manufacturing and Technology Park
 - EOI 60 – Launch Space at Basingstoke College of Technology

3.2 These projects respond specifically to an area of focus in the prospectus or are a major strategic infrastructure project, 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 £2.6 million. These are

- EOI 59 – Future Realities Centre at Havant & South Downs College
- EOI 61 – District Heat Pump System at Wey Estates, Woking

3.4 EOI 59 – Future Realities Centre at Havant & South Down College might be considered for future funding, subject to funding availability, in support of the transforming colleges theme of the prospectus. The applicant needs to review their proposal with Enterprise M3 specifically with regards to costings which appear to include further reception reconfiguration (£255k) in an area that has already been updated. Outputs, including learner numbers and job creation, also appear very ambitious for a project of this type. Finally, the match funding levels are below that would be expected for a project of this type.

3.5 EOI 61 – District Heat Pump System at Wey Estates, Woking needs to be reviewed with the applicant. Whilst this EOI supports the clean growth agenda, 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.

4. Detail of all projects

	CATEGORY A
EOI 54 - resub	<p>Project name – East Hants Invest for Growth Applicant – East Hampshire District Council Location – Alton & Petersfield</p> <p>Funding request of £3.76 million (50% loan, 50% 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). The project is the first stage in a strategy to develop an advanced manufacturing and technology corridor. 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 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 13,000 sqm of new employment floorspace developed.</p> <p>EHDC have now met all the Enterprise M3 expectations with respect to loan funding (other similar projects have been funded on a 50/50 loan and grant basis).</p>
EOI 60	<p>Project name – Launch Space at BCoT Applicant – Basingstoke College of Technology Location – Basingstoke</p> <p>Grant funding of £300k (49%) is sought for a total project cost of £612k with matched funding being provided by the college (£312k).</p> <p>Launch Space is a tech-rich teaching and learning facility at Basingstoke College of Technology that will provide in-demand workplace skills. It will be a suite of six highly connected and digitally enhanced rooms equipped with an array of cutting-edge technology and operated by experts in digital learning. This space will upskill and support students along with staff and local businesses.</p> <p>Launch Space will allow the college to increase its current number of business ties by 200 and result in a range of additional pathways and progression routes onto Level 4 and above qualifications.</p> <p>The scheme will support 30 new apprenticeships and 24 higher level apprenticeships alongside providing 3900m² of employment space. It is anticipated that this space will be home to 10 new business start ups within the college environment. The EOI builds on existing business/college work and provides additional enhancements between the two.</p> <p>The build has been designed to result in a 5-tonne reduction in CO₂ emissions from the site.</p> <p>This EOI supports the transforming colleges section of the prospectus alongside clean growth and digital. It is a very strong EOI in terms of the applicant responding to all aspects of the prospectus and questions asked within the EOI.</p>

	CATEGORY B
EOI 59	<p>Project name – Future Realities Centre Applicant – Havant & South Downs College Location – Alton</p> <p>Grant funding of £2.00 million (88%) against a total project cost of £2.28million</p> <p>The project will transform the Stevens Building at Havant and South Downs College’s Alton College campus into a Future Realities Centre, to support skills acquisition for the digital economy alongside construction. The new facilities will include a digital learning hub supported by digital studios, specialist AI/VR labs and flexible IT-rich teaching spaces. In addition, the project will encompass enabling works to relocate the student services from the Student Hub to a new welcoming reception.</p> <p>155 new learners will be recruited per year by 2023-24, a total of 2,529 learners will benefit from the project over a five-year period, and an estimated 50 new jobs will be created as a result of the investment</p> <p>This EOI supports the transforming colleges stream of the prospectus but discussion is required between the applicant and Enterprise M3 to review the project costs and outputs. We would also expect match funding to be higher than the level currently proposed.</p>
EOI 58	<p>Project name – District Heat Pump System Applicant – Wey Estates Location – Send, nr Woking, Surrey</p> <p>£600k of Enterprise M3 grant funding (50%) is sought for a total project of £1.8 million.</p> <p>This project will support low carbon infrastructure through the installation of a district heat network using a system of heat exchangers in the River Wey Navigation and Broadmead Cut. With a capacity of 1 GW, this has capacity to heat and cool the entire Wey Estates with scope to extend into neighbouring commercial and residential developments. Enterprise M3 support is requested as the upfront commercial investment cannot be justified alongside conventional air-conditioning and heating systems.</p> <p>The project is an innovative proof of concept and an SME led demonstrator of carbon reduction technology and 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>