

Enterprise M3 Board

30 January 2020

Capital Programme Update – Item 10

Enterprise M3 Board members are asked to:

NOTE: the current progress in delivering Enterprise M3's capital programme

NOTE: that there is £7.02m of capital funding that is unallocated.

1. Background - Enterprise M3 Capital Funding

1.1. Since the last meeting of the Enterprise M3 Board Group in November 2019, the following key developments have taken place

- The signing of the legal agreements for 5G Phase 3, Fleet Pond Green Corridor, Launch Space (Basingstoke College of Technology) and Aldershot Railway Station. Since April 2019, 21 legal agreements have been signed for projects due to commence this year.
- The Camberley Public Realm project officially 'broke ground' on 8 January 2010 and the formal ceremony was attended by Kathy Slack as well as representatives from Surrey County Council and Surrey Heath Borough Council. We are liaising with Government to secure a Ministerial quote to accompany a newsletter article about this scheme which is expected to complete in early 2021.

2. 2019/20 Capital Programme and the progress against the Delivery Plan

2.1. Our Delivery Plan, published on the Enterprise M3 website at the end of May 2019, sets out our expected delivery over the 2019/20 financial year; Enterprise M3 will deliver the following through its capital programme:

- Capital expenditure of £45m
- 2500 jobs created/safeguarded
- 1000 new homes completed
- 9,000sqm of new employment floorspace
- Support 300 apprenticeships
- Create/refurbish 5,000sqm of learning floorspace

2.2. These measures form our key performance indicators with Government and will be the baseline against which we will report our progress across 2019/20 and the basis of our Annual Performance Review. The mid-year review with Government took place on 13 September 2019 and was an opportunity to update on our recent progress in achieving the targets set out in our Delivery Plan. Our Annual Performance Review will take place on 14 February 2020 and a verbal update on this process will be given at the Board meeting.

2.3. We will continue to report to PMG and Board on the following detail in order to provide a regular update on the progress against our targets in the Delivery Plan:

Table 1: Key Performance Indicators – January 2020

Key Performance Indicator	Current forecast	Actual (as at 21 Jan 2020)	Change since last report (28 Nov 2019)
<u>Expenditure</u>			
Expenditure of £45m of LGF in 2019/20	£39m-£49m*	£22.3m	+£14m
Total LGF expenditure across programme to date of £180m (102% of the total allocation to date)	£180m	£156m	
<u>Income from loan repayments</u> - £2.42m in 2019/20	£4.1m	£2.85m	-
<u>Outputs</u>			
1000 new homes completed	1700	1,579	-
2500 jobs created/safeguarded	2500	1,671	-
9000 sqm commercial floorspace completed	9,000	7,711	+7,711
5000sqm learning floorspace completed/refurbished	5,000	9,530	-
300 apprenticeships supported	300	465	-

**Range based upon latest confidence levels of expenditure in 2019/20*

- 2.4. Progress to date is broadly as would be expected at this point in the year and since the last meeting of the Enterprise M3 Board and following the end of Quarter 3, our expenditure levels have increased significantly to just over £22m. We expect these to increase in the coming weeks as further claims are submitted and the remainder of the claims relating to 2019/20 to be in the form of accruals which will be finalised and confirmed to Enterprise M3 in early April 2020.
- 2.5. The latest forecasts for expenditure across 2019/20 range between £39m and £49m, with a high degree of confidence that £39m will be achieved, a reasonable level of confidence that a further £0.6m will be achieved and a low level of confidence that an additional £9m will be achieved. The high level of confidence figure has increased by £2m since the November meeting of the Board and targeted work is underway to ensure that we can improve our confidence around areas of expenditure. With expenditure of £42m in 2019/20, Enterprise M3 will be in a position that all funds made available by Government to date will have been spent in full with a strong pipeline of projects ready for delivery in the final year of the programme. Our current forecasts and information from projects suggest that this target is achievable. We will continue to monitor this closely as the latest monitoring reports are returned from projects.
- 2.6. Board Members will also note from the table above that we are now expecting loan repayments of £2m more than had been forecast at the start of 2019/20 which has allowed us to support more projects this financial year and next. We expect the remainder of our forecast loan repayments to come in before the end of the financial year.
- 2.7. In terms of project outputs, the current picture is in line with expectations at this stage of the year, with projects having completed their second quarter monitoring reports to Enterprise M3 at the end of October. Monitoring reports from projects reflecting Quarter 3 information are being completed at the moment and a verbal update will be given at the meeting. Board Directors will note that the forecast for new homes completed has already been met and has been further strengthened in quarter 2, we have therefore revised our target to reflect this. Progress against the remaining targets also remains strong. At this stage, we are not concerned by the commercial floorspace target which relates to three projects which are on track for completion in early 2020 we are closely monitoring their progress.

- 2.8. As we are now in the penultimate year of the Local Growth Fund programme, it is also important to keep our contractual commitments under review. Over this year (2019/20) and next (2020/21), we have £107.4m of capital funding available to support projects. This is made up of Local Growth Fund allocations from Government and loan repayments from LGF and Growing Enterprise Fund projects (as detailed in table 2 below). Currently 87% of this money is contractually committed and a further 8% is allocated to projects approved by PMG/Board but is not yet contracted. The team are prioritising contracting work at the moment and since the last Board meeting in November 2019, 9 legal agreements have been signed. This significant progress has meant that we have been able to advise Government that Enterprise M3 has now contractually committed the full £219m of Local Growth Fund.
- 2.9. We are also continuing to strengthen our pipeline of projects and the detail below provides Board Directors with the latest information on contractual commitments, allocated funding and available unallocated funding as at the 22 January 2020.

Table 2: 2019/20 – 2020/21 available funding

Available capital funding from Government (2019/20 – 2020/21)	£99.9m
Forecast loan repayments (2019/20 – 2020/21)	£7.5m
Total	107.4m

Table 3: 2019/20 – 2020/21 programme to date (as at 22 January 2020)

Contractual commitments	£93.6m
Approved projects still subject to contract	£8.74m
Available funding to allocate to new projects	£7.02m

- 2.10. The available funding figure has increased in recent weeks as a result of Winchester Station Approach (£5m of LGF) being withdrawn from the programme. We have also had notification from Hart District Council that they no longer require the £700k loan from Enterprise M3 to take forward the Fleet Pond Green Corridor Project will instead secure the loan element of this project from other sources. Hampshire County Council has also recently advised of a forecast underspend on the Basingstoke South West Corridor to Growth Phase 2 Thornycroft Roundabout and £500,000 has been added to the available funding figure to reflect this. The exact level of this underspend will be confirmed by Hampshire County Council in February 2020 and figures will be revised in due course.
- 2.11. At their meeting in January 2020, PMG reviewed the progress of all projects which have been approved but where legal agreements have not yet been signed. At the time of the PMG meeting, there were 7 projects which had not yet entered into a legal agreement with Hampshire County Council (Enterprise M3's Accountable Body). As a result of the review, PMG agreed the following:
- That the **Guildford Flood Alleviation project** (£1.5m) project should be removed from the allocated programme as although design work could be carried out in 2020/21, full delivery of the scheme is not likely to be achieved by March 2021. PMG noted that this project could be reconsidered in the future if further funding for infrastructure projects is secured. Discussions with Guildford Borough Council and the Environment Agency have already taken place to make them aware of this approach.
 - That Enterprise M3 write to Network Rail and Great Western Railway to advise them that we have set a deadline of 31 March 2020 for the legal agreement for the **North Downs Line** to be completed.

- It was noted that for all other outstanding legal agreements (those shown in yellow in Appendix 1 of this paper) that steady progress is being made and that they are expected to be finalised before March 2020. Since the PMG met, the legal agreement for the Future Towns Innovation Centre has been approved by Enterprise M3.

3. 'Development Pool' of projects & future business cases

- 3.1 Whilst we are now at a point that almost all available funding has been allocated to projects, experience indicates that projects of this nature are subject to change and we are therefore continuing to strengthen our 'development pool' of projects. In doing so the Enterprise M3 team are working closely with scheme promoters to make them aware of our funding position. Our approach to pipeline development aims to put us in a strong position to accelerate projects swiftly should there be an opportunity to secure additional funding and we emphasised this message at our mid-year review with Government.
- 3.2 The current value of the pipeline of projects is £26.9m and we expect a significant number of these projects to be presented to PMG/Board at their meetings in March 2020 and further detail on the progress of these schemes is given in table 5 below.

Table 5: Business case development progress update

Project	Amount	Expected date for business case to be presented to Board/PMG	Change since last Board meeting
Aldershot Town Centre Regeneration	£1.2m	March 2020	Due diligence completed but further work being undertaken before project is presented to PMG.
Heat Enabled Virtual Power Plant	£1.8m	March 2020	Due diligence underway.
East Hampshire Advanced Manufacturing/Technology Park	£3.7m	March 2020	Due diligence completed but further work being undertaken before project is presented to PMG/Board.
Blackwater Valley Gold Grid Public Transport Corridor – Hampshire Elements	£1.5m	July 2020	Business case likely to be submitted to Enterprise M3 in April 2020.
Future Winchester	£2.5m	March 2020	Business case submitted in December 2019.
BCoT Electric Vehicle Training Centre	£0.16m	March 2020	Due diligence underway but further work required before it can be presented to PMG.
Commercial in confidence significant infrastructure project	£16m	March 2020	Due diligence expected to complete in January 2020.

Appendix 1 - Project summaries (projects shown as green are contractually committed; those in amber are approved but not yet contracted and those in red are not yet approved by PMG/Board).

Enterprise M3 Operations Team

23 January 2020