

Enterprise M3 Programme Management Group

16 January 2020

Capital Programme Update – Item 4

Enterprise M3 Programme Management Group members are asked to:

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

NOTE: that if the recommendations made in the papers to PMG on 16 January 2020 are agreed, then Enterprise M3 will have £5.02m available to support pipeline projects in the future.

AGREE: the proposed course of action for those projects which do not yet have signed legal agreements and as set out in section 3 of this paper.

1. Background - Enterprise M3 Capital Funding

1.1. Since the last meeting of the Enterprise M3 Programme Management 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 and Aldershot Railway Station. Since April 2019, 20 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 PMG 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 – November 2019

Key Performance Indicator	Current forecast	Actual (as at 9 Jan 2020)	Change since last report (14 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	0	-
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 Programme Management Group 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 PMG and Board and targeted work is underway to ensure that we can improve our confidence around areas of expenditure. Should our expenditure target of £45m be achieved by 31 March 2020, Enterprise M3 will have spent 102% of our total available LGF allocation. Our current forecasts and information from projects suggest that this target is achievable and we will continue to monitor this closely as the latest monitoring reports come in from each of our projects.
- 2.6. PMG 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.
- 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 due to be returned on 17 January 2020 and a verbal update will be given at the meeting. PMG members 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 jobs created/safeguarded, learning floorspace and apprenticeships supported target 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 January 2020 and 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 84% of this money is contractually committed and a further 9% 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 PMG meeting in November 2019, 8 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 PMG Members with the latest information on contractual commitments, allocated funding and available unallocated funding as at the 9 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 9 January 2020)

Contractual commitments	£90.7m
Approved projects still subject to contract	£9.3m
Available funding to allocate to new projects	£7.4m

- 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. In discussions with project applicants, we are aware of potential underspends on other projects and we are working to get clarity on the scale of these ahead of the PMG meeting on 16 January 2020.
- 2.11. The Programme Management Group is being asked to consider approving two projects at the January meeting with a total value of £2,384,950. As the table above demonstrates, both projects can be accommodated within our available funding. Should the recommendations of the papers be agreed by PMG on 16 January 2020, this will impact the figures in table 3 in the following way:
- Approved projects still subject to contract - £11.7m
 - Available funding to allocate to new projects - £5.02m

2.12 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 at their meeting in March 2020 and further detail on the progress of these schemes is given in section 4.

3. Programme Review

3.1 At the November 2019 meeting of the Programme Management Group, the progress of all projects which were yet to sign legal agreements was reviewed. For a number of months, the Enterprise M3 team has been working to ensure that all approved projects have a signed contract in place by December 2019 unless there was a specific reason that this could not be achieved. Significant progress against this objective has been made, with 20 legal agreements signed this financial year and reaching the milestone of all of Enterprise M3's LGF being contractually committed.

3.2 At the time of preparing this report, there are 7 projects which are yet to have entered into a legal agreement with Hampshire County Council (Enterprise M3's Accountable Body). The table below gives details of each of these projects, along with a proposed course of action. PMG are asked to note the contents of this table and agree the proposed next steps for each project:

Table 4: Projects yet to enter into a legal agreement with Enterprise M3

Project Name and LGF value	Applicant	Date approved by EM3	Proposed next steps
Future Towns Innovation Hub (£2.94m)	University of Southampton	July 2019	Contract agreed between EM3 and University of Southampton and with the Accountable Body for review. Expect to be signed in January 2020 and therefore no further action proposed.
LED Conversion and Central Management System (2.64m)	Surrey County Council	November 2019	Contract agreed between EM3 and Surrey County Council and with the Accountable Body for review. Expect to be signed in January 2020 and therefore no further action proposed.
Guildford Flood Alleviation (£1.5m)	Environment Agency/Guildford Borough Council	September 2018	We have been advised by the Environment Agency that this project has changed in nature since approval in September 2018. As a result, although design work could be carried out next year, full delivery of the scheme is not likely to be achieved by March 2021. It is therefore proposed that this project is removed from the allocated programme, but can 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 our proposed approach.
Electric Vehicle On-Street Charge Point Installation Pilot (£0.47m)	Surrey County Council	November 2019	A recently approved project and progress is being made with legal agreements. We expect this to be signed February 2020.
Guildford Bike Share	Guildford Borough Council	June 2019	Work on contracts was paused in late 2019 whilst Guildford Borough Council worked through some delivery issues associated with the project. These have now been addressed and we expect a legal agreement to be signed by March 2020.
North Downs Line	Network Rail/Great Western Railway	July 2019	This has been a complex legal agreement where progress is being made with all parties. It is proposed that Enterprise M3 set a deadline of 31 March 2020 for the legal agreement to be concluded and

			EM3 write to all parties involved with the project to advise them of this.
Innovation South Virtual Campus (£0.49m)	Sparsholt College	September 2019	Legal agreement has been drafted and agreed in principle between parties. Will be signed once there is clarity on a parallel ESF application. This is expected in March 2020.

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

- 4.1 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. Since the PMG telephone conference in October, we have been liaising with Government about the scale of our project pipeline and alerted them to the fact that we will be unlikely to support all the projects in our pipeline unless projects in the current programme fail to progress and/or additional funding is awarded to Enterprise M3.
- 4.2 The table below sets out the expected dates for the submission of business cases.

Table 5: Business case development progress update

Project	Amount	Expected date for business case to be presented to Board/PMG	Change since last PMG 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.
Blackwater Valley Gold Grid Public Transport Corridor – Hampshire Elements	£1.5m	July 2020	Business case likely to be submitted 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
9 January 2020