

**Enterprise M3 Programme Management Group**

**12 March 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 12 March 2020 are agreed, then Enterprise M3 will have £6.1m available to support pipeline projects in the future.

**DISCUSS:** current pipeline projects and give advice on whether a new call for projects is issued.

**AGREE:** the proposed course of action should the 31<sup>st</sup> March 2021 deadline for LGF expenditure be enforced as set out in section 4.

**1. Background - Enterprise M3 Capital Funding**

1.1. Since the last meeting of the Enterprise M3 Programme Management Group in January 2020, the following key developments have taken place

- The signing of legal agreements for Launch Space, Longcross Discovery Building, and Health Tech Accelerator. 23 legal agreements have been signed for projects due to commence this year.
- APR meeting with BEIS on 14<sup>th</sup> February where recognition was given on the substantial progress made on delivery and expenditure and outputs in particular.

**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 they also formed the basis of our Annual Performance Review. Work on our 2020/21 Delivery Plan is now underway and a short presentation on the Capital Programme element of the Delivery Plan will be given at PMG.

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 – March 2020**

Key Performance Indicator	Current forecast	Actual (as at 3 March 2020)	Change since last report Jan 2020)
<b><u>Expenditure</u></b> Expenditure of £45m of LGF in 2019/20	£39m-£49m*	£22.5m	+£0.2m
Total LGF expenditure across programme to date of £180m (102% of the total allocation to date)	£180m	£154m	
<b><u>Income from loan repayments</u></b> - £2.42m in 2019/20	£4.1m	£2.85m	-
<b><u>Outputs</u></b>			
1000 new homes completed	1700	1,546	-
2500 jobs created/safeguarded	2500	1,777	+106
9000 sqm commercial floorspace completed	9,000	7,711	+7,711
5000sqm learning floorspace completed/refurbished	5,000	9,530	+2134
300 apprenticeships supported	300	466	-

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

- 2.4. We are forecasting significant levels of expenditure in the remaining weeks of this financial year, with a significant proportion of our remaining claims coming into Enterprise M3 at the beginning of April as accruals. We have been working closely with our partners to revise our forecast figures in light of the most recent projections.
- 2.5. The latest forecasts for expenditure across 2019/20 range between £39m and £47m, with a high degree of confidence that £40m will be achieved, a reasonable level of confidence that a further £0.32m will be achieved and a low level of confidence that an additional £7m will be achieved. The high level of confidence figure has increased by £0.5m since the January meeting of the PMG and Board and targeted work is underway to ensure that we can improve our confidence around areas of expenditure.
- 2.6. Following the most recent set of reports from our projects, it is now looking likely that we will not be able to achieve our Delivery Plan target of expenditure of £45m in 2019/20. This is due to a number of changes across projects which have seen delays pushing funding to the following year. This is mainly focused around the transport projects delivered by HCC, SCC and GBC and this combined with the official removal of the Fleet Pond Green Corridor (£700k) loan which was not required to deliver the project has impacted the expenditure
- 2.7. A number of projects (including Farnborough Growth Package (Invincible Rd), Basingstoke SW Corridor (Thornycroft Roundabout & Brighton Hill), Guildford Quality Bus Corridors, Blackwater Valley Hotspots and Guildford Sustainable Movement Corridor) have been set back due to various on-site issues and funding but are reporting that activity beyond these remains on track and expenditure will be incurred early in 2020/21.
- 2.8. The team is continuing to meet those who have significant projects scheduled for delivery in the remaining months of the programme. We are pushing partners hard given the fixed end date for expenditure at March 2021 and we are seeing revisions in funding resulting in some £2.39m unallocated. A verbal update on the key outcomes from these meetings will be given at PMG

- 2.9. However, we remain confident of being very close to fully utilising all of the Local Growth Fund money that has been made available to Enterprise M3 to date. Since 2015/16, we have received £176m of Local Growth Fund, with £154m spent to date. If our current forecasts are correct and we spend £39.7m of Local Growth Fund this year, then we will end the year with expenditure of £171.6m in total, meaning that we will have spent 97% of our available LGF.
- 2.10. 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.
- 2.11. In terms of project outputs, the current picture is in line with expectations at this stage of the year, with projects having completed their third quarter monitoring reports to Enterprise M3 at the end of January. PMG members will note that the forecast for new homes completed has already been met and has been further strengthened in quarter 3, we have therefore revised our target to reflect this. We have exceeded our targets for learning floorspace and apprenticeships and remain confident of the progress against the jobs created/safeguarded, however but due to delays on the completion of Tannery Studios and the Aldershot Games Hub, it is unlikely that the employment floorspace target will be met this financial year.
- 2.12. 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 85% 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 January 2020, 3 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.
- 2.13. 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 3<sup>rd</sup> March 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
<b>Total</b>	<b>107.4m</b>

**Table 3: 2019/20 – 2020/21 programme\* to date (as at 3<sup>rd</sup> March 2020)**

Contractual commitments	£91m
Approved projects still subject to contract	£10.2m
<b>Available funding to allocate to new projects</b>	<b>£6.1m</b>

\* based on LGF and Loan repayments

- 2.14. The available funding figure has decreased as a result of PMG agreeing to fund Care Skills Training Centre and the 5G Living Lab (£2.3m of LGF) but this was countered by the return of £1.5m for the Guildford Flood Alleviation which was withdrawn from the programme and an additional £500k underspend returned for Basingstoke SW Corridor Thornycroft roundabout.
- 2.15. The Programme Management Group is being asked to consider approving 1 project at the March meeting with a total value of £0.16m. As the table above demonstrates, all projects can

be accommodated within our available funding. Should the recommendations of the papers be agreed by PMG on 12<sup>th</sup> March 2020, this will impact the figures in table 3 in the following way:

- Approved projects still subject to contract           £10.4m
- Available funding to allocate to new projects       £5.94m

### 3. Pipeline of projects & future business cases

- 3.1. Recent weeks have seen a number of applicants approach us as they start to give serious consideration to the requirement that all Local Growth Fund money must be spent by 31 March 2021. At the time of preparing this report, we have had no formal confirmation from Government that they will be willing to relax this deadline and therefore we have been treating this as a fixed deadline with partners. These discussions have led a number of partners approach us about de-scoping projects to ensure deliver or to proactively highlight underspends to Enterprise M3, resulting in the possibility that our available funding may increase in the coming weeks and months by a further £2.93m. It is likely that as we go through 2020/21, these conversations will become more frequent, with further LGF funding becoming available to Enterprise M3, either through a failure to deliver as planned or through underspends.
- 3.2. In parallel, the Enterprise M3 team have started to understand the remaining pipeline in further detail as we proceed through the business case and due diligence stages. The current value of the pipeline projects is £25.01m (including those projects being considered for approval at this meeting).
- 3.3. The table below gives further detail on the projects that remain in our pipeline and an anticipated timetable for when they will be considered by PMG/Board. There are two projects within the pipeline where the Enterprise M3 team would welcome a discussion with Programme Management Group members ahead of a formal paper being brought for consideration. The Project Managers for both of these projects will attend the meeting on 12 March 2020 in order to update on these projects, with a view to deciding the most appropriate next steps. This discussion will be critical as it will inform whether Enterprise M3 issues another call for pipeline projects in Spring 2020. The view of the team is this approach is increasingly likely and would also help us to develop a detailed pipeline for future delivery against the priorities identified in our Local Industrial Strategy. At the time of writing, work on a possible new call for projects is underway and a verbal update will be given to the Programme Management Group. It is also worth PMG noting that a number of partners are undertaking further work on Expressions of Interest and Business Cases on an ‘at risk’ basis and that we would expect a strong response to any funding call that we release.

**Table 4: 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	May 2020	Due Diligence complete but further work being undertaken
East Hants Advanced Manufacturing/Technology Park	£1.85m	May 2020	Due Diligence ongoing likely to be May PMG.
Blackwater Valley Gold Grid Public Transport Corridor – Hampshire Elements	£1.5m	July 2020	Business case likely to be submitted April 2020.

Project	Amount	Expected date for business case to be presented to Board/PMG	Change since last PMG meeting
Future Winchester (Vaultex Park and Ride)	£2.5m	May 2020	Business case submitted in December 2019.
Heat Enabled Virtual Power Plant	£1.8m	May 2020	Due diligence completed and project to be discussed with PMG in March 2020
Commercial in confidence significant infrastructure project	£16m	March 2020	Due diligence completed and project to be discussed with PMG in March 2020.

#### 4. Project Updates

- 4.1. The capital programmes paper is also used in order to draw PMG members attention to significant changes in projects and to seek advice and guidance on key issues as business cases are developed and due diligence work is undertaken.

##### **Commercial in Confidence Significant Infrastructure Project**

- 4.2. This project has now completed due diligence and there are 2 fundamental issues that need to be addressed before PMG can consider allocating funding for this project.
- 4.3. The first is around the principle of whether the LEP should be funding a project of this nature, the risk associated with it and whether it is something that should be left to the market. The second is around a key element of the business case that needs further development. However, it is appropriate that PMG consider the issue of principle in more detail before deciding whether future work on the project should be carried out at this time. It is therefore intended that a presentation and discussion, under the existing NDA will take place at this meeting. If this is favourable this would hopefully give the proposer the confidence to develop the second element in more details, so that PMG can swiftly consider the full proposal.

##### **Camberley London Road Highways Improvements**

- 4.4. PMG are asked to AGREE that if the March 2021 LGF funding deadline is enforced that the LGF funding allocation for the Camberley London Road Highways Improvements is reduced to £2.06m and the scope of the scheme reduced.
- 4.5. The original scheme cost a total of £5m with a LGF allocation of £3.75m, with match funding of £480,000 from Surrey County Council (SCC) and £770,000 from Surrey Heath Borough Council (SHBC). The proposed reduced scheme will cost a total of £2.54m, with a reduced LGF ask of £2.06m and match funding from SCC of £480,000.
- 4.6. The de-scoping is necessary, in order to meet our requirements of 25% minimum match funding and to ensure the complete LGF spend is made by March 2021. If the March 2021 deadline was no longer a requirement then additional elements of the project could be delivered in 2021/22.
- 4.7. The de-scoped scheme will deliver reduced outputs and outcomes that was originally expected however will continue to result in significant improvements to accessibility and thereby functionality of Camberley Town Centre.
- 4.8. The following original A30 scheme components have been omitted from the de-scoped scheme:
- A30 London Road Block – road and junction improvements to facilitate access and egress
  - Gateway features for Camberley Town Centre at Knoll Road and Grand Avenue

- Intelligent Transport Systems (ITS) along the A30, including driver variable message signs, installation of CCTV at key junctions and monitoring of vehicle journey times using Automatic Number Plate Recognition (ANPR)
- Continuous shared pedestrian/cyclists' provision between Meadows and Camberley town centre. Pedestrian/ cyclist improvements will be limited to Knoll Road junction, Frimley Road and Lower Charles Street junctions only
- Raised tables across the side streets at the junctions between the A30 and The Avenue, Park Street and High Street, to benefit pedestrians and cyclists
- Improvements to bus shelters on the A30, adjacent to Victoria Avenue, The Avenue and Park Street will now be funded as part of the Gold Grid Improvements.

### **Blackwater Valley Gold Grid**

- 4.9. PMG are asked to AGREE that if the March 2021 LGF funding deadline is enforced that the LGF funding allocation for the Surrey element of the Blackwater Valley Gold Grid is reduced to £2.3m and the scope of the scheme reduced.
- 4.10. Surrey County Council's (SCC) have requested that the bus reliability measures within the Blackwater Valley Gold Grid scheme be scaled back and the LGF funding allocation be reduced.
- 4.11. The original scheme secured an LGF allocation of £3m with match funding of £4.5m from Stagecoach. This contribution of £4.5m, that covers both the Hampshire and Surrey elements of the scheme, was incurred by Stagecoach in 2018/19, in respect of the purchase of new buses to be operated in the Blackwater Valley area. The de-scoped scheme will cost £2.3m.
- 4.12. Progress on the bus reliability measures is behind schedule and there is risk that the full £900k will not be spent in 2020/21. The de-scoping has been necessary in order for SCC to ensure the complete LGF spend is made by March 2021. If the March 2021 deadline was no longer a requirement then the full project could be delivered in 2021/22.
- 4.13. SCC have developed a de-scoped scheme which can be delivered by 31/3/21.
- 4.14. £700,000 of measures to improve bus reliability and reduce delays by carrying out a package of traffic management and parking measure are proposed to be removed from the programme. These are at the following locations:
  - Frimley to Camberley corridor via Frimley Road
  - Old Dean area, Camberley
  - Ash – Ash Vale – Frimley Green – Frimley corridor
  - Frimley Park Hospital area (including Portsmouth Road, Chobham Road roundabout and Toshiba Roundabout)
  - Intelligent Bus Priority (IBP) at signalised junctions at key junctions in the BVGG area.

### **East Hants Advanced Manufacturing/Technology Park**

- 4.15. It had been planned to bring East Hampshire Advanced Manufacturing and Technology Park to this March PMG however it was identified once fully reviewed that the responses to the scrutiny of the Business Case, whilst helpful in terms of identifying delivery timescale, did not address many of the issues highlighted. It was therefore decided that it was not yet in a position be brought to PMG; the aim is now for the May PMG instead.
- 4.16. EHDC have been asked to considered response to each of critical issues identified by AECOM and a demonstration of how they have been addressed.
- 4.17. A verbal update will be given in the meeting.

**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  
5 March 2020