

Enterprise M3 Programme Management Group

16 July 2020

Capital Programme Update – Item 5

Programme Management Group is asked to:

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

NOTE: that if PMG (and subsequently the Enterprise M3 Board) agree the recommendations within the papers presented on 16 July 2020, then Enterprise M3 will have £0.17m of unallocated funding available to support new projects.

NOTE: the latest position for the Blackwater Valley Hotspots project and that a verbal update will be given at the meeting.

NOTE: that Royal Holloway are discussing options to deliver the Cyber Security Centre this year and Basing View Living Lab is awaiting financial approval from Basingstoke and Deane Council, a verbal report will be provided at the meeting.

NOTE: the award of £13.3m of additional funding from the new Getting Building Fund.

AGREE: the list of projects to be taken forward using the Getting Building Fund.

1. Background - Enterprise M3 Capital Funding

1.1. Since the Enterprise M3 Programme Management Group last met in May 2020, we have seen a number of key changes within our capital programme, including:

- **Getting Building Fund** launch and announcement that Enterprise M3 has been allocated £13.3m of this funding. Section 4 of this paper provides further detail.
- The launch of the **Supporting Town Centres Fund** to support Town Centres in their recovery from Covid 19. Following the launch of this new fund in May 2020, three projects have been awarded funding to date. A verbal update will be given on the second round of Expressions of Interest which were received at the end of June.
- **Government's formal review of the 2020/21 programme** has taken place which will act as a 'gateway' to Enterprise M3 receiving the remainder of our Local Growth Fund this year. We were able to report that our full LGF amount is contractually committed and that it remains possible to spend our remaining LGF in this financial year. Informal feedback from government on our response has been positive and we expect to receive the final one-third of our funding in August.
- A detailed **review of the projects which remain 'at risk'** and may not significantly deliver by 31 March 2021 with a view to making decisions on whether these should proceed. Section 2 provides some background information and a verbal update on these projects will be given at the meeting.

2. Capital Programme 2020/21 – status update

2.1. Government has in recent weeks confirmed that the expectation is that LEPs should spend all their remaining Local Growth Fund (LGF) by the 31 March 2021. As a result, the targets set for the Enterprise M3 capital programme have remained as forecast prior to lockdown. Enterprise M3 will seek to deliver the following through its capital programme in 2020/21:

- Capital expenditure of £47m
- 2500 jobs created/safeguarded
- 1200 new homes completed

- 14,000sqm of new employment floorspace
 - Support 400 apprenticeships
 - Create/refurbish 2,500sqm 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 2020/21 and the basis of our Annual Performance Review. In the final year of the LGF programme and with the long term funding landscape uncertain, it is important that Enterprise M3 can continue to demonstrate its ability to deliver a capital programme which unlocks economic growth.
- 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 – July 2020

Key Performance Indicator	Current forecast	Actual (as at 8 July 2020)	Change since last report (14 May 2020)
<u>Expenditure</u>			
Expenditure of £47m of LGF in 2020/21	£19m-£49m*	£0.62m	+£0.62
Total LGF expenditure across programme of £219m (100% of the total allocation to date)	£219m	£171m	+£0.62
<u>Income from loan repayments</u> - £2.79m in 2020/21	£2.79m	£0.84m	+£0.84m
<u>Outputs</u>			
1,200 new homes completed	1,200	-	-
2,500 jobs created/safeguarded	2500	-	-
14,000 sqm commercial floorspace completed	14,000	-	-
2,500sqm learning floorspace completed/refurbished	2,500	-	-
400 apprenticeships supported	400	-	-

**Range based upon latest confidence levels of expenditure in 2020/21 and projects still subject to approval (e.g. Whitehill and Bordon Town Centre are not included in this figure)*

- 2.4. Progress to date is broadly as would be expected at this point in the year with the majority of claims relating to Q1 expenditure due to be received in the coming weeks, along with the first monitoring reports of this financial year which will allow us to update our outputs position. A verbal update on the latest position will be given at the meeting.
- 2.5. The latest forecasts for expenditure across 2020/21 range between £19m and £49m, with a high degree of confidence that £19m will be achieved, a reasonable level of confidence that a further £14m will be achieved and a low level of confidence that an additional £16m will be achieved. The range of these confidence figures remains relatively wide and we would expect us to be able to refine this figure in the coming weeks, following the latest set of monitoring information and claims from our projects. We are seeing the high confidence figure increase (up £7m since the last PMG meeting), reflecting the fact that a number of projects have started back on site in recent weeks and have been conservative on our forecasting at this stage, given the complexities of the ongoing situation with Covid-19. In addition, we remain in the position where we have a strong pipeline of projects and subject to approval, the Whitehill and Bordon Town Centre project would significantly improve our expenditure position for 2020/21 and at this stage, this unapproved project is not included in the figures above.

- 2.6. With expenditure of £47m in 2020/21, Enterprise M3 will be in a position that all funds made available by Government to date will have been spent in full. 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.
- 2.7. 10 projects have already signalled to us that they will unlikely be able to drawdown their full LGF allocation in 2020/21 and we are currently forecasting that there will be around £23m of expenditure in 2021/22. At this current level, this can be accommodated within our capital programme as it would be possible to use loan repayments to support expenditure beyond March 2021 and still meet Government's expectation that Local Growth Fund is used by this date. However, this will need some very careful management around a number of high-risk projects and a verbal update on the approach of the team will be given at the PMG meeting on our approach to the projects previously identified as 'at significant risk'
- 2.8. One such 'at risk' project in recent months has been the Blackwater Valley Hotspots project. The Blackwater Valley Hotspots proposal was approved by PMG in July 2018 with an allocation of £1,965,000 to Guildford Borough Council (GBC) to deliver the scheme. The project consists of a package of improvements designed to address congestion at key junctions on the A331 and A323 to the west of Guildford. In recent months, Guildford Borough Council had alerted us to the fact that they were unable to deliver the project and would likely have to return the funding to Enterprise M3. Since these initial discussions, Guildford have been working with Surrey County Council but it remains unclear whether Surrey will be able to deliver this project by March 2021. Our understanding at the time of writing is that discussions remain positive and work is in hand to identify what funding can be spent by March 2021. We will give a verbal update at the meeting so that PMG can decide whether to proceed with this project or not.
- 2.9. Another 'at risk' project is the Royal Holloway Cyber Security Centre. Enterprise M3 contribution of £4.12m sits alongside university funding to the amount of £17.9m from cashflow. Due to pressures now arising from Covid on revenue generation and the uncertainty on future student numbers, this is no longer a viable option for the university. Discussions are ongoing with Royal Holloway as to how the Cyber Security Centre might be delivered this year and a verbal report will be made to the PMG with a recommendation on whether we continue to fund the project.
- 2.10. The final 'at risk' project is Basing View Living Lab. This was approved earlier this year and not yet contracted. After some delay it is now being considered for financial approval at Basingstoke and Deane Council on 16 July. Until procurement is undertaken, Basingstoke are unable to provide a spend breakdown (this will be dependent on the works schedule agreed as part of the procurement process) or confirm that full spend will occur in 2020/21. We will update PMG and form a set of options for how to proceed depending on outcome of cabinet decision.
- 2.11. Given that some potential 'at risk' projects continue to sit within our programme, we have continued to develop our pipeline, particularly with projects which could deliver in this financial year. As part of this pipeline development, we have been alerted to a potential project at Queen Mary's College, Basingstoke which looks to provide a centre of excellence for e-sports. This project can be delivered this summer for £228k of funding from Enterprise M3 (bringing £232k of match funding). Given the potential strong fit with our requirements, we are currently taking this opportunity through due diligence with a view to it progressing through LGF or the digital skills programme proposed under the Getting Building Fund.
- 2.12. We have also been discussing with our existing projects potential opportunities to deliver additional elements to help to support economic recovery from Covid-19. One advanced proposal has come from the team at the University of Southampton who are leading the Future Towns Innovation Hub. The Future Towns Mobility Demonstrator will save jobs and support growth on our high streets, through the delivery and trial of innovations in green transport to boost consumer confidence for returning to town centres, and deliver long term low carbon improvements to mobility. The project will combine rapid reallocation of road space (using temporary structures) to support social distancing, promote cycling and walking and increase the connectivity of the town's different centres; a Green Micro-mobility pilot (e-scooters and e-bikes with selected users eg commuters to local work, key workers to key sites eg hospital and people who would not usually chose this mode) for use in the town; and a Smart Shopper

mobile phone app which will enable shoppers to avoid crowds. The project includes WSP (EM3 Smart Mobility Group), Hants CC, Basingstoke & Deane BC and the University of Southampton. It will be professionally evaluated with a view to learning and potential transformational changes in other EM3 towns. Given the strong strategic fit of this proposal and its deliverability, we are also progressing this through to due diligence with a view to bringing full details to PMG for consideration as soon as possible.

3. Available funding and opportunities to support new projects

- 3.1. Enterprise M3 has £71.3m available to support its capital programme in 2020/21, this money comes from a number of sources, including this year's LGF allocation from Government, loan repayments and a small carry forward of LGF from previous financial years. As in previous years, our aim is to make this money available to support projects across the Enterprise M3 area as swiftly as possible and we will look to deploy as much of this funding as possible over the course of the financial year, with a target expenditure level of £47m.
- 3.2. We continue to work closely with our projects, particularly on the impact of Covid-19. In recent weeks, under her delegation the Chief Executive has approved an additional £115k for the Sparsholt Animal Health project. This funding which will help to ensure the completion of this facility by November 2020 and goes alongside significant additional investment to cover additional costs by the college, has been included in the figures presented in table 2 below.
- 3.3. Over the last 18 months, the Enterprise M3 team focused resources on ensuring that we progressed projects to the point of contract. This approach meant that we were able to report to Government in December 2019 that we had contractually committed our full £219m Local Growth Fund and we have continued to take forward additional projects using recycled funding from both the Growing Enterprise Fund and Local Growth Fund. This work has meant that the levels of our unallocated funding are relatively low and currently stand at £4.97m. Table 2 below sets out our current position in terms of contractual commitments.

Table 2: 2020/21 funding position (as at 8 July 2020)

	Amount (£m)
Available funding (Table 2)	71.3
Contractual commitments	61.5
Approved projects still subject to contract	4.8
Total unallocated funding available to support new activity	4.97

- 3.4. The Programme Management Group is being asked to consider two potential projects at this meeting, one for which a recommendation to proceed is given and one with a recommendation to proceed subject to future funding availability. As the above table demonstrates, these recommendations can be accommodated within our available funding although will leave limited unallocated funding. Should the recommendations of the papers be agreed by PMG and Board in July 2020, this will impact the figures in table 3 in the following way:

Table 4: 2020/21 funding position if recommendations are approved by PMG/Board in July 2020

	Amount (£m)
Approved projects still subject to contract	£9.6
Total unallocated funding available to support new projects	£0.17

- 3.5. Our experience of managing this programme since 2015 suggests that the position will change and the team will be closely reviewing this so that additional pipeline projects can be brought forward should other projects slip or not require all of the allocated funding. Changes to any of the 'at risk' projects set out at section 2 of this paper will mean that our unallocated funding figure will increase.

4. Getting Building Fund

- 4.1. A meeting of the Programme Management Group was held on the 30 June 2020 in order to give a progress update following a letter from Robert Jenrick which was sent to all LEPs, inviting them to identify capital projects that could stimulate the economy over the next 18 months.
- 4.2. This exercise culminated in the submission of 13 projects from Enterprise M3, seeking a funding request of £47.7m which would help to safeguard 4000 jobs and unlock nearly 2000 homes. A summary list of the projects submitted is attached at Appendix 2.
- 4.3. On 2 July 2020, we were formally notified that Enterprise M3's notional allocation under the new 'Getting Building Fund' would be £13.3m and that this funding would come to the LEP across two financial years. The next stage in the process to access this funding is for Enterprise M3 to submit a list of projects that we wish to take forward using this funding by 17 July. This paper seeks agreement to the proposed approach and our submission to Government.
- 4.4. The funding to each LEP was awarded on the basis of population, economic resilience and Covid 19 exposure. We know our resilience score, which is based on productivity, household income, unemployment and population density is considered to be very high - the third highest in the country - and we understand Covid 19 exposure is based on deprivation, particularly in coastal communities and in areas with historically high unemployment levels. There is a continued emphasis on levelling up, with those most impacted by Covid 19 combined with fundamental low economic activity rates receiving larger sums.
- 4.5. Whilst there are similarities between the Getting Building Fund (GBF) and our existing capital programme, there are a few key areas of difference between the two funding streams. Critically, we have been advised that we must manage the GBF separately to LGF. Other key points for PMG members to note include:
- Getting Building Fund must be **spent by 31 January 2022** (LGF deadline is 31 March 2021)
 - The Getting Building Fund will likely be front-loaded and we will be expected to **demonstrate significant expenditure this financial year.**
 - Government intends to include a '**clawback**' mechanism into the funding award to LEPs and it is not expected that we will be able to roll-over funding (as we have been able to with LGF). Deliverability of projects will therefore need to be a key consideration.
 - As for our existing capital programme, projects will be subject to **business case development and independent due diligence.** LEPs will have the flexibility to not proceed with a named project following these processes and replace it with a pipeline project.
- 4.6. Since notification of our funding allocation, the Enterprise M3 team have been reviewing the 13 projects that were submitted to Government. We are in a position where we were able to submit a very strong list of projects to Government and now face the challenge of taking forward a balanced portfolio of new projects and programmes within the funding envelope we have been given by Government. We have also looked at the potential opportunities that our existing LGF programme might offer in the coming weeks and months to take forward projects included in our list as well as looking to re-focus projects to deliver with a smaller amount of funding.
- 4.7. The list that we have to submit to Government must total £13.3m and we are therefore proposing that we advise Government that we take forward the following projects. Further details of these projects is listed in Appendix 3.
- | | |
|-----------------------------------|---------------|
| 1. Digital Skills | £2.1m |
| 2. Digital Fibre Spine | £4.5m |
| 3. Creative Teach Growth Booster | £0.9m |
| 4. Park, Ride & EV Charge | £5.6m |
| 5. Building Greener Futures prog. | £0.2m (pilot) |
| | £13.3m |

4.8. The projects that are to be taken forward using LGF are:

Whitehill & Bordon: A Digitally Connected New Market Town (£4.8m)

This investment will help create a vibrant, attractive and self-sufficient town centre at Whitehill & Bordon. It includes an indoor and outdoor market, whose net income will go towards the upkeep of the town centre, sponsor events, bolster the activities of local community groups and support local businesses. It will provide fibre broadband enabling free public Wi-Fi to all residents, workers and visitors to the town centre. The project also includes a new public realm for the new town centre – town squares, town park, and car parking. This project could start on site imminently and completion will be within 6 months. The project has been through due diligence and will be presented to EM3's Board in July. Funding availability has been the only barrier to this project's delivery.

Blackwater Valley Gold Grid (£1.3m)

A package of improvements developed to deliver a 'gold standard' bus service across the Blackwater Valley (first stages were supported in LGF3). The scheme aims to improve bus journey time reliability, improve passenger experience and increase the use of the bus service. The measures proposed will alleviate congestion and enhance capacity, promote town centre renewal and inward investment. A Business Case for this project has been developed and the project can be delivered within the next 12 months.

4.9. For the projects that we are unable to progress at this stage the proposal is that we continue to develop these so that they form the basis of the pipeline (for either Local Growth Fund and Getting Building Fund). These include Space and Satellite incubator; Future workspace programme; Surrey Heath 5G; Regional Battery Storage; and the Active Travel Programme (although some of these projects could be included within the Greener Future programme). We are not taking forward the HCC broadband scheme as Government's view is the proposals do not have a strong fit with the aims of the GBF.

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).

Appendix 2 – Summary of the projects submitted to Government in June 2020

Appendix 3 – proposed projects to be taken forward using the Getting Building Fund

Rachel Barker, Geoff Wells, Lee Danson, Sue Littlemore Aleks Bennett, Kevin Travers
8 July 2020

Details of projects included in Enterprise M3's submission to Government (June 2020)

DIGITAL SKILLS WORK Invests in our network of Further Education colleges to extend digitalisation of learning, and to meet industry needs for digital technology skills in growing games industry.

DIGITAL FIBRE SPINE This investment enables a step change in digital connectivity for our area. Especially serving business parks, commercial sites, the major NHS regional hospital, Farnborough airport, major data centres and two town centre regeneration projects.

CREATIVE TECH GROWTH BOOSTER This project will rapidly boost our creative technology SME cluster, for innovation, and productivity gains, and builds on the successful StoryFutures creative industries R&D projects at RHUL.

PARK, RIDE & EV CHARGE This proposes a new "Park & Ride & Charge your Electric Car" site to increase use of low carbon transport options for commuters into Winchester.

SUPER-HUB REGIONAL ENERGY STORAGE This investment would increase the much-needed energy capacity and resilience of a region stretching along the M3 corridor into West London, including Heathrow and its economic hinterland.

SPACE & SATELLITE INCUBATOR CENTRE This Incubator Centre will stimulate post-Covid19 economic recovery by generating 1400 sqm of office, lab and workshop space for our growing space/satellite cluster and will be part of the Whitehill & Bordon Enterprise Zone on the Techforest site.

BUILDING A GREENER FUTURE This investment in renewable energy and low carbon projects will stimulate demand across the EM3 LEP area, in the Low Carbon sector, creating new jobs and delivering the co-benefits of CO2 reductions as well as developing a resilient energy system.

WHITEHILL & BORDON – A DIGITALLY CONNECTED NEW MARKET TOWN This investment will help create a vibrant, attractive and self-sufficient town centre at Whitehill & Bordon, including "The Makers' Market" , and a fibre broadband enabling free public Wi-Fi.

BLACKWATER VALLEY GOLD GRID The scheme aims to improve bus journey time reliability and improve passenger perception of the bus service by addressing issues including frequent delays.

ENTERPRISE M3 FUTURE WORKSPACES PROGRAMME This project will regenerate vacant buildings into high quality, town centre workspaces, in response to a Covid19-led demand for more local workplaces and less commuting.

LOW CARBON & ACTIVE TRAVEL FOR HIGH STREET RENEWAL This programme helps restore and renew customer confidence and commercial activity to our high streets through innovations in transport, including e-bikes, rapid road space re-allocation, micro-mobility, and smarter towns linking people to employment and transport to work.

RURAL BROADBAND A top-up to a current scheme offering rural residents up to £1,500 to enable a gigabit capable broadband connection.

SURREY HEATH 5G This project is seeking to establish the UK's first full 5G shopping centre in the Surrey Heath Borough Council freehold owned centre and is in partnership with the 5G Innovation Centre at The University of Surrey