



Driving prosperity in the M3 corridor

Enterprise M3 Board Meeting

25 May 2017 - 2.00-5.00pm

Brooklands College, Weybridge Campus, Heath Road, Weybridge, Surrey, KT13 8TT

MINUTES

Board in Attendance

Geoff French - Chair
Dave Axam
Tim Colman
James Cretney
Nick Elphick
John Furey
Paul Hogg
Tim Jackson
Andrew Lambert
Keith Mans
Louise Punter
Clive Sanders
Mike Short
Chris Tinker

Guests in Attendance

Rachel Ford
EM3 Team
Kathy Slack
Rachel Barker
Mark Pearson
Chris Quintana
Justine Davie

Apologies

David Barnes
Andy Barr
Ferris Cowper
Jason Gaskell
Moira Gibson
Paul Spooner
Toni Wootton

1. Welcome from Brooklands College

- 1.1 Gail Walker, Principal and CEO at Brooklands College welcomed the Board. The Board was advised that Brooklands College had been particularly successful with apprenticeship schemes and had achieved a 93% success rate. The College had worked with a large group of employers that had been identified as being interested in apprenticeships. There were level 2-5 apprenticeships available but the majority were at level 3. Work was being carried out with the universities to develop more of the higher level apprenticeships.

- 1.2 Brooklands College had received Enterprise M3 Local Growth Fund to provide a new construction centre at the Weybridge Campus. The construction centre had firm links with employers and students would be given the opportunity to progress onto apprenticeships with employers. A digital media centre had also been developed which provided students with the opportunity to work with a BBC producer. Future plans included improving IT facilities and bringing the rest of the College up to the same standard as the construction centre and digital media centre.

2. Welcome and Introductions

- 2.1 Geoff French welcomed everyone to the meeting.

3. Minutes of the previous meetings & matters arising

- 3.1 The minutes of the previous meetings were agreed and the actions were noted.

4. Declarations of Interest

- 4.1 In addition to all interests previously declared, the following interests were noted:

- John Furey, Keith Mans, Mark Pearson and Rachel Ford declared an interest in the Growth Hub item and left the room during the decision making.

5. Enterprise M3 Annual Report 2016-17

- 5.1 The Enterprise M3 Annual Report was being developed for publication and distribution at the Annual General Meeting on 30 June 2017. The structure of the report would be similar to the 2015/16 report but would have more emphasis on transparency and an improved presentation on funding and finance. The Board was asked to consider the performance highlights and successes to be included in the Annual Report.
- 5.2 The Board discussed the suggested performance highlights and agreed that the Annual Report needed to tell a strong story about the success of Enterprise M3 and present the projects being delivered. Board members were asked to send any additional comments to Sarah Carter by the 2 June. Board members requiring new photographs to be included in the Annual Report would also need to advise Sarah Carter.

Action to be taken	By Whom	When
Advise Sarah Carter of additional comments on the performance highlights and successes	All Board Members	2 June 2017
Send request for a new photograph for the Annual Report to Sarah Carter	All Board Members	2 June 2017

6. Internationalisation Task and Finish Group

- 6.1 The Board was advised on the progress of the Enterprise M3 Internationalisation Task and Finish Group. Enterprise M3 had the largest concentration of foreign owned companies outside of London and it was critical that the businesses remained in the area. In 2016/17 the Enterprise M3 LEP had achieved a total of 47 successes from foreign direct investment although only 17 were high value investments which, as a percentage, was lower than the national average. It was recognised that there was a lack of reporting to gather good data and it was proposed that some share and learn work was carried out across local authorities.
- 6.2 The Task and Finish Group had developed shared tools and resources that would support the development of high quality and consistent responses to business enquiries. It was recommended that an Internationalisation Project Officer be recruited to coordinate enquiries and act as a gateway to international activity. The Group had been developing a 'joint team' approach to pull together knowledge and expertise from various organisations across the Enterprise M3 area to enable a rapid response team to be mobilised for any business enquiries and subsequent pitches. To address the current challenges with recording and reporting it was recommended that a shared CRM was procured to be used by the LEP, Invest in Hampshire, Invest in Surrey and district and borough authorities. The cost was estimated to be around £20k per partner per annum.
- 6.3 It was proposed that the Enterprise M3 Internationalisation Project Officer be recruited and the CRM system procured as a priority. The Board discussed the proposal and agreed that the CRM was key but would only work if all local authorities were committed to using the system. The role of the Project Officer would be to ensure that the CRM was being accessed by all partners. The cost of the Project Officer and CRM had been built into the Enterprise M3 budget for 2017/18.
- 6.4 The Board agreed the recruitment of the Project Officer and the procurement of the CRM system and the approach set out for the next phase of the internationalisation work.

Action to be taken	By Whom	When
Progress the recruitment of an Internationalisation Project Officer and procurement of a CRM to record and report inward investment activities	Internationalisation Task and Finish Group	27 July 2017

7. Enterprise M3 Governance

- 7.1 The Board was informed that Linda Cheung had been appointed to the Enterprise M3 Board as a private sector member until May 2019 and Andrew Lambert had been re-appointed until November 2018. The Joint Leaders Board had also considered its representation on the Board and agreed to reappoint Cllr Clive Sanders for a second term. Cllr Julia Potts had been appointed as a Surrey district representative from July 2017 and Cllr Ferris Cowper, who was now Deputy Leader at East Hampshire District Council, would remain on the Board until the end of his term in January 2018. Cllr Peter Martin would be stepping down from the Board and would be replaced by Cllr John Furey, the new Deputy Leader at Surrey County Council.
- 7.2 The Joint Leaders Board had also appointed Cllr David Clifford, Leader of Rushmoor Borough Council to sit on the Programme Management Group and Cllr Mike Goodman¹ from Surrey County Council would join the Programme Management Group for transport items.
- 7.3 Hays Executive Ltd had been appointed to work on the search for a new Chair of the Board. Six applications had been received and Hays were currently reviewing the applications. It was anticipated that interviews would take place in June.
- 7.4 There was a vacant position on the Expansion Fund Steering Group following David Barnes stepping down from the Board. Linda Cheung had expressed an interest in joining the Steering Group. Any other Board members interested in the position were asked to advise Rachel Barker.

Action to be taken	By Whom	When
Advise Rachel Barker if interested in joining the Expansion Fund Steering Group	All Board Members	30 June 2017

8. Enterprise M3 Enterprise Zone Programme Steering Group Formalisation

- 8.1 Mark Pearson, Enterprise Zone Programme Director reported to the Board on a proposed agreement with Hampshire County Council for them to provide upfront revenue funds to resource EZ programme management. It was estimated that £250k of revenue funding should be set aside for the next two years to cover the resource costs for an EZ director, programme and project support and administration. Hampshire County Council, as the Accountable Body, had agreed to provide the required revenue funding with an agreement in place that they would receive reimbursement as a priority when business rate income was generated. The Programme Management Group had discussed the proposal at their previous meeting and recommended it for Board approval.
- 8.2 The Board agreed to the proposed agreement with Hampshire County Council for them to provide up front revenue funds to resource the EZ programme management and be given priority reimbursement from the retention of the business rate income growth.
- 8.3 The Board received a copy of the draft Terms of Reference for the formalised EZ Programme Steering Group. The Board discussed the Terms of Reference and it was suggested that a member with telecoms/computing expertise should be invited to join the membership.
- 8.4 The Board agreed the Terms of Reference for the EZ³ Programme Steering Group and for Nick Elphick to Chair the Steering Group and attend the Enterprise M3 Programme Management Group when EZ projects were being considered.

¹ Following the meeting it was advised that Cllr Colin Kemp was the Surrey County Council Transport Portfolio Holder not Cllr Mike Goodman as previously advised. Cllr Colin Kemp has now been invited to join the PMG.

Action to be taken	By Whom	When
Formalise the agreement with Hampshire County Council to provide up front revenue funds to resource EZ programme management	Mark Pearson/ Rob Carr	June 2017
Consider a telecoms/computing expert to join the membership of the EZ ³ Programme Steering Group	EZ ³ Programme Steering Group	June 2017
Invite Nick Elphick to future Programme Management Group meetings	Justine Davie	June 2017

9. Enterprise M3 Growth Hub Contract Extension

- 9.1 The Board received a report on the Enterprise M3 Growth Hub and the funding provision for future years. The Growth Hub currently received £450k funding per annum of which £100k was capital funding from the Local Growth Fund and the £350k revenue funding was made up from a BEIS grant of £287k and £63k from SEEDA legacy funds. Work was ongoing to develop a self-sustainable model that provided an impartial service. However working assumptions were that the Growth Hub was unlikely to generate more than 15% of its core revenue costs by March 2019. Similar sustainability challenges existed across the majority of Growth Hubs although some models received funding from local partners as well as charging membership fees.
- 9.2 The current contract for the Growth Hub had been extended until March 2018, however under the terms of the contract six-months notice would be required if the contract was to be terminated. The election result had resulted in policy decisions being delayed and it was now understood that Government was unlikely to make a decision regarding core funding until November 2017 at the earliest. It was proposed that the contract was extended for a further six-months to September 2018. Funding for a further six months would cost £225k made up of £50k capital and £175k revenue. The LEP could fund the capital which had already been allocated from the Local Growth Fund and £31.5k revenue could be provided from the SEEDA legacy fund, the remaining revenue funding of £143.5k would be sought from Government. If funding was not provided by Government the gap would need to be filled from Enterprise M3 reserves.
- 9.3 Work was ongoing with BEIS regarding the provision of transitional funding and whether ERDF could be used for core funding. Hampshire County Council, as the accountable body, was exploring how capital funding could be converted to revenue funding. The Enterprise and Innovation Action Group was also working with the Growth Hub on income generation.
- 9.4 The Board discussed the proposed six-month extension of the Growth Hub contract. There was some concern regarding making a decision on extending the contract and agreeing additional funding before a viable business plan had been considered by the Board. However, it was also recognised that it would cost more to wind-down the current Growth Hub and set up a new service than to fund the current Growth Hub for an additional six-months. The Board was advised that if the business plan submitted was unsatisfactory the Board could consider activating the six-month contract termination period. The Board agreed to extend the contract for six-months but would review it at the September Board meeting having considered the business plan.

Action to be taken	By Whom	When
Extend the Growth Hub contract until September 2018	Chris Quintana	June 2017

10. Finance South East Contract

- 10.1 Kevan Jones, Chief Executive of the FSE Group attended the meeting to inform the Board on the success of the Enterprise M3 Funding Escalator. The Enterprise M3 Funding Escalator had been operational since July 2014 and was developed to address a funding gap for earlier

stage SMEs with high growth potential. The fund was managed by the FSE Group and comprised: a £4m Expansion Loan Scheme which provided between £50k and £200k to established SMEs; and, a £1.5m Growth Fund which provided between £75k and £175k as an equity investment to earlier stage SMEs. The Funding Escalator had been initially set up to operate with a two-year investment period, with funds being returned to Enterprise M3 from year 4 onwards. The investment period had been extended in 2016 to allow the FSE Group to continue to make investment, however the FSE Group had indicated that they would like to seek a further extension to the investment period to allow for the entirety of the £5.5m of funding to be drawn down. The demand for both debt and equity elements of the fund continued to be strong.

- 10.2 Independent evaluation of the Funding Escalator had been carried out by Hanmer Management which concluded that there was now significant momentum in terms of enquiries and investment. Although the Funding Escalator was at a relatively early stage the forecast outcomes were significantly higher than had been initially predicted. The overall conclusion was positive although some recommendations had been made to provide further improvements to the service. Discussions were being held with the FSE Group on the recommendations and an associated action plan was being developed. A number of the suggested improvements related to communications activity which was being addressed by the Enterprise M3 Communications and Engagement Manager.
- 10.3 The evaluation highlighted that the requirement to support early stage, high growth businesses was ongoing and a failure to provide such funds could potentially lead to slower economic growth and lower levels of high value job creation. It was important that early consideration was given to what may replace the Funding Escalator when the investment period ended. A formal procurement exercise would be required to test the market and identify potential suppliers. An OJEU advertisement would need to be placed at the start of November 2017 to ensure there was no gap in provision.
- 10.4 The Board discussed the Funding Escalator programme and acknowledged the need for effective communications and publicity. The Board agreed that the investment period for the Funding Escalator be extended for one year to end of June 2018.

Action to be taken	By Whom	When
Extend the Funding Escalator Programme until end of June 2018	Rachel Barker	June 2017

11. Local Growth Fund Programme Update

- 11.1 Rachel Barker provided an update on the current Local Growth Fund programme. The Board was advised that the actual funding distributed in 2016/17 was £40.2m which was 99% of the funding allocation. The total spend for 2015-18 was forecast at £122.2m which was £0.5m above the available allocation. The team was currently focussed on driving forward the 2017/18 programme. The new spend dashboard was under development and being set up in Microsoft Access, it would include a new outcomes dashboard which would be reported to the July Board meeting. The LGF project information was also being updated on the website. PMG had discussed the potential of bringing all of Enterprise M3's funds into a 'single pot', it was proposed that the issue be given further consideration following the conclusion of the Strategic Economic Plan refresh, a paper would be submitted to the Board later in the year.
- 11.2 The Aldershot Railway Station project had been delayed due to the award of the South Western Rail Franchise to a new operator, First MTR. Rushmoor Borough Council had been in discussions with South West Trains who had been advised not to enter into any new agreements and therefore the project had been deferred to First MTR for consideration and acceptance before proceeding. Enterprise M3 LEP had raised the issue directly with Department for Transport but to date no response had been received. A meeting with South Western Rail Franchise was being held in early June to try to resolve the matter.

11.3 The Department for Transport had invited local authorities to bid to the National Productivity Investment Fund for up to £10m of capital expenditure from a £490m pot for transport schemes to be delivered in 2018/19 and 2019/20. Discussions were taking place with Hampshire and Surrey County Councils about potential schemes that could meet the bidding criteria and be able to deliver economic growth.

11.4 A number of scheme promoters had raised concerns about the lack of available revenue funding to support the costs associated with scheme design and development. The new Enterprise M3 Finance Manager would work with Hampshire County Council on identifying possible options to address the issue and would report back to the Board on the outcome in due course.

12. **Finance Report**

12.1 The Board received a report setting out the 2016/17 year end financial position across all revenue and capital funds held by Enterprise M3 and was asked to agree the proposed budget for the 2017/18 financial year. As at 31 March 2017 Enterprise M3 held £2.3m revenue and £17.4m capital funds across a range of accounts. Revenue funds included the operational fund, the Growing Enterprise Fund, Growth Hub, SEEDA legacy fund and the interest account.

12.2 The total income for the revenue budget in 2017/18 was forecast at £1.842m and the total expenditure £2.064m, the balance would be covered through the application of existing one-off funds such as the SEEDA legacy fund and Growing Enterprise Fund. A new Finances, Resources and Audit Committee Board sub-group would be set up to oversee the 2017/18 budget, challenge planned spending and champion future sustainability through increased income and expenditure savings. Overall the LEP finances were in a good position, although expenditure had increased by 40% it had been matched by partner contributions. Income broadly remained the same although the one-off revenue funds, Growing Enterprise Fund and SEEDA legacy fund were reducing.

12.3 The Board was asked to agree the budget for the 2017/18 financial year as set out in the paper. Delegated authority was requested for the LEP Director to manage day to day spending on the budget within the headline income and expenditure parameters set out. The LEP Director would seek further authority from the Board on the revenue funds (GEF revenue, operational funding and interest) only if there is a deviation of more than +/-10% on these headline income or expenditure figures. Approval was also sought for the transfer of £120k into a new staff redundancy reserve to cover any staffing liabilities in the event of the LEP being wound down. Work had been carried out with the Accountable Body to calculate the amount that needed to be ring-fenced and the figure required would continue to be regularly monitored.

12.4 The Board discussed the financial position and it was suggested that more expenditure was required on stakeholder engagement. It was requested that future reports included an operational fund expenditure pie chart for the previous year to provide a visual comparison of costs. Following the refresh of the Strategic Economic Plan the forecast expenditure for the organisational fund may need to be revisited to ensure it was supporting project delivery.

12.5 The Board agreed:

- i) the proposed outline budget for the 2017/18 financial year;
- ii) delegated authority for the LEP Director to manage day to day spend in line with the headline income and expenditure figures provided; and,

- iii) the transfer of £120k into a new staff redundancy reserve to cover any staffing liabilities in the event of the LEP being wound down.

13. LEP Representation on the Sub National Transport Body

- 13.1 The Board was advised on the proposal to establish a Sub National Transport Body (SNTB) for the South East. The progress to date had been driven by local authorities but with close involvement from the LEPs. It was proposed that Transport for the South East (TfSE) would set spending priorities to improve the transport networks, provide a single voice for the areas strategic transport needs and direct investment to where it would have the greatest benefit. TfSE would cover Berkshire, Brighton and Hove, East Sussex, Hampshire, Isle of Wight, Kent, Medway, Portsmouth, Southampton, Surrey and West Sussex. All the transport authorities in these areas would be partners in the new body along with the South East's five LEPs. The Department for Transport, Network Rail, Highways England, transport operators, transport users and district and borough councils would also be represented on TfSE.
- 13.2 A Senior Officer Group had been established to take the proposal forward and the Shadow TfSE Partnership Board would hold its initial meeting on 26 June. The five LEPs in the TfSE area would be represented on the Officer Group and it was proposed that the LEP representatives on the Partnership Board would be David Lees from Solent LEP and Steve Allen from Coast to Capital LEP.
- 13.3 The Board agreed the proposed representation on the TfSE Shadow Partnership Board.

14. Growing Enterprise Fund

- 14.1 The Board received an update on the progress of the allocated funding for the Growing Enterprise Fund projects. All repayments had been received on schedule and the overview showed a 2016/17 year-end balance of £8.1m. Scheduled repayments from Activation Aldershot and Addlestone Town Centre had been received.
- 14.2 The Board received details on the draft due diligence report from AECOM on the Growing Enterprise Fund Expression of Interest (EoI) from Cybaseal Ltd which had been considered by the Programme Management Group (PMG). Cybaseal Ltd had applied for a loan of £2m to complete the development of their product and software which offered an end to end visibility package delivery service with live data, live tracking and proof of integrity of the shipment of goods globally. The 'seals' were a physical seal which identified, through electronic coding, if the seal had been breached. The software was an app that the purchaser could use to monitor the status of the delivery on a number of mobile devices. The EoI estimated that the loan would help create 25 direct jobs within 12 months and 100 direct jobs within 3 years. The loan would be repaid within a five-year period with an interest rate of 6%.
- 14.3 AECOM had raised a number of issues in the due diligence that would need to be addressed prior to any funding being awarded. The PMG had considered whether a proposal of this type would be something that Enterprise M3 should support and was strongly of the view that the proposal was outside the risk parameters and would require time consuming additional work to fully understand the risks associated with the proposal. PMG recommended that in light of the initial due diligence the EoI submitted by Cybaseal Ltd should not be considered further. Cybaseal Ltd had been advised of PMG's recommendation and they had since been in contact with the Growth Hub and had a positive meeting. The Board agreed with the recommendation from PMG.

15. EU Programme Update

- 15.1 The Board noted the progress on the EU Programme.

16. Directors Report

16.1 The Board received and noted the Directors Report.

17. Forward Programme

17.1 The Board received and noted the Forward Programme.

18. Any Other Business

18.1 The Chair thanked David Barnes and Moira Gibson for their time served on the Board and wished them well for the future.

18.2 The future Enterprise M3 Board meetings would be held on

- Thursday 27 July, 2017 – Ramboll, Woodlands, Southampton
- Thursday 28 September, 2017 – Project Five, Camberley
- Thursday 30 November, 2017 – Sparsholt College, Winchester
- Thursday 25 January, 2018 – The Square, Basing View, Basingstoke
- Thursday 29 March, 2018 – University Centre Farnborough