

**Enterprise M3 Programme Management Group**

**12 November 2020**

**Contracts Review – Item 5b**

The Enterprise M3 PMG is asked to:

**NOTE** the progress being made on contracting of Local Growth Fund and Getting Building Fund Projects.

**AGREE** the recommendation to withdraw funding from the Surrey EV Chargepoint Pilot Project if the legal agreement is not agreed by 30 November 2020.

**AGREE** the recommendation to withdraw funding from the Fleet Town Centre Recovery Scheme Project subject to receiving notification from Hart District Council.

**1. Background**

- 1.1. PMG members expressed concern over the number of contracts outstanding at their last meeting and requested a full review of contracts with recommendations on how we can accelerate sign off of contracts.
- 1.2. In 2019/20, 27 contracts were entered into by the LEP for a combined value of £62,230,101. 14 of these contracts were signed and sealed between November 2019 – March 2020 for a value of £32,877,889.
- 1.3. Since March 2020 Enterprise M3 had 26 contracts to complete following approval from the PMG or Board. These Projects are a mixture of LGF and GBF and have a combined value of £23,111,916, A considerably lower figure than the previous year. We currently have 13 (a comparable figure to last year) contracts to finalise.
- 1.4. Our analysis shows that on average, it takes two months for a project to be contracted following the project approval. Some agreements are completed much quicker whilst others can take much longer. For example, the longest outstanding contract is currently the Surrey EV Chargepoint Pilot Project which was approved in November 2019.
- 1.5. We have instigated an End to End process review that will further identify how we can improve the effectiveness of our processes.
- 1.6. There are a number of re-occurring issues which cause delays in the contracting process which are:
  - **Capacity** – The Governance and Assurance Manager is solely responsible for contracting in addition to other duties which means that there can be delays in issuing draft contracts, reviewing responses and communicating with Recipients due to other priorities. We have simplified processes recently by introducing abbreviated contracts, in consultation with HCC, for projects of less than £200,000 and can request HCC's support on contracting to assist.
  - **Number of Contracts** - This year we have 14 contracts (53%) that are £250,000 or less. Smaller projects can create as much work as larger projects and we recommend in future rounds of capital projects we focus on bigger projects.

- **Responsiveness of Recipients** – Generally this causes the longest delays. Without a response, the process is completely stalled and it falls to the Governance and Assurance Manager to chase responses which creates further capacity issues. We are exploring strengthening links with recipients.
- **State Aid** – State Aid sections of the business case/EoI of projects are sometimes completed incorrectly or the State Aid response from the Recipient does not cover the Grant Award from Enterprise M3. This can cause severe delays as Recipients will need to obtain further legal advice and Enterprise M3 need to obtain its own advice from Hampshire County Council legal services. We plan to improve training on state aid for the team and applicants.
- **Lack of or dated information** – The business cases/EoIs are correct at the time of writing however often by the time an approval is received the information is no longer correct or out of date. This can cause long delays as the Recipients needs to review the programme and update the information which means the contract cannot be furthered. We are looking at quickening up the process and improving links with applicants.

## 2. Ongoing contractual work

- 2.1. Since March 2020, 8 Grant Agreements have been entered into with the respective Grant Recipients, with a further 5 either awaiting approval or out for signing This represents 50% of contracts and 65% of value of contracts. The 8 Grant Agreements signed are:

| Project   | Value             |
|---|-------------------|
| Care Skills Training Centre                     | £424,400.00       |
| BCoT Electric Vehicle                           | £160,000.00       |
| Bounce Back Spelthorne                          | £42,850.00        |
| Building Confidence: Creating Social Spaces     | £93,000.00        |
| Support for Runnymede Towns                     | £9,600.00         |
| Alton High Street Cycling Infrastructure Fund   | £955,000.00       |
| North Downs Line                                | £115,000.00       |
| Whitehill and Bordon New Town Centre – Phase 1A | £4,800,000.00     |
| <b>TOTAL</b>                                    | <b>£6,599,850</b> |

- 2.2. The 5 contracts in the final stages of contracting with contracts either approved and out for signature or contracts agreed and going through the approvals process are:

| Project                            | Value             | Status               |
|------------------------------------|-------------------|----------------------|
| Aldershot Town Centre Regeneration | £1,200,000        | Out for signature    |
| Vaultex Park & Ride (GBF)          | £5,647,676        | In approvals process |
| Creative Tech Growth 1 (GBF)       | £900,000          | Out for signature    |
| Gaming and Digital Hub             | £829,845          | Out for signature    |
| PowerQuad Smart Energy Storage     | £33,244           | In approvals process |
| <b>TOTAL</b>                       | <b>£8,610,765</b> |                      |

- 2.3. Enterprise M3 expects that these projects shall be signed and sealed by 30 November 2020.
- 2.4. Following the entering into of the above contracts, there are then 13 outstanding contracts which are in various stages of negotiation. The list of these contracts is below along with commentary on progress and a RAG rating.

| Project   | Value      | Date of approval | Expected contracted date | Summary of progress  | RAG    |
|---|------------|------------------|--------------------------|--|--------|
| Surrey EV Chargepoint Pilot                     | £470,911   | 14/11/2019       | 30/11/2020               | <p>This contract has been delayed as we have addressed issues relating to data protection, intellectual property and costings. The Enterprise M3 Board requested ownership of all of the data which required exploration and negotiation and delayed progress at the time to ensure GDPR compliance.</p> <p>In August 2020, Enterprise M3 and Surrey County Council were close to agreeing the contract however we were informed of changes to the project which would require further work from Surrey County Council and making amendments to the contract. The main change was in relation to removing the MAAS element of the project which related to the associated application however confirmation and detail of the changes has not been received and the rationale for this change is not clear.</p> <p>Since August 2020, no progress has been made on the contract despite chasing from Enterprise M3.</p> | Red    |
| Basingstoke Living Lab                          | £1,960,950 | 14/02/2020       | 30/11/2020               | <p>The first draft of the contract was issued on the 23 July 2020 however the contract work was put on hold whilst the procurement option was proposed. Procurement is ongoing and we should hear the result of this exercise within the next 2 weeks. Contracting will commence shortly and Enterprise M3 expect to agree the contract by 30 November 2020.</p>   | Green  |
| Fleet Town Centre Recovery Scheme               | £148,761   | 30/06/2020       | N/A                      | <p>This scheme has received critical feedback from local residents and In early November, we became aware that a decision was reached to abandon the scheme and withdraw the works that had been delivered. We have not received formal notification of this decision from Hart District Council. Once received we will close project unless a suitable alternative scheme is put forward.</p>   | Red    |
| Blackwater Valley Gold Grid (Hampshire Element) | £1,280,000 | 16/07/2020       | 31/12/2020               | <p>This contract has been delayed by other work pressures.</p> <p>When contracting with Hampshire County Council, we use a simplified agreement as several clauses found within our agreements cannot be enforced between Enterprise M3 and Hampshire County Council.</p>  | Yellow |

|  |          |            |            |  |  |
|--|----------|------------|------------|--|--|
|  |          |            |            | Due to the simplified agreement, we are confident that the scheme can be contracted in December 2020 and a draft shall be issued by the 13 November 2020. Funding is still scheduled to be drawn down in this financial year   |  |
| Heat Enabled Virtual Power Plant (GBF)                 | £123,930 | 10/09/2020 | 06/11/2020 | The contract is progressing well. We have resolved an issue around state aid resulting in a slight reduction in the grant amount to £123,930 to remain within De Minimis regulations which has also led to a slight increase in match funding for the project. The contract is due to be agreed by the 6 November 2020 with approvals and signature to follow soon after.  |  |
| Further digitising the College in response to Covid-19 | £100,000 | 10/09/2020 | 13/11/2020 | Contracting has been delayed slightly by late return from the applicant. Contract expected to be agreed by 13 November 2020.   |  |
| Future Towns Mobility Demonstrator                     | £960,000 | 24/09/2020 | 30/11/2020 | This project took some 4 months to go for approval from PMG because of internal reviews, due diligence and finalisation of the application and because of this elements of the project have been delayed.<br><br>We have agreed a way forward with the project delivered in a phased approach. would be split into a phased approach with Phase 1 to be delivered in this financial year and Phase 2 to be delivered post 2020/21 should funding be available. This change means that £450,000 of works shall be delivered in this financial year.<br><br>An updated agreement was sent to the Recipient to reflect this change and it is anticipated that the contract can be agreed by 30 November 2020. |  |
| Spelthorne Solar PV                                    | £11,016  | 05/10/2020 | 30/11/2020 | A draft contract for this scheme has yet to be issued due workload pressures. A draft contract is due to be issued by the 6 November 2020.<br><br>We will utilise a simplified contract that has been adopted for projects under £200,000 and it is anticipated that the contract will be agreed by 30 November 2020.  |  |
| Winchester Depot                                       | £37,985  | 06/10/2020 | 30/11/2020 | The issuing of this contract was delayed by other work pressures but the first draft was issued on 3 November 2020.<br><br>We have utilised a simplified contract as described earlier and it is anticipated that the contract will be agreed by 30 November 2020.   |  |

|  |                   |            |            |   |
|--|-------------------|------------|------------|---|
| Queen Mary's College Esports                   | £228,000          | 15/10/2020 | 30/11/2020 | <p>A draft contract was issued on the 23 October 2020 and a draft copy is expected to be received back by the 6 November 2020.</p> <p>Due to the simplicity of the scheme and the relatively low funding amount it is anticipated that the contract will be agreed by the 30 November 2020.</p>   |
| Digital Skills Consortium (GBF)                | £2,200,000        | 15/10/2020 | 13/12/2020 | <p>A draft contract was issued on the 23 October 2020 and a draft copy is expected to be received back by the 6 November 2020.</p> <p>The project value and complexity due to the number of partners means that we anticipate that the contract shall be agreed by 13 December 2020.</p>  |
| Inspiring science for all digitisation project | £260,000          | 15/10/2020 | 13/12/2020 | <p>A draft contract for this scheme has yet to be issued due to a lack of capacity of the Governance and Assurance Manager and other agreements taking priority however a draft contract is due to be issued by the 13 November 2020.</p> <p>The Recipient has previously responded well to contracting and due to this as well the simplicity of the project we are confident that the contract can be agreed by the 13 December 2020.</p> |
| Marwell Clean Growth                           | £119,748          | 15/10/2020 | 30/11/2020 | <p>A draft contract for this scheme has yet to be issued due to a lack of capacity of the Governance and Assurance Manager and other agreements taking priority however a draft contract is due to be issued by the 6 November 2020.</p> <p>We will utilise the simplified contract described previously mentioned and it is anticipated that the contract will be agreed by 30 November 2020.</p>  |
| <b>TOTAL</b>                                   | <b>£7,901,301</b> |            |            |   |

### 3. Summary and Recommendations

- 3.1. In total 13 (50%) of the contracts in 2020/21 are complete or almost complete for a value of £15,210,615 which equates to 65% of the total value of contracts to be contracted in 2020/21. This demonstrates that we are prioritising large value contracts to ensure that Enterprise M3 reaches its spend targets in 2020/21.
- 3.2. Comparing contract progress this financial year versus the 2019/20 financial year, it demonstrates that we are in a healthy position on contracting with only 35% of expenditure contractually outstanding. Only 3 outstanding contracts have identified issues, two of which the Group are asked to make a decision on and Enterprise M3 are confident that the remaining 11 can all be contracted by the end of this calendar year.
- 3.3. There are two schemes that the PMG is asked to make a decision on based on the issues identified in the outstanding contracts table:
  - i) **Surrey EV Chargepoint Pilot** – Due to the lack of progress since August 2020 and a lack of clarity on the project changes it is recommended that the PMG **AGREE to withdraw funding from the Surrey EV Chargepoint Pilot Project if the legal agreement is not agreed by 30 November 2020.**
  - ii) **Fleet Town Centre Recovery Scheme** – Due to the issues identified and abandonment of the scheme by Hart District Council, it is recommended that the PMG **AGREE to withdraw funding from the Fleet Town Centre Recovery Scheme Project subject to receiving formal notification from Hart District Council.**

Jordan Tame  
Governance and Assurance Manager  
5 November 2020