

Enterprise M3 Board

26 November 2020

Capital Programme Update – Item 9a

The Enterprise M3 Board is asked to:

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

NOTE: level of available funding, following recent decisions by PMG, is now £1.1m unallocated.

NOTE: the results of the review of contracts that shows that we should have all remaining contracts concluded by the end of December

1. Background - Enterprise M3 Capital Funding

1.1. Since the Enterprise M3 Board met on 26 September, we have seen the following change within our capital programme, including:

- A further six contracts were agreed and are progressing through the approvals and signing process. A full review of contractual position was carried out and reviewed at PMG in November.
- PMG approved the following projects at their meetings in October and November:
 - As part of the Town Centre activity, PMG approved a project to develop a digital platform to complement high street and town centre shopping working with a number of LAs and Business Improvement districts. The proposal will provide an enhanced marketing platform, be available for market traders and pop-up premises and used by click and collect services.
 - Queen Mary's College, Basingstoke for £228k Local Growth Fund grant to become the leading Esports BTEC provider in the South East.
 - Alton College, £829,845 Local Growth Fund grant for a Gaming and Digital Hub. The project will focus on developing skills in digital capacity by providing a bespoke and industry reflective space and be a first choice for young people looking for a career in the creative and digital sectors.
 - Winchester Science Centre for an additional award of £260k from the Local Growth Fund for an extension to the Inspiring Science for All project.
 - The funding request for the Future Towns Mobility Demonstrator project for £960k, an extension of the Future Town Innovation Hub was approved. However, delays in reaching the approval, may mean expenditure for this project is only £510k of the £960k total project costs. The team are working on a proposal to scale the project to take forward this financial year
 - PMG approved a provisional allocation of £500,000 be made to the Future Workspace Programme Pilot, and agreed that Chief Executive be given delegated authority to approve allocations of up to £250,000 for individual schemes, following submission of a detailed proposal.
 - Approval to fund £2.2m GBF funding to build upon the successful Pathway to the Virtual Campus project. The digital response project would provide digital upgrades across the different campus sites so that learning could be delivered in Covid bubbles.

- GBF funding for two Clean Growth pilot projects – Firstly, approval for £33,244 grant funding for the PowerQuad pilot and demonstrator project. Secondly approval for £119,748 grant funding for Winchester City Council Marwell project - a low carbon heating project to replace the oil-fired boiler and wet central heating system with renewable heat in the form of an air source heat pump and triangular solar photovoltaic panels.
- Chief Executive delegated approvals are:
 - Chief Executive approval has been agreed for three further clean growth projects for solar photovoltaic panels on public buildings, and one final project is nearing approval.
 - £550k additional funding had been agreed under the Chief Executive’s delegation for the Weyside Urban Village project. The additional funding would support the provision of facilities for the existing community and help to ‘de-risk’ the wider development programme.
- The team are reviewing approval and expenditure methodology with our Accountable Body to consider freedoms and flexibilities as outlined by government at the recent mid-year review. A verbal update will be given at the meeting.

2. Capital Programme 2020/21 – Status update

2.1. We continue to report to 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 2020			
Key Performance Indicator	Current forecast	Current Spend at 2nd Nov 2020 **	Change since last report 15th Oct 2020
Expenditure			
£47m LGF in 2020/21	£30.5m-£52.4m*	£9.83m	+£5.36m
Total LGF expenditure £219m (100% of the total LGF allocation to date)	£219m	£179.9m	+£5.36m
Income from loan repayments			
£2.79m in 2020/21	£2.79m	£2.12m	+£0.00m
Outputs			
700 new homes completed	700	343	+115
950 jobs created/safeguarded	950	253	+224
7,500 sqm commercial floorspace completed	7,500	2578	+2578
2,500 sqm learning floorspace completed/refurbished	2,500	480	+480
400 apprenticeships supported	400	171	+163

* Range based upon latest confidence levels of expenditure in 2020/21

** Based on claims received

2.2. The outputs in the current quarter have increased significantly, despite issue arising as a result of Covid 19, and stand us in good stead for the remaining period. Overall progress to date is largely as expected at this point in the year (this time last year, expenditure was £5.5m at the end of Q2) and we have seen a number of funding claims come in for payment following the end of Q2. Though future claims may be impacted by the new national lockdown we still expect work to continue on sites. The monitoring reports continue to be reviewed closely with these targets in mind and we hope to see the analysis of these, in terms of outputs, in the coming weeks.

2.3. The latest forecasts for expenditure across 2020/21 range between £30.5m and £52.4m, with a high degree of confidence that £30.5m will be achieved, a reasonable level of confidence that a further £12.6m will be achieved and a low level of confidence that an additional £9.2m will be achieved. The range of these confidence figures remains relatively wide and we expect us to be able to refine this figure in the coming weeks, with the finalising of Q2 monitoring information and claims from our projects. The high confidence figure increase (up £1m since the last PMG meeting in October 2020), as a reflection of those progressed to contract.

3. Farnborough International

3.1. Board members should note that Barclays have notified public sector lending partners (Hampshire County Council, Rushmoor BC and Enterprise M3) of a change to the treatment of interest payments. As a result of the impact of COVID 19 on the events sector and the ability of FIL to repay interest on our loans we all agreed in July 2020 to a deferral of capital repayments and for rolled up interest payments to be deferred until June 2022. A verbal update will be provided at the Board meeting.

4. Available funding and opportunities to support new projects

4.1. The £71.2m available comprises this year's LGF allocation from Government, loan repayments and a small carry forward of LGF & GEF from previous financial years. Table 2 below sets out our current position in terms of contractual commitments.

Table 2: 2020/21 funding position (as at 18 Nov 2020)

	Amount (£m)
Available funding	71.2
Current contractual commitments	65.4
Approved projects still subject to contract	5.6
Total unallocated funding available to support new activity	0.2

4.2. This figure for unallocated funding will increase to **£1.1m** once other factors are taken into account as set below.

- increase once the legal agreements with Royal Holloway and HCC are signed, seeing a repayment of £400k, and underspend of £1.35m, respectively.
- It was agreed by PMG at the last meeting that £260k of LGF funding would be allocated to the Inspiring Science for All Digitisation once this money became available. We hope this will happen by the end of the month
- Nov PMG approved £500k of available LGF for the Future Workspaces Programme (discussed in a separate paper).

4.3. Experience tells us that the position will change and so the team will continue to closely review this so that additional pipeline projects can be brought forward should other projects slip or not require all of the allocated funding. Conversations continue to be had with projects indicating the potential for underspend and so we may move swiftly to formalise and redeployed to future pipeline projects. A verbal update on particular critical projects will be provided at the Board.

5. Contracts review

5.1. As we are reaching a critical stage in the programme with only limited time to deliver projects by March 2021, PMG requested a full review of contracts for the November meeting.

5.2. 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.

- 5.3. Current progress is positive with 13 (50%) projects contracted or nearly contracted for 65% (£15.2m) of the outstanding LGF/GBF funding. This leaves a remaining £7.8m yet to be contracted. The analysis undertaken outlines that for these remaining projects they are all low risk and possible to enter contracts before end December and still achieve project conclusion by March 2021. The exception is the Surrey EV Chargepoint Pilot Project, which has seen little progress since August. A decision was made by PMG to remove funding for this project if the legal agreement is not agreed by 30 November 2020
- 5.4. The attention of the team is now on ensuring that the remaining legal agreements are signed and that claims continue to come in as forecast. The aspiration will be for £7.7m of outstanding legal agreements to be signed by the end of the year. Work will also continue on the approach to finalising funding by the financial year end and the end of the LGF programme.

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