

Enterprise M3 Board

28 January 2021

Capital Programme Update – Item 9a

The Enterprise M3 Programme Management Group is asked to:

NOTE: The current progress in delivering Enterprise M3’s capital programme.

NOTE: That the level of available funding unallocated is now £0.6m.

1. Background - Enterprise M3 Capital Funding

1.1. Since the Enterprise M3 Board last met on 26th November 2020, the following developments have taken place:

- The signing of a further 6 agreements. 7 others have progressed through to the final stages of approval and signature. This leaves £4.77m to be contracted and equates to 9 further contracts. These are in various stages of completion and should be concluded by 31 March 2021. Since April 2020, 17 legal agreements have been signed for projects to commence this year.
- The decision by Hart DC not to proceed with **Fleet Town Centre Recovery Scheme** (£148k). Discussions have been underway to deliver an amended scheme that still meets the key criteria, however this has not proved possible.
- The **Surrey EV charging pilot** contract has now been finalised and agreed.
- Discussions between the LEP, Guildford BC and Surrey CC regarding the Sustainable Movement Corridor project and possibilities for bringing it forward.
- An extraordinary Programme Management Group was held in December where 3 projects were approved as part of the Future Workspace Pilot programme.
- The team, with our Accountable Body, have continued to explore the use of 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 the Board on the following detail in order to provide a regular update on the progress against the targets in our Delivery Plan:

Table 1: Key Performance Indicators – January 2020

Key Performance Indicator	Current forecast	Current Spend at 18 th Jan 2021 **	Change since last report 2 nd Nov 2020
Expenditure			
£48m LGF in 2020/21	£32.5m-£44.1m*	£13.8m	+£3.97m
Total LGF expenditure £219m (100% of the total LGF allocation to date)	£219m	£183.9m	+£3.97m
Income from loan repayments			
£2.79m in 2020/21	£2.79m	£2.12m	+£0.00m

Outputs			
700 new homes completed	700	343	+0
950 jobs created/safeguarded	950	253	+0
7,500 sqm commercial floorspace completed	7,500	2578	+0
2,500 sqm learning floorspace completed/refurbished	2,500	480	+0
400 apprenticeships supported	400	171	+0

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

** Based on claims received

- 2.2. The outputs remain unchanged since the last Board meeting as these are monitored on a quarterly basis and therefore will not see a change until the next meeting.
- 2.3. Progress for expenditure to date is broadly as would be expected at this point in the year. Since the last meeting of the Board and following the end of Quarter 3, our expenditure levels have increased to just over £13.9m (38% of our year's allocation). This is comparable to our position this time last year where we had spent 31% of our year's allocation. We expect these figures to increase in the coming weeks as further claims are submitted, and we are on track to deliver our output targets. The possible exception is the jobs target, which may slip into next year; this is largely due to the impact of Covid.
- 2.4. The team regularly monitor the confidence of spend against each project and have been reporting to PMG and the Board throughout the year. This has proved critical in informing our projected year end position. The latest forecasts for expenditure across 2020/21 range between £32.5m and £44.1m, with a high degree of confidence that £32.5m will be achieved, a reasonable level of confidence that a further £8.9m will be achieved and a low level of confidence that an additional £2.7m will be achieved. The range of these confidence figures remains relatively wide and we expect to be able to refine this figure in the coming weeks. The increase in the high confidence figure (up by £3.5m since the last PMG meeting) is a reflection of projects progressing to contract.

3. Available funding and opportunities to support new projects

- 3.1. Table 2 shows an increase in the available funding for the period to the end of 2021/22, as a result of the inclusion of the forecast loan repayments for 2021/22 and the pending Royal Holloway Cyber Security repayment of £400k (to be finalised).

Table 2: Available funding to March 2022 (as at 18 Jan 2020)

	Amount (£m)
Available Funding (now includes forecast loan repayments up to 31 March 2022) plus Cyber Security Repayment	76.5
Contractual commitments	69.5
Approved projects still subject to contract	6.31
Total unallocated funding available to support new activity	0.6

- 3.2. Therefore available funding now stands at £600k for new projects. The change in the approved projects figure reflects recent PMG approval decisions.

4. Specific Project Updates

Fleet Town Centre Recovery Scheme

- 4.1. Hart District Council have advised Hampshire County Council that they have decided that the Fleet Road Pedestrianisation scheme should be removed and Fleet Road reopened to traffic. The scheme has been allocated £148,000 from the Supporting Town Centres Fund. Unfortunately, discussions with Hart DC officers have not been able to identify an alternative scheme that meets the criteria of the fund. Therefore, in agreement with Hart DC, the LEP will fund the small amount of early works but the majority of the funding will not be claimed and will need to be reallocated. This funding is now included in the 'unallocated' amount shown in Table 2.

Guildford Sustainable Movement Corridor (SMC)

- 4.2. At its meeting in May, PMG agreed to increase the funding allocation to the **Sustainable Movement Corridor (SMC)** scheme by £553,000 to enable the proposed scheme to be delivered in full. The additional costs were largely due to market differences in the time between preparation of the Business Case and the works being procured.
- 4.3. This means that the LEP has agreed an allocation of Local Growth Funding of £2,725,000 towards the total scheme cost of £4,235,000.
- 4.4. The LEP remains able and willing to fund the revised scheme but there are currently issues with the delivery of the Tesco Roundabout signalisation element of the scheme, meaning that it might not be able to proceed whilst meeting our funding requirements. The SMC consists of 4 distinct phases:
- Phase 1 (Bannisters Field pedestrian and cycle route)
 - Phase 2a (Egerton Road to University and Town Centre pedestrian and cycle improvements)
 - Phase 2b (Guildford Park Road pedestrian and bus improvements)
 - Phase 3 (Tesco Roundabout signalisation)
- 4.5. Phases 1 and 2a have already been completed, Phase 2b is shortly to commence delivery but Phase 3, the signalisation of Tesco Roundabout, has not yet commenced.
- 4.6. Guildford Borough Council has been leading the design and procurement of the scheme, but as it involves work on the public highway they need to secure Technical Approval from Surrey County Council for the works. Having fully reviewed the design of the scheme, Surrey County Council have raised concerns about the benefits of the scheme when delivered without further works along Gill Avenue and as yet have therefore been unable to approve the works in isolation.
- 4.7. At PMG in December it was agreed that the LEP would continue to fund phases 1, 2a and 2b, but that a final decision about the overall funding package needed to be made following discussions between the two authorities. The two authorities have been working together to identify possible ways forward for the delivery of phase 3 in order to make the whole scheme viable. A commitment was made to bring an updated position ahead of the Board. A verbal update will be provided at the board.

Future Workspace Pilot programme

- 4.8. PMG considered three projects as part of the Future Workspace Pilot programme, formally approving the Simple Working proposal and delegating authority for the others, which are seeking funding below £250,000, to the Chief Executive.
- 4.9. This pilot programme opens up innovative space for people to work closer to home. The focus of the individual projects will be to test out approaches to providing this type of new working environment in our towns. This also helps to demonstrate how our town centres can be viably repurposed, linking to the priorities within our Recovery and Renewal Action Plan and our emerging Local Industrial Strategy around the environment, low carbon and digital technology.

4.10. The projects considered are outlined in the table below:

Scheme	Funding Sought	Grant	Loan	Match
The Login Business Café – coworking in Camberley Town Centre	£200,000	£50,000	£150,000	£1,365,000
Simple Working – high street based, flex-workspaces	£300,000	£0	£300,000	£750,000
Chantry House, Andover	£235,470	£235,470	£0	£145,646

4.11. The Login Business Café is the most developed of the projects, focused on a single site with a strong vision that links well to the evolving role of Camberley and complements existing LEP investment in the town centre. The local authority and business partners are well embedded in the project, with a strong Camberley community focus. Once details around State Aid and lending have been addressed the scheme will be presented to the Chief Executive for approval under delegated authority from PMG.

4.12. The Simple Working Limited project aims to establish a model of flexible workspace across several towns within the EM3 area, utilising empty retail spaces. The applicant is seeking 100% loan funding. The project is very scalable, with the option of the LEP supporting one or more sites, depending on the success of the programme and the amount of funding available. Initially it has been agreed that two sites be supported and a loan agreement is now being drafted.

4.13. The Andover project was not discussed at PMG as the proposal was not ready in time. Subsequently we have received the Expression of Interest from Test Valley BC, which outlined a proposal to bring two floors of Chantry House back into use as a flexible workspace and photographic studio. This is being assessed and is supported in principle on the basis that the funding is offered on a conditional grant basis, with an element being repaid to the LEP should it prove to be successful. Once the details of this have been agreed it will be presented to the Chief Executive for approval under delegated authority from PMG

4.14. PMG approved an additional £235k of funding to be allocated to this pilot programme which is sufficient to fund all projects.

5. 'Development pool' of projects

5.1. Whilst we are now at a point at which almost all available funding has been allocated to projects, and coming towards the end of the LGF programme, we are continuing to strengthen our 'development pool' of projects. In doing so we are working closely with Local Authorities and other partners to identify potential projects that align to Revive and Renew. Our approach to pipeline development aims to put us in a strong position to accelerate projects swiftly should there be an opportunity to secure additional funding and we emphasised this message at our mid-year review with Government. It is expected that additional capital programmes will be launched in the near future (e.g. Levelling Up Fund) so we need to be in a position to respond quickly and positively.

Stephen Martin/Lee Danson
21 January 2021