

Enterprise M3 Board

25 March 2021

Capital Programme Update – Item 8

The Enterprise M3 Board is asked to:

NOTE: The current progress in delivering Enterprise M3’s capital programme, including the Getting Building Fund.

NOTE: That the level of available funding unallocated is 0.1m for next year.

NOTE: The future funding profile based on anticipated income – see Appendix 1 – and the approach that Enterprise M3 is taking to developing our pipeline of potential future projects.

1. Background - Enterprise M3 Capital Funding

1.1. Since the Enterprise M3 Board last met on 28th January 2021, we have seen the following changes within our capital programme:

- The signing of a further 5 agreements. This leaves 4 further contracts to be progressed and signed. Since April 2020, 27 legal agreements have been signed for projects to commence this year.
- A review of the income expected from loans over future years has been carried out (see 3.2 and 3.3 below).
- The Annual Performance Review (APR) was held and we have been given an indicative rating of ‘met’ against the evaluation criteria. We expect to be notified of the formal outcome of the APR in early April.
- The team, with our Accountable Body, have continued to develop the approach that we will be taking to the use of freedoms and flexibilities, as requested by Government. The Chief Executive has signed off this approach and will continue to review any changes up to the end of March. A verbal update will be given at the meeting.

2. Capital Programme 2020/21 – status update

2.1. Although Government relaxed the requirement for LEPs to publish Delivery Plans by the end of August (extending the deadline to the end of December) we decided to push ahead with the publication of the Enterprise M3 plan in August of last year, as it serves as a useful management tool for the team and Board to monitor progress against planned activity. The Delivery Plan can be viewed on the Enterprise M3 website. Our Delivery Plan sets the following targets for the capital programme (LGF) over 2020/21, against which we report our progress to Government:

- Capital expenditure of £47m
- 950 jobs created/safeguarded
- 700 new homes completed
- 7,500sqm of new employment floorspace
- Support 400 apprenticeships
- Create/refurbish 2,500sqm of learning floorspace

2.2. As we are approaching the end of the financial year, we are able to provide an updated picture of our forecast year end position. Our latest forecast is that we will meet targets for expenditure (in part through the use of freedoms and flexibilities, see 2.4 below). Regarding output KPIs, we have already exceeded our target for learning floorspace, and we expect either to meet or fall slightly short of our commercial floorspace target. For new homes, jobs and apprenticeships, however, we expect that reported outputs will be significantly below target levels by 31 March.

The current position is set out in Table 1 below.

Table 1: Key Performance Indicators (LGF) – March 2021

Key Performance Indicator	Current forecast	Actual	Change (since last report 28th January)
<u>Expenditure</u> Target of £47m of LGF in 2020/21	£48.6m	£25.4m	+11.6m
Total LGF expenditure across programme of £219m (100% of the total allocation to date)	£219m (100%)	£195.5m (89%)	+11.6m
<u>Income from loan repayments</u> - £2.79m in 2020/21	£2.79m	£2.1m	+0m
<u>Outputs</u>			
700 new homes completed	355 - 569	355	+12
950 jobs created/safeguarded	320 - 687	320	+67
7,500sqm commercial floorspace completed	7190 - 7500	7190	+4,612
2,500sqm learning floorspace completed/refurbished	3067	3067	+2,587
400 apprenticeships supported	305 - 350	305	+134

2.3. It should be noted that there is currently a lot of uncertainty around our forecasts for output figures, particularly for new homes and jobs. This is largely due to how housing figures are reported. Due to lockdown restrictions, Local Authority staff have not been able to access sites to collect the data, resulting in a number of fund recipients moving forecast outputs into next year. Housing and job outputs are closely linked, so the reduction in the new homes output forecast has impacted the forecast for jobs. Also, where the delivery of some delayed projects has been reprofiled into next financial year, the associated outputs will also be delayed. We therefore still expect to achieve the outputs to which our 2020/21 KPIs referred, but they will be either recorded or delivered later than planned.

2.4. The team regularly monitor the confidence of spend against each project and have been reporting to the Board throughout the year. This has proved critical in informing our projected year end position. The latest forecast for expenditure across 2020/21 is £45m. This reflects progress with contracting, refining expectations towards the year end, and finalising our approach to freedoms and flexibilities. We intend to use the freedoms and flexibilities approach advised by Government, and agreed with our Accountable Body, to ensure that our full LGF allocation (£48.6m) is delivered by the end of the financial year.

3. Available funding and potential to support new projects in future

- 3.1. Since the last report to Board, we have learned about a significant deferral to one source of loan repayments which we had expected to receive in 2021/22, reducing available funding, in the short term, from £76.5m to £74.8m. There has also been a reduction in contractual commitments due to the confirmation of final costs on two projects. The combination of these two changes has meant a reduction in the available funding, based on loan repayments expected to March 2022, from the previously reported figure of £0.6m to £0.1m.

Table 2: Funding position to March 2022 (as at 2 March 2021)

	Reported to Jan 2021 Board (£m)	At 2 March 2021 (£m)
Available funding at March 2022	76.5	74.8
Contractual commitments	69.5	69.3
Approved projects still subject to contract	6.31	5.3
Available funding to allocate to new projects	0.6	0.1

- 3.2. Our policy of issuing loans where possible, means we are in a good position to continue funding a number of projects beyond the Local Growth Fund delivery deadline of 31 March 2021. **Appendix 1** shows our current forecast over 10 years of loan repayments, together with repayments from Enterprise Zone loans and grants. It also shows how much of this funding has already been allocated to projects, and therefore how much we expect to be available in future years.
- 3.3. Expected loan repayments in 2022/23 are almost entirely allocated. From 2023/24, we forecast significant amounts of unallocated capital which can be allocated to new projects in due course.

4. Getting Building Fund

- 4.1. Of the £13.3m allocated to the LEP, £9m has been contracted, with the remaining allocation being for the Gigabit EM3 project, which is yet to be approved by the Board. Current plans are for a decision on Gigabit EM3 to be taken by the Board in May, following detailed work on the business case. Since it is not yet confirmed that Gigabit EM3 will go ahead, we are working up contingency options for alternative uses of the GBF that has been allocated to the project.
- 4.2. An update on the contracted GBF projects will be provided at the next Board meeting, since we expect that by May, there will have been significant progress with project delivery.

5. Pipeline

- 5.1. Whilst we are now at a point where most available funding (in the short term) has been allocated to projects, experience indicates that programmes of this nature are subject to change and we are therefore continuing to strengthen our “pipeline of projects”. In the past, our approach to pipeline development has put us in a strong position to bring forward projects swiftly should there be an opportunity to secure additional funding (e.g. Getting Building Fund). We are in a different position this year, with no further LGF rounds to come. Our approach to the pipeline therefore this time is two-fold:
- Short term: Development of project proposals that (a) can be shovel-ready to step in to replace the remaining GBF unapproved project should it not be approved in May (this is a

contingency only – see 4.1 above) and (b) may be relevant to any capital funding that Enterprise M3 or our partners may be able to secure for the region this year

- Longer term: Development of longer-term projects or programmes that can be delivered utilising future loan repayments and any other future funding, even though decisions about the use of this funding may be some way away

5.2. The short-term pipeline has been developed by the Enterprise M3 team, through their ongoing engagements with partners. This builds on the previous pipeline, which followed a call to partners last year for new Expression of Interests or proposals for building on existing projects.

5.3. For our longer-term pipeline development, we are proposing to develop a set of guiding principles to be applied when discussing potential projects with partners, for example:

- Alignment to the Revive and Renew Action Plan themes.
- Provision of 50% match funding.
- Added value (i.e. would not proceed without LEP funding).

5.4. The current pipeline comprises 75 potential projects ranging in value and size. All of these contribute to at least one theme within Revive and Renew, with 60% of the pipeline having a clean growth element. Nearly half of the pipeline has firm cost estimates, whereas the other half requires further discussion to develop the costs further.

Lee Danson
16 March 2021

EM3 Future Funding Profile

Appendix 1

Future Funding Profile	TOTAL 10 YEARS	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Brought Forward non-LGF Fund	£18.1	£18.1	£1.7	£0.2	£3.3	£14.7	£19.8	£19.6	£22.6	£22.6	£22.6
Expected loan repayments (excluding Enterprise Zone)	£16.3	£3.2	£3.0	£3.3	£1.2	£2.6	£0.1	£3.0	£0.0	£0.0	£0.0
Expected repayments from Enterprise Zone loans and grants	£13.4	£0.0	£0.1	£0.1	£10.4	£2.7	£0.0	£0.0	£0.0	£0.0	£0.0
TOTAL CAPITAL INCOME	£47.8	£21.3	£4.7	£3.6	£14.9	£20.0	£19.9	£22.6	£22.6	£22.6	£22.6
Of which allocated	-£25.2	-£19.6	-£4.6	-£0.3	-£0.3	-£0.3	-£0.3				
UNSPENT CAPITAL carried forward	£22.6	£1.7	£0.2	£3.3	£14.7	£19.8	£19.6	£22.6	£22.6	£22.6	£22.6