

Enterprise M3 Board

27 May 2021

Capital Programme Update – Item 12a

The Enterprise M3 Board is asked to:

NOTE: The current progress in delivering EM3’s capital programme, particularly the year end position for 2020-21.

NOTE: That the level of available funding unallocated is 0.2m.

NOTE: The update on the project pipeline.

1. Local Growth Fund and “EM3 Capital Programme”

1.1. Since the Enterprise M3 Board last met in March, the Local Growth Fund (LGF) funding period has concluded. 2020-21 was the last year in which LGF could be spent, with no allowances for carry forward into the 2021-22 financial year. Due in part to our ability to utilise freedoms and flexibilities with our Accountable Body, we are delighted to report that EM3 successfully achieved the required spend in 2020-21 of £48.6m.

1.2. Due to the way that EM3 has deployed funding through a combination of grants, loans, or a mix of both, we were able to overallocate the LGF programme utilising loan repayments, enabling us to support an increased overall programme of investment. Our ability to use loan repayments flexibly has also enabled us to support some LGF projects that have experienced delays, enabling them to complete after 31 March 2021. This therefore means that there is still a significant capital programme to deliver during 2021-22. We are now referring to this ongoing capital programme, funded from loan repayments, as the EM3 Capital Programme.

1.3. This is separate from the Getting Building Fund (GBF) programme, which we are also delivering during 2021-22. We have provided an update on the GBF in a separate paper.

2. Capital Programme (LGF) 2020-21 Year End Position

2.1. Each year the Government have required us to set out in our Delivery Plan the outputs that the LGF programme will achieve. Table 1 shows our 2020-21 year end position against these targets.

Table 1: LGF Key Performance Indicators 2020-21

KPI	Target	Actual
Financial KPIs		
Total LGF expenditure	£219m	£219m
2020-21 target expenditure	£48.6m	£49.5m
Output KPIs		
Apprenticeships supported	400	383
Learning floorspace completed/refurbished	2,500 sqm	3,573 sqm
Commercial floorspace completed	7,500 sqm	7,190 sqm
Jobs created/safeguarded	950	809
New homes completed	700	784

- 2.2. The table shows that we have met targets for expenditure (in part through the use of freedoms and flexibilities).
- 2.3. Regarding output KPIs, we have substantially exceeded our learning floorspace target and also met our new homes target. For other KPIs, we have not achieved target levels; actuals were 96% of target for apprenticeships and commercial floorspace, and 85% for jobs created/safeguarded.
- 2.4. Where the delivery of some delayed projects has been reprofiled into the current financial year, associated outputs will also be delayed. Lockdown restrictions also had an impact on the ability of some projects to collect monitoring data during 2020-21. We therefore still expect to achieve the outputs to which our 2020-21 targets referred, but they will be either delivered or recorded later than planned.
- 2.5. Although the LGF funding period has concluded, we are still required to monitor project outputs until 2025. This will contribute to reporting against the LGF output targets set as part of the first Growth Deal. We will also be undertaking some further evaluation of LGF projects and we are currently scoping the next phase of this work.
- 2.6. Capital programme output targets for 2021-22 will be set as part of our Delivery Plan for the current year (item 9 on the agenda for this EM3 Board meeting). These will provide the baseline against which we will report our progress across 2021-22 and will form part of the basis of our next Annual Performance Review.

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

- 3.1. In previous Capital Programme Update papers the amount of unallocated funding available to allocate to new projects has always been reported. Available funding included the remaining LGF allocation of £48.6m for 2020-21 plus the loan repayments expected up to the end of March 2022. As stated in paragraph 1.1, we have now spent in full against the LGF allocation. As a result, the available funding shown in Table 2 below now consists only of those loan repayments already received, plus loan repayments due in the current financial year.
- 3.2. Table 2 shows that there is currently £0.2m that is not allocated to projects.

Table 2: Funding position (as at 4 May 2021)

	As at 4 May 2021 (£m)
Available funding (made up from the following:)	25.6
• Carry forward/ previous loan repayments	22.5
• Loan repayments due in 2021-22	3.1
Contractual commitments	22.9
Approved projects still subject to contract	2.5
Available funding to allocate to new projects	0.2

- 3.3. We will provide an updated forecast of loan repayments expected from 2022-23 onwards in July.

4. Pipeline

- 4.1. 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”. There still remain a small number of projects that are not contracted; underspends could occur; or

projects that are contracted may no longer go ahead. Our approach to the pipeline therefore is two-fold:

- Short term: Development of project proposals that (a) can be shovel-ready to step in to replace any gap that may occur or (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

4.2. The 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. The pipeline is updated by the team regularly and reviewed periodically.

4.3. The current pipeline comprises 61 potential projects ranging widely in value and size. All of these contribute to at least one theme within Revive and Renew, with many of the projects in the pipeline having a clean growth element. The status of each of the projects is summarised below:

Table 3: Project pipeline

Status	Comments	Number of projects
Due diligence	Projects that have business cases which have been independently assessed	7
Business case	Expression of Interest or business case has been produced	11
Initial development and costs	Project proposal at an early developmental stage	15
Early discussions	Project concepts that are not yet costed and are at the very early stages of discussions	28

4.4. Examples of projects include additional co-working workspace developments, decarbonising of buildings, solar panels/arrays, smart mobility projects and electrification of vehicle fleets.

Stephen Martin
20 May 2021