

Enterprise M3 Programme Management Group

15 July 2021

Enterprise M3 Capital Programme Update – Item 7

The Enterprise M3 Programme Management Group is asked to:

NOTE: The current progress in delivering Enterprise M3's capital programme, which includes the Getting Building Fund (GBF).

NOTE: That the level of available funding that is unallocated is £1.8m.

NOTE: The capital programme risk register – see Appendix 4 (confidential).

1. Background - Capital programme

- 1.1. As reported at the last meeting of the Enterprise M3 Programme Management Group (PMG) on 13th May 2021, the LGF programme concluded on 31st March. However, there is still a significant capital programme this year to deliver. The Capital Programme comprises:
 - projects funded by loan repayments¹, which we are now calling the EM3 Capital Programme
 - the Getting Building Fund (GBF) programme
- 1.2. See **Appendix 1** for the list of projects that make up the Capital Programme for 2021-22 (including the GBF). The table shows all projects claiming funds this year, total cost of project, spend this year, whether it forms part of the GBF programme, completion due date and overall RAG status.
- 1.3. Since the last report to PMG, there remain only five projects left to be contracted. Three of these are in the very final stages of the contracting process (Fleet Town Centre, Login Café and Future Towns) and two have yet to commence the contracting process (Basingstoke Living Lab and Simpleworking Future Workspace). There is also one project yet to conclude the approval stage, Gigabit EM3 (see 3.4).

2. EM3 Capital Programme update

Guildford Sustainable Movement Corridor (SMC)

- 2.1. As previously reported at PMG, there have been significant delays experienced in progressing phase 3 of the SMC project. It was agreed that if the project was not able to secure the necessary agreement with the University of Surrey by 31st May 2021, the funding for this phase would not be provided by the LEP and previously claimed funds for phase 3 would need to be repaid. Unfortunately, that agreement was not achieved and the LEP will not be funding phase 3. We are now working with Guildford Borough Council to confirm the funding that needs to be repaid. Table 2 shows an increase in unallocated funding as a result of no longer funding phase 3 of this scheme.

¹ Due to the way that the LEP has historically managed the funding received through a combination of grants, loans, and a mix of both, we have overallocated 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 experienced delays, enabling them to complete into this year.

3. Getting Building Fund (GBF) programme update

Change request

- 3.1. As previously reported, the EM3 team have proposed to CLGU that we would move a number of projects that we are currently committed to funding from loan repayments into the GBF programme. The purpose of this is to provide us with some flexibility, in respect of the requirement to spend our £13.3 million GBF allocation by the end of 2021-22. It would also ensure that we deliver significant progress against our GBF spend profile and outputs by Q2, which informs the Annual Performance Review.
- 3.2. CLGU have confirmed the movement of the Future Towns Mobility Demonstrator project into the GBF programme. This needed to be confirmed promptly to enable a current claim to be processed. The slight delay in confirming the remaining change requests is due to the requirement to provide data for additional KPIs that are part of the GBF framework but which were not required for the LGF, in particular CO₂ savings. The calculation of this is not always straightforward, however the projects are responding well and we hope to be in a position to report back to CLGU in the next few weeks. A verbal update on the latest position will be provided at the meeting.

Vaultex update

- 3.3. As reported at the previous meeting, the largest project within the GBF programme, Vaultex, experienced a delay which led them to not draw down the expected funding in 2020-21. This was due to a delayed planning committee decision. The planning committee have subsequently approved the project. However there has been a challenge submitted as part of the judicial review process. Winchester City Council are proceeding with the project; we continue to have regular meetings with the project team to monitor progress closely.

Gigabit EM3 update

- 3.4. Gigabit EM3 is the remaining project that has not yet completed the approval process. There is a separate agenda item to receive an update on this project. The process of moving more projects into the GBF programme will allow Gigabit EM3 to be removed from the GBF programme and to become part of the EM3 Capital Programme, therefore lifting the requirement to deliver the spend by March 2022. However we cannot confirm this until the conclusion of the change request process referred to above.

4. Delivery Plan Capital Programme Outputs for 2021-22

- 4.1. Each year Government have required a Delivery Plan to be produced to set out what the LGF programme looks like, and the outputs it will achieve. These measures form our key performance indicators with Government and will be the baseline against which we will report our progress across 2021-22 and the basis of our Annual Performance Review. We have been advised that there remains a requirement from Government to produce a Delivery Plan. The LEP have independently decided that we will produce a comprehensive plan as a matter of good practice to set out what the LEP will deliver this year. This will include all LEP activities, not just the capital programme. A draft of the Delivery Plan was reviewed at the May Board meeting and once finalised it will be published on our website.
- 4.2. Whilst we report LGF outputs and GBF outputs in separate returns to Government on a quarterly basis, for the purposes of the Delivery Plan we have presented the combined output targets for the LEP. Table 1 outlines the targets set for last year against the actual numbers achieved, and also sets out the targets for 2021-22. Progress against these targets will be reported at each PMG. We have yet to receive data for Quarter 1 (this is in line with our reporting schedules), so Q1 will be reported at the next meeting.
- 4.3. The GBF KPI measurements also include two new targets, for number of buildings retrofitted, and also CO₂ savings. These are KPIs that have not previously been required. The targets for this year, as in previous years, are based on the estimated outputs from each of the projects due to complete this year.

Table 1: Delivery Plan output targets and actuals

Output	2020-21		2021-22				
	Target	Actual	Target	Q1	Q2	Q3	Q4
Jobs created	950	809	642				
New homes	700	784	700				
New employment floorspace	7,500	7,190	6,770				
Apprenticeships	400	383	400				
Learners supported	1,200	8369	3,000				
Create/refurb. learning floorspace	2,500	3,573	4,000				
Buildings retrofitted	-	-	24				
CO2 savings (kg)	-	-	503,180				

5. Capital funding: amounts allocated and available to support new projects in future

5.1. Table 2 shows our capital funding position at 8 July 2021.

Table 2: TOTAL EM3 Capital Funds	EM3 Repayments Capital Fund (A)	Getting Building Fund (B)	Total at 8 July 2021 (C)
	£m	£m	£m
Brought forward at 1 April 2021 (D)	22.5	2.7	25.2
Projects no longer proceeding (E)	1.5	-	1.5
Expected receipts in year in 2021-22			
<i>Loan repayments due in (F)</i>	3.2	-	3.2
<i>Government grants (G)</i>	-	6.7	6.7
Total Capital Funding (H)	27.2 (H)	9.4	36.6
Of which allocated:			
<i>Contracted approved projects (I)</i>	(22.9)	(4.9)	(27.8)
<i>Approved projects subject to contract (J)</i>	(2.5)	(4.5)	(7.0)
Total Allocated/Approved projects (K)	(25.4)	(9.4)	(34.8)
Available funding to allocate to new projects (L)	1.8	0.0	1.8

5.2. The table shows that we had £25.2m capital available at the start of the year (Column C, row D). During the year, £1.5m of projects previously approved, are now no longer proceeding (Column C, row E). We expect to receive a further £9.9m during the year, £3.2m from loan repayments (Column C, row F), and £6.7m of our remaining Getting Building Fund (Column C, row G). This means that in 2022/23 we have a total of £36.6m (Column C, row H) to be allocated to existing and new projects.

5.3. From this total of £36.6m, PMG and Board have already approved allocation of £34.8m (Column C, row K). £27.8m of which has been contracted (Column C, row I), and £7m (five contracts) which are in the process of being contracted (Column C, row J). This means we have £1.8m remaining to be allocated against future projects (Column C, row L). This balance is £1.6m higher than reported at the last PMG, reflecting the change in circumstances in the Guildford SMC project (see 2.1 above), meaning we are no longer funding £1.5m for phase 3, and finalisation of a loan, which will provide an in-year repayment of £0.1m.

5.4. Our policy of issuing loans where possible, means we are in a good position to continue funding projects into the future. **Appendix 2** 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.

5.5. We have taken a prudent approach to risks attached to future loan repayments; estimates are based on a risk analysis of current agreements in place. Additionally, £13.3m has been awarded to projects within our Enterprise Zone as repayable grants (£11.1m) to be repaid through Business Rates Income Growth, and loans (£2.2m). This funding is based on most recent discussions with business partners, but is dependent on economic recovery.

6. Future approach to available funding

6.1. As Appendix 2 shows, the amounts of available funding that we are forecasting for future years are substantially lower than the levels distributed by the LEP in recent years. We therefore need to consider how to prioritise the use of this funding, in order to maximise its impact and benefit for the region. In order to do this, we are beginning a review of the process that the LEP will use to identify, assess and support new projects in future, in order to make recommendations to PMG and the EM3 Board. A draft set of principles and high-level approach to funding new projects will be proposed to PMG in September.

6.2. In the meantime, we have recently updated our project pipeline. This is attached as **Appendix 3** (confidential), for reference.

7. Capital Programme Risk Register

7.1. The capital programme risk register is maintained to ensure that key risks to the capital programme (delivery, financial and reputational) are captured and monitored. The Resources Finance and Audit Committee (RFAC) review EM3's organisational risk register regularly and also a risk register of all capital projects with a value over £3m.

7.2. Currently there are no risks that are assessed as red; 5 are green, there are 4 amber risk projects, and 1 risk is now closed. The main points to note are as follows:

- The biggest risk to the capital programme remains the Gigabit EM3 GBF project, since we are not yet at the point where a decision about the project can be made. However, there is mitigation in place to enable the project to continue but without the timescale constraint. This remains a risk as the change request has not yet been approved by MHCLG.
- The other significant risk is Vaultex. Planning has been granted, but a challenge has been lodged as part of the judicial review process. The project is still progressing until a decision has been made regarding whether it will be heard in court. The team are meeting with the project lead on a monthly basis to ensure effective communications are maintained.
- Basing View Living Lab's risk to delivery is increasing due to the ongoing delays and uncertainty. A review point has now been agreed for the end of August. If the current procurement process does not produce a successful bidder, we expect that the funding allocated to this project will need to be withdrawn.
- The other risk that has increased is the Simpleworking project as this has not yet reached contracting stage.
- The Guildford SMC project risk has now closed. There are no new risks. All other risks are decreasing or unchanged.

7.3. Risks are monitored on a monthly basis at Programme Management Office meetings and mitigating actions are agreed for all risks. Any emerging high-level risks are escalated to the Director of Operations for review.

7.4. See the separate **Appendix 4** (confidential) for the current risk register.

Lee Danson
July 2021

Appendix 1 – Projects within the 2021/22 capital programme

The following table shows all projects that will be submitting claims this year. Projects highlighted in red have not yet concluded the approval process. Projects highlighted in amber have been approved but have not yet started the contracting process.

GBF projects, including projects which we have requested to move into the GBF

Projects	Project summary	Theme	Grant or loan	Total LEP funding	2021-22 spend	GBF (Y) / part GBF (P) / not GBF (N)	Completion due by
Gigabit EM3 Towns & Rural	Installation of gigabit-capable fibre along an initial route between Guildford and Basingstoke to enable a step change in the region's digital connectivity, making it one of the UK's leading "Gigabit powered" areas.	Digital Infrastructure	Grant	4.5	4.5	Y	Q4 21/22
Creative Tech Growth Booster	Research and development support for businesses in immersive and creative technologies, creating new jobs and enabling a fast bounce back to growth. Investment in cutting edge equipment in immersive technology, enabling access for innovation-led SMEs to state of the art, but expensive technology, based at the Centre for Digital Creativity at Royal Holloway, University of London, and led by the StoryFutures team.	Innovation	Grant	0.9	0.44	Y	Q2 21/22
Vaultex Park, Ride & EV Charge	Introduction of a new "Park, Ride and EV Charge" facility. The site will combine at least 300 park and ride spaces with electric vehicle charging points, powered by renewable solar energy. The scheme will help attract additional tourists and consumers into Winchester City Centre and reduce city centre traffic, freeing up more space to encourage walking and cycling. The investment includes additional battery storage, which will support the electricity grid by providing balancing services, and preserve the green energy generated on site to meet all day demand.	Transport	Grant	5.647676	5	Y	Q4 21/22
Future Towns Mobility Demonstrator	Pilot project in Basingstoke town centre to stimulate a clean, low carbon economic recovery using rapid road space reallocation, implementation of a micro-mobility pilot and development of a Smart Shopper app. The project will enable consumers to avoid queues, access lower carbon transport and raise customer confidence.	Innovation	Grant	0.96	0.59	P	Q4 21/22
Basing View 5G Living Lab	Create and enable the right conditions and environment for the establishment of a 5G commercialisation cluster in the Basing View Enterprise Zone. The project will lead to business and sector growth, foster technological innovation, attract inward investment and generate new jobs and additional GVA.	Innovation	Grant	1.96095	1.96095	Change request	Q4 21/22

Blackwater Valley Gold Grid - Hampshire Public Transport Corridor	Improve public transport provision in the Blackwater Valley area and enhance connectivity to key step-up and growth towns within Hampshire. The project aims to increase patronage by improving bus reliability and journey time and offer better passenger waiting facilities and greater access to information.	Transport	Grant	1.28	1.28	Change request	Q2 21/22
Workspace pilot – Chantry House, Andover	Refurbish part of Chantry House, Andover as part of the Future Workspace Programme. This will enable the conversion of the fourth and fifth floors of the building to create a flexible workspace within the building as well as improvements to the entrance to ensure better Covid secure access by occupiers. The new workspace will be operated and managed by the IncuHive Group Limited, a well-known managed office and co-working provider in Hampshire.	Future Working	Grant	0.23547	0.23547	Change request	Q2 21/22
Electric Vehicle On-Street Charge Point Installation Pilot	A pilot to install 80 7-22 kWh fast chargers at on street locations in Woking, Staines, Guildford and Farnham. The charge points will primarily serve residential streets with limited off-street parking, and busy town centre streets. As part of the pilot, Surrey County Council will be working with Enterprise to develop a phone application that will complement the objectives of the pilot as well as promote active and sustainable travel in the County. The app will work primarily as a journey planner but will have the ability to book bus and train tickets, car club cars, electric bikes and collect payment from customers using the new EV charge points.	Transport	Grant	0.470911	0.470911	Change request	Q1 21/22
Fleet Pond Green Corridor	A set of measures to provide environmental improvements around Fleet Pond whilst delivering sustainable transport solutions. The project would provide a regenerated sustainable green corridor directly linking employment sites with a new residential development and Fleet Rail station. The scheme would realise unmet potential of cycling and help reduce road congestion created by short distance work trips. The scheme would also maximise the benefits of the complementary investment by South Western Rail in cycling infrastructure at Fleet Station and previous LEP investment in sustainable access to Fleet Station.	Transport	Grant	1.4	1.4	Change request	Q2 21/22
Workspace pilot – Login Business Lounge, Camberley - GRANT&LOAN	The first phase of the refurbishment of a town centre property in Camberley, Surrey, which will create a new centre on the high street as part of the Future Workspace Programme. This will enable the initial conversion of the ground floor and part of the first floor of the building to create a community IT space and flexible co-working space within the building. The new workspace will be operated and managed by Project 5, a local IT services business.	Future Working	Grant & Loan	0.2	0.2	Change request	Q1 21/22
Workspace pilot – Simpleworking Ltd - LOAN	To create new flexible office workspaces in up to 6 local towns, with the twin aims of supporting local workspace needs of commuters and city centre workers working remotely, and utilise empty retail spaces on town high streets to support town centre regeneration and reinvigoration.	Future Working	Loan	0.3	0.3	Change request	Q1 21/22

EM3 Capital Programme projects still receiving funding in 2021/22

Projects	Project summary	Theme	Grant or loan	Total LEP funding	2021-22 spend	GBF (Y) / part GBF (P) / not GBF (N)	Completion due by
Brooklands College Weybridge Development - LOAN	To support the development of its Weybridge campus. This will involve disposing of surplus land and buildings to generate income to secure the financial future of vocational and technical education and training on the campus and fund the resizing and refurbishment of the facilities to create a College of The Future.	Skills	Loan	0.4958	0.4958	N	Q1 21/22
Aldershot Regeneration Union Street East	The LGF funding is part of a much larger scheme of an estimated project cost of c.£49.7m million to regenerate Union Street East, Aldershot. The EM3 funding will be used alongside Homes England HIF Marginal Viability Funding towards on-site remediation works and demolition.	Housing	Grant	1.2	0.38	N	Q1 21/22
Farnborough Growth Package (A325)	Deliver capacity improvements at a number of congestion bottlenecks on key transport corridors that link Farnborough town centre and business/retail parks with the wider strategic network (including the M3 via Junction 4 and A331 via Bradfords roundabout/ Lynchford Road). The package will deliver transport infrastructure capacity on the A325, A327 and A3011 corridors which together form the primary access routes to the main employment areas in the town.	Transport	Grant	6.7	2.45	N	Q1 22/23
Woking STP Phase 1	Set of schemes that aim to deliver enhancements to walking, cycling and bus infrastructure to enable additional journeys by sustainable transport modes in Woking to promote clean growth.	Transport	Grant	3	2.36	N	Q4 21/22
Guildford Sustainable Movement Corridor (West)	Implementation of a transport corridor linking Guildford Station and the town centre to the Surrey Research Park, Royal Surrey County Hospital and University of Surrey campus in Guildford West.	Transport	Grant	3.178	-	N	Q3 21/22
Guildford Town Centre and approaches	Enhance the ability to monitor, inform and control traffic through expanding and upgrading Surrey County Council's network management equipment/intelligent transport systems and capability.	Transport	Grant	0.7	0.53	N	Q2 21/22
Blackwater Valley Hotspots	Provide a quicker and more reliable journey time for vehicles exiting the A31 westbound to join the A331 and for all road users using the A331/A323 interchange.	Transport	Grant	1.965	1.58	N	Q3 21/22

EZ3 Longcross Discovery Building	Development of a three storey building of approx. 13,500sqft to deliver office/co-working space for smaller enterprises, early amenities, café/deli etc. to the Enterprise Zone and residents, and the provision of a quality environment as a focal point for the start of further development on the Enterprise Zone.	Enterprise	Grant	1.9	1.42	N	Q4 21/22
Future Towns Innovation Hub	The Hub will work with businesses, top academics and the towns/small cities of Enterprise M3 to help transform them into connected centres of smart mobility; sustainable, energy efficient housing; and the circular economy where extraction, disposal and waste is replaced with restoration, regeneration and recycling.	Innovation	Grant	2.945	0.58	N	Q1 21/22
Fleet Town Centre Recovery scheme	The Fleet Town Centre Recovery Scheme is a pedestrianisation and cycling scheme, that brings forward the closure of Fleet Road from A323 Reading Road North (Oatsheaf Junction) to Church Road. It also provides enhanced cycle facilities that connects the high street area into the District Councils Green Grid via Fleet rail station, and onwards to Fleet Pond and Hartland Village.	STCF	Grant	0.26	0.025	N	Q1 21/22
North Downs Line	The scheme consisted of necessary interventions at identified level crossings on the North Downs Line to enable the operation of a 3 trains per hour service. GWR had a franchise commitment to operate an additional direct service each hour between Reading and Gatwick Airport. However, GWR had been unable to operate the additional service due to the increased risk at various crossing points generated by the additional service. A more frequent service would bring businesses closer to the global economy, employees closer to their place of work and widen the ability for local businesses to bring in the skills required for a high growth economy.	Transport	Grant	0.895	0.25	N	Q3 21/22

Appendix 2 - EM3 Future Funding Profile

Future Funding Profile	Reference	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	Note 1	25.2	25.2	9.7	5.9	9.1	20.8	23.8	23.7	23.7	25.7	25.7
<i>Projects no longer proceeding</i>		<i>1.5</i>	<i>1.5</i>									
Expected receipts:												
- <i>Loan repayments*</i>		<i>13.8</i>	<i>3.2</i>	<i>3.0</i>	<i>3.3</i>	<i>1.6</i>	<i>0.6</i>	<i>0.1</i>	<i>0.0</i>	<i>2.0</i>	<i>0.0</i>	<i>0.0</i>
- <i>Governments</i>		<i>6.7</i>	<i>6.7</i>									
- <i>BRIG income</i>		<i>13.3</i>	<i>0.0</i>	<i>0.1</i>	<i>0.1</i>	<i>10.4</i>	<i>2.7</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
TOTAL IN YEAR CAPITAL FUNDING		35.3	11.4	3.1	3.4	12.0	3.3	0.1	0.0	2.0	0.0	0.0
In-year CUMULATIVE AVAILABLE CAPITAL FUNDING			36.6	12.8	9.3	21.1	24.1	23.9	23.7	25.7	25.7	25.7
Of which allocated per year	Note 2	(34.8)	(26.9)	(6.9)	(0.25)	(0.25)	(0.25)	(0.25)				
Year-end UNSPENT CAPITAL carried forward			9.7	5.9	9.1	20.8	23.8	23.7	23.7	25.7	25.7	25.7
Of which, available for new projects		25.7	1.8	4.9	8.4	20.3	23.7	23.7	23.7	25.7	25.7	25.7

*Excluding EZ Loan/ BRIG

Notes	Reference Table 2	TOTAL	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
Note 1: Brought Forward at 1 April 2021		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
EM3 Repayments Capital Fund	Row D Column A	22.5	22.5	9.7	5.9	9.1	20.8	23.8	23.7	23.7	25.7	25.7
Getting Building Fund	Row D Column B	2.7	2.7									
TOTAL	Row D Column C	25.2	25.2	9.7	5.9	9.1	20.8	23.8	23.7	23.7	25.7	25.7
Note 2: Of which allocated per year		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
EM3 Repayments Capital Fund	Row J Column A	(25.4)	(17.5)	(6.9)	(0.25)	(0.25)	(0.25)	(0.25)	0.0	0.0	0.0	0.0
Getting Building Fund	Row J Column B	(9.4)	(9.4)									
TOTAL	Row J Column C	(34.8)	(26.9)	(6.9)	(0.25)	(0.25)	(0.25)	(0.25)	0.0	0.0	0.0	0.0