

Enterprise M3 Board Meeting

3 February 2022

Enterprise M3 Capital Programme Update - Item 13

The Enterprise M3 Board is asked to:

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

NOTE: Progress in implementing the Workspace Pilot Programme, and the withdrawal of allocated funding from the SimpleWorking project of £300k.

NOTE: That the level of available funding that was unallocated at 7 January 2022 was £4.6m. This will rise to £4.9m as a result of the decision to withdraw the allocation from the SimpleWorking project.

1. Background - Capital Programme

1.1. The Capital Programme for 2021-22 comprises two separately funded programmes:

- projects funded by loan repayments¹, called the EM3 Capital Programme
- the Getting Building Fund (GBF) programme

1.2. Since the last report to our Programme Management Group (PMG), there remains one project left to be contracted, the 5G Living Lab. The contract should be signed in February. Additionally, we will need to approve the final amount of funding for the Gigabit EM3 project following the tendering process. We would then expect to sign contracts for the Gigabit EM3 project by Summer 2022.

2. EM3 Capital Programme update

2.1. The programme is progressing well, and most projects will complete their spending this financial year. Two will continue, as agreed, to spend into next year. These are long term projects – Brighton Hill Basingstoke and Farnborough Growth Package.

2.2. In December 2021, Basingstoke and Deane Borough Council repaid early their £2.2m Enterprise Zone loan. This amount, which had not been expected until 2025-26, has been added to the EM3 unallocated capital funding figure. There will be a reduction of £44k per year in interest back to the LEP.

3. Getting Building Fund (GBF) programme update

Workspace Pilot

3.1. The Workspace Pilot Programme is a £500,000 pilot programme to test out innovative approaches and environments for safe and flexible working post pandemic. PMG agreed to support three projects in the area that demonstrated different operational models and partnerships.

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.

- 3.2. Two of these projects are now up and running. A new facility at Chantry House, Andover provides 210m² of Covid-safe working environment including 35 rentable desks, 9 small offices, kitchen areas and superfast Wi-Fi connectivity. In Camberley, the Login Business Lounge opened in September and provides a collaborative and modern business environment for remote working in the town centre. Overall, the centre offers 1,700m² of coworking spaces, activity-based spaces, multi-use spaces, social spaces, and private spaces together with café facilities.
- 3.3. SimpleWorking was the third project approved as part of this pilot. The loan for £300k was approved in December 2020, however it was subject to the applicant securing additional private match funding. We have engaged with the applicant throughout the year, and they have not been able to find sufficient funding to secure our loan. At the end of November, the Chief Executive approved the decision to withdraw the LEP's funding allocation to the project, and this decision was supported by PMG at its meeting on 13 January.
- 3.4. We are carrying out an evaluation of the pilots and have appointed consultants Propernomics to carry out this commission. Early indications are that this is an area that is going to grow significantly in coming months and years and one where the LEP could play a vital role. We held a stakeholder workshop in January and will be considering recommendations in the Spring when the work concludes.

Gigabit EM3 update

- 3.5. PMG continues to provide oversight of the Gigabit EM3 project. The project provided an update at PMG on 13 January. A successful round of soft market testing with potential investors and suppliers has been concluded and the detailed documentation for the procurement process is now being prepared. Discussions are ongoing with colleagues from HCC procurement and legal to determine the best procurement method. Daniel Ruiz has agreed to be a member of the tender assessment panel.

4. Delivery Plan Capital Programme Outputs for 2021-22

- 4.1. Our performance on outputs for quarters 1-2 is set out below in Table 1, which shows targets for 2021-22 and combined actuals for the first and second quarter.

Table 1: Delivery Plan output targets and actuals

Output	2021-22	
	Delivery Plan Target	Total to end Q2
Jobs created	642	466
New homes	700	349
New employment floorspace	6,770	9,520
Apprenticeships	400	767
Learners supported	3,000	8,631
Create/refurb. learning floorspace	4,000	4,569
Buildings retrofitted	24	24
CO2 savings (kg)	503,180	71,505

- 4.2. The Q2 actuals are largely as forecasted and expected for the time of year. We will be able to report the Q3 data at the next update and at our Annual Performance Review in February.
- 4.3. The CO2 savings appear low as a quarter of this is attributed to the Vaultex project which is not due to complete until Q4. A large proportion of the original target at the beginning of the GBF was from the Gigabit project – while this will still deliver these outputs it will not do so by March 2022. Once we receive Q3 data we will have a better picture of how much variance is expected against the target for the year.

4.4. Our Annual Performance Review with government will be at the beginning of February. The process is slightly more streamlined with less data to complete. The outcome of the review will either be “requirements met” or “concerns identified”. This binary scoring is the same as last year.

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

5.1. Table 2 shows our capital funding position at 7 January 2022.

Table 2: TOTAL EM3 Capital Funds	EM3 Repayments Capital Fund (A)	Getting Building Fund (B)	Total at 7 January 2022 (C)
	£m	£m	£m
Brought forward at 1 April 2021 (D)	22.5	2.7	25.2
Expected receipts in year in 2021-22			
<i>Loan repayments due in (E)</i>	5.4	-	5.4
<i>Government grants (F)</i>	-	6.7	6.7
Total Capital Funding (G)	27.9	9.4	37.3
Of which allocated:			
<i>Contracted approved projects (H)</i>	(16.5)	(9.4)	(25.9)
<i>Approved projects subject to contract (I)</i>	(6.8)	(0.0)	(6.8)
Total Allocated/Approved projects (J)	(23.3)	(9.4)	(32.7)
Available funding to allocate to new projects (K)	4.6	0.0	4.6

5.2. The table shows that we had £25.2m capital available at the start of the year (Column C, row D). We now expect to receive £12.1m during the year to 31 March 2022, comprising £5.4m from loan repayments (Column C, row E), and £6.7m of our remaining Getting Building Fund (Column C, row F). This is £2.2m higher than previously reported (£9.9m), due to the early repayment of the Enterprise Zone loan – the majority of which had been expected in 2024/25. This means that by 31 March 2022 we have £37.3m (Column C, row G) available for our capital programme.

5.3. From this total of £37.3m, PMG and Board have already approved allocation of £32.7m (Column C, row J). This takes into account the amounts returned to our capital pot, from projects which have underspent, been scaled down, or are no longer proceeding – including most recently £0.5m from phase 2 of the Future Towns Mobility Demonstrator.

5.4. Of the £32.7m allocation, £25.9m has been contracted (Column C, row H), and £6.8m (three contracts) has not (Column C, row I). This includes £4.5m which has been set aside for the Gigabit EM3 project.

5.5. This means we have £4.6m remaining to be allocated against future projects (Column C, row K). This balance is £2.3m higher than the figure reported at the last PMG, largely due to the £2.2m early loan repayment. As a result of the decision to withdraw the allocated funding of £300k from the SimpleWorking workspace project, the remaining balance will rise to £4.9m.

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

5.7. 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, £11.2m has been awarded to projects within our Enterprise Zone as repayable grants to be repaid through Business Rates Income Growth. This funding is based on most recent discussions with business partners but is dependent on economic recovery.

6. Future capital fund

- 6.1. The EM3 team is developing a potential approach to the allocation of the future capital fund based on a set of guiding principles agreed at PMG. This process has also included engagement with our partners via various groups, to test our thinking and ask where the LEP would add most value by using its future capital funds. It will also need to take into account the outcome of the LEP Review and the Levelling Up White Paper, after which we will set out a proposed approach to PMG and the Board.

Stephen Martin

January 2022

Appendix 1 - 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	19.6	8.6	11.7	21.4	24.6	24.4	24.4	26.4	26.4
<i>Expected receipts:</i>												
- Loan repayments*		19.1	5.5	3.0	3.3	1.6	0.7	0.1	0.0	2.0	0.0	3.0
- Government grants		6.7	6.7									
- BRIG income		11.1	0.0	0.0	0.0	8.4	2.7	0.0	0.0	0.0	0.0	0.0
TOTAL IN YEAR CAPITAL FUNDING		36.9	12.1	3.0	3.3	10.0	3.4	0.1	0.0	2.0	0.0	3.0
In-year CUMULATIVE AVAILABLE CAPITAL FUNDING			37.4	22.6	11.9	21.7	24.8	24.7	24.4	26.4	26.4	29.4
Of which allocated per year	Note 2	(32.7)	(17.6)	(14.1)	(0.25)	(0.25)	(0.25)	(0.25)				
Year-end UNSPENT CAPITAL carried forward			19.7	8.5	11.7	21.5	24.6	24.5	24.4	26.4	26.4	29.4
Of which, available for new projects			4.6	7.5	10.9	21.0	24.3	24.5	24.4	26.4	26.4	29.4

* EZ loan £2.2m previously reported to be repaid from BRIG by 2024/25, repaid early.

Notes	Reference Table 2	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
Note 1: Brought Forward		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
EM3 Repayments Capital Fund	Row D Column A	22.5	22.5	19.6	8.6	11.7	21.4	24.6	24.4	4.0	26.4	26.4
Getting Building Fund	Row D Column B	2.7	2.7									
TOTAL	Row D Column C	25.2	25.2	19.6	8.6	11.7	21.4	24.6	24.4	4.0	26.4	26.4
Note 2: Of which allocated												
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
EM3 Repayments Capital Fund	Row J Column A	(23.4)	(8.3)	(14.1)	(0.25)	(0.25)	(0.25)	(0.25)	0.0	0.0	0.0	0.0
Getting Building Fund	Row J Column B	(9.3)	(9.3)									
TOTAL	Row J Column C	(32.7)	(17.6)	(14.1)	(0.25)	(0.25)	(0.25)	(0.25)	0.0	0.0	0.0	0.0