

Enterprise M3 Board Meeting

24 May 2022

Enterprise M3 Capital Programme Update – Item 12

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: That the level of available funding that is unallocated is £5.4m.

1. Background - Capital Programme

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

- Projects funded by loan repayments¹, called the EM3 Capital Programme. This continues into 2022-23.
- The Getting Building Fund (GBF) programme. All GBF funding was allocated and spent by the end of 2022. However, one project was part funded from recycled loans and continues into 2022-23. This project will now be part of the EM3 Capital Programme. We continue to monitor the GBF outputs.

1.2. Since the last report to the Board, we have had our Annual Performance Review (APR) result confirmed as “Met” in all three categories – Delivery, Governance and Strategic Impact – which is excellent news for the LEP.

2. Getting Building Fund (GBF) programme update

2.1. The programme has now concluded, although a few projects were part funded by the recycled loans and therefore continue into this financial year. All the GBF funding was allocated and spent by the deadline of March 2022 with no requirement to utilise freedoms and flexibilities.

3. EM3 Capital Programme update

3.1. The Gigabit EM3 project is progressing well. A Prior Information Notice for the project was released to the market on 9 May. This is a significant step providing a near final draft of the detailed specification to potential suppliers and investors and seeking responses to some specific questions about the form of the commercial relationship between the LEP and any supplier appointed to undertake the works and operations. In practice it is a final stage of market testing prior to the commencement of the formal procurement process. A full update will be reported to PMG in July.

4. Delivery Plan Capital Programme Outputs for 2021-22

4.1. Our performance on outputs for the full year 2021-22 is set out below in Table 1, which shows actuals for 2021-22 against our targets.

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 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.

Table 1: Delivery Plan output targets and actuals

Output	2021-22	
	Delivery Plan Target	Total to end Q4
Jobs created	642	1,016
New homes	700	918
New employment floorspace	6,770	9,520
Apprenticeships	400	854
Learners supported	3,000	9,258
Create/refurb. learning floorspace	4,000	4,569
Buildings retrofitted	24	24
CO2 savings (kg)	503,180	144,624

- 4.2. All delivery plan targets have been met or exceeded for the year, with the exception of the CO2 savings output.
- 4.3. CO2 savings were not met as a number of projects experienced or are still experiencing delays to the implementation of interventions and therefore to the achievement of forecast outputs. It should also be noted that forecasts reflect best estimates and are not always able to be achieved due to external factors.. We continue to monitor and work closely with these projects to fully understand the timing and impacts of interventions.
- 4.4. Also a large proportion of the target was attributed to the Gigabit EM3 project (see 3.1) which, while still expected to deliver these outputs, has not done so by March 2022. However, all GBF projects combined are forecasting that by 2025 they will save 2,716,521kg of CO2 emissions.

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

- 5.1. Table 2 shows our capital funding position at 16 May 2022.

Table 2: TOTAL EM3 Capital Funds	EM3 Repayments Capital Fund	Getting Building Fund	Total at 16 May 2022
	(A)	(B)	(C)
	£m	£m	£m
Brought forward at 1 April 2021 (D)	22.5	2.7	25.2
Receipts in year in 2021-22			
<i>Loan repayments due in (E)</i>	5.3	-	5.3
<i>Government grants (F)</i>	-	6.7	6.7
<i>Other repayments (G)</i>	1.3		1.3
Total Capital Funding (H)	29.1	9.4	38.5
Of which allocated:			
<i>Contracted approved projects (I)</i>	(19.2)	(9.4)	(28.6)
<i>Approved projects subject to contract (J)</i>	(4.5)	(0.0)	(4.5)
Total Allocated/Approved projects (K)	(23.7)	(9.4)	(33.1)
Available funding to allocate to new projects (L)	5.4	0.0	5.4

- 5.2. The table shows our capital final outturn figures for the year ended 31 March 2022. Starting with £25.2m capital available (Column C, row D), we received £13.3m during the year to 31 March 2022, comprising £5.3m from loan repayments (Column C, row E), and £6.7m of our

remaining Getting Building Fund (Column C, row F). In addition, £1.3m was returned to our capital pot, from projects which have underspent, been scaled down, or are no longer proceeding (Column C, row G).

- 5.3. This means during 2021/22 we had £38.5m (Column C, row H) available for our capital programme. Of this, PMG and Board had approved allocation of £33.1m (Column C, row K), and as at 16 May 2022, £28.6m had been contracted (Column C, row I); the remaining £4.5m has been set aside for the Gigabit EM3 project.
- 5.4. This means we now have £5.4m remaining to be allocated against future projects (Column C, row L). We expect to receive a further £3m in loan repayments during 2022/23, bringing that figure to £8.4m.
- 5.5. 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.
- 5.6. 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 our most recent discussions with business partners but is dependent on economic recovery.

Lee Danson
Head of Planning, Programme and Performance
17 May 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	22.6	9.4	12.6	22.3	25.5	25.4	25.4	27.4	27.4
<i>Expected receipts:</i>												
- <i>Loan repayments</i>		19.2	5.3	3.0	3.4	1.6	0.7	0.2	0.0	2.0	0.0	3.0
- <i>Government grants</i>		6.7	6.7									
- <i>Other</i>		1.3	1.3									
- <i>BRIG income</i>		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		38.3	13.3	3.0	3.4	10.0	3.4	0.1	0.0	2.0	0.0	3.0
In-year CUMULATIVE AVAILABLE CAPITAL FUNDING			38.5	25.6	12.8	22.6	25.7	25.7	25.4	27.4	27.4	30.4
Of which allocated per year	Note 2	(33.1)	(15.9)	(16.2)	(0.25)	(0.25)	(0.25)	(0.25)				
Year-end UNSPENT CAPITAL carried forward			22.6	9.4	12.6	22.3	25.5	25.4	25.4	27.4	27.4	30.4
<i>Of which, available for new projects</i>			5.4	8.4	11.8	21.8	25.2	25.4	25.4	27.4	27.4	30.4

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	20.6	9.5	12.5	22.3	25.4	25.2	25.2	27.2	27.2
Getting Building Fund	Row D Column B	2.7	2.7									
TOTAL	Row D Column C	25.2	25.2	20.6	9.5	12.5	22.3	25.4	25.2	25.2	27.2	27.2
Note 2: Of which allocated												
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
EM3 Repayments Capital Fund	Row K Column A	(23.8)	(6.6)	(16.2)	(0.25)	(0.25)	(0.25)	(0.25)	0.0	0.0	0.0	0.0
Getting Building Fund	Row K Column B	(9.3)	(9.4)									
TOTAL	Row K Column C	(33.1)	(15.9)	(16.2)	(0.25)	(0.25)	(0.25)	(0.25)	0.0	0.0	0.0	0.0