

Enterprise M3 Board

3 August 2023

Future Fund – Item 10

The EM3 Board is asked to:

NOTE The preparatory work undertaken for the release of the next Future Fund opportunity, working closely with Hampshire County Council (HCC) as our Accountable Body.

NOTE The process and timescales for running a funding opportunity in 2023 and the role of the EM3 Board in this (Section 3).

AGREE The proposed approach, and the launching of the next Future Fund opportunity in early August.

1 Summary

- 1.1 The EM3 Future Fund was launched in 2022 as a funding scheme for organisations that were seeking to take forward projects relating to one or more of the following broad themes:
- Innovation
 - Net Zero
 - Digital connectivity
 - Green skills and digital skills
- 1.2 To date, no projects have been funded. One reason for this is that we were looking for projects in which EM3 could make an equity or loan investment, with grants only available under exceptional circumstances. Following a review of the Fund, the proposed application and project selection processes have been revised.
- 1.3 EM3 is now looking to relaunch the Future Fund in early August. This opportunity will be open to businesses and business support organisations, universities and colleges, Local Authorities and other Public Sector bodies and 3rd sector organisations based in the EM3 area.
- 1.4 We are aiming to support only a small number of high-quality projects that will drive business/economic growth across our area. Although c. £10 million is currently available in the Future Fund, there is no requirement to spend this funding within any timeframe. Any decisions to fund projects will be made by the EM3 Board.
- 1.5 We are proposing to continue to follow the broad themes set out in 1.1. To preserve the revolving nature of the fund, projects that can be supported through loans will still be preferred. But given the experience of the past year (see 1.2), we are proposing to give more consideration to grants where the business case is strong.
- 1.6 Given the announcement about the future of LEPs in the March Budget, we have developed this approach in consultation with our Accountable Body. The timetable set out below will enable any funding agreements to be signed before the 31st of March. In the event of EM3 no longer being able to play our current role, HCC, as our Accountable Body, will be responsible for ongoing requirements relating to projects, or will transfer responsibility to any successor body or bodies.

2 Background

- 2.1 The Enterprise M3 Future Fund was created in 2022 with the aim of investing in projects that would yield a return and thereby ensure that the Fund is self-sustaining. The Fund was created through a deliberate policy of issuing some of EM3's Local Growth Fund as loans, rather than grants. As a result, we are able to recycle the funds enabling us to fund new projects for further economic development.

2.2 The Fund is designed to support capital projects in the region, focussing on innovation; net zero; digital connectivity; and the skills required to support these areas i.e., green skills and digital skills. Through the Fund, we aim to support projects where, for a number of reasons such as the nature of the innovation or return on investment, more traditional funding routes have not been successful. Demonstrator and pilot projects are considered where they meet the identified focus areas, ensuring the EM3 region maintains strong and resilient economic growth and prosperity.

3 Future Fund project selection process for 2023

3.1 The Future Fund was launched in 2022 but no projects were taken forward for funding. Following a review within EM3 of the pilot application process, the process has been revised and new application documentation prepared.

3.2 One reason why no projects were taken forward over the past year is that we were looking for projects in which EM3 could make an equity or loan investment, with grants only available under exceptional circumstances. For this opportunity, therefore, we are proposing to give more consideration to grants where the business case is strong, although projects that can be supported through loans will still be preferred, in order to continue the revolving nature of the fund.

3.3 Funding will be offered in the form of a loan and/or a grant. Unlike last year, we are not proposing to seek opportunities for equity investments. This is because we have well-established processes, with our Accountable Body, for loan and grant funding agreements.

3.4 To identify the projects, an open application process will be used and EM3 will promote the opportunity via our usual communication channels. Applications to the Future Fund will be made via a draft Business Case that will be reviewed by EM3 to identify shortlisted projects as set out in the process below and summarised in the diagram at Appendix 1:

Milestone	Date
Future Fund opportunity opened	Early August 2023
Submission of draft Business Cases by applicants	Mid-September
Business cases reviewed and shortlisted	Mid-to-late-September
Due diligence of shortlisted business cases	October
Applicant presentations to EM3	October
Submission of Final Business Cases by applicants	Early November
Shortlisted projects identified – paper with project recommendations submitted to Board, for decisions at the Board meeting on 7 December	End of November

3.5 A small number of high-quality projects will be selected that:

- are capital projects and deliver benefits within the EM3 region
- meet our strategic focus and help to deliver the EM3 vision of a low carbon, high growth economy.
- offer match funding – projects should demonstrate either capital or revenue match funding
- deliver high impact – outputs may include increased/safeguarded jobs, new skills provision, GVA, CO₂ savings, inward investment etc.

3.6 The Board will be kept informed of the progress of the funding opportunity and will receive a paper with project recommendations, for decisions at its December meeting.

4 Next steps

4.1 If the Board agrees, we intend to launch the funding opportunity in early August.

4.2 We will then update the Board as the selection process progresses.

The Future Fund application process is summarised below:

