

Programme Management Group

23 October 2019

Capital funding for 2019-20 and 2020-21 – Expressions of Interest – Item 3

Programme Management Group members are asked to:

NOTE the funding available for capital projects for 2019/20 and 2020/21 and the current programme position.

AGREE that in line with the PMG authority level of £3 million of grant funding per project, all projects ranked as 'A' are approved and proceed immediately to due diligence (where less than £1 million funding is requested) or business case (where greater than £1 million of funding is requested).

1. Current programme position

1.1. Since the last meeting of the Programme Management Group (PMG) on 12th September 2019, the following key developments have taken place:

- The approval by Board of the Weyside Urban Village project (£7.5m)
- The signing of 2 legal agreements for projects that will start in 2019. Since April 2019, 11 legal agreements have been signed for projects due to commence this year.
- Our mid-year review with Government took place on 13 September 2019 and we await a formal write up of this meeting.
- The appointment of SQW to work alongside Enterprise M3 until March 2021 on evaluation and economic impact of Enterprise M3's work, including the capital programme.

1.2. Our Delivery Plan, published on the Enterprise M3 website at the end of May 2019, sets out our expected delivery over the 2019/20 financial year; Enterprise M3 will deliver the following through its capital programme:

- Capital expenditure of £45m
- 2500 jobs created/safeguarded
- 1000 new homes completed
- 9,000sqm of new employment floorspace
- Support 300 apprenticeships
- Create/refurbish 5,000sqm of learning floorspace

1.3. These measures form our key performance indicators with Government and will be the baseline against which we will report our progress across 2019/20 and the basis of our Annual Performance Review. The mid-year review with Government took place on 13 September 2019 and was an opportunity to update on our recent progress in achieving the targets set out in our Delivery Plan.

1.4. We will continue to report to PMG and Board on the following detail in order to provide a regular update on the progress against our targets in the Delivery Plan:

Key Performance Indicators – October 2019

Key Performance Indicator	Current forecast	Actual (as at 14 Oct 2019)	Change since last report (12 Sept 2019)
Expenditure			
Expenditure of £45m of LGF in 2019/20	£36m-£62m*	£4.28m	+£3.05m
Total LGF expenditure across programme to date of £180m (102% of the total allocation to date)	£180m	£142m	+£3.05m
Income from loan repayments - £2.42m in 2019/20	£4.42m	£1.55m	+£0.75m
Outputs			
1000 new homes completed	1300	1,272	0
2500 jobs created/safeguarded	2500	1,348	0
9000 sqm commercial floorspace completed	9,000	0	0
5000sqm learning floorspace completed/refurbished	5,000	2,000	0
300 apprenticeships supported	300	72	0

*Range based upon confidence levels of expenditure in 2019/20

- 1.5. Progress to date is broadly as would be expected at this point in the year although our actual expenditure levels remain relatively low. We expect this figure to increase in the coming weeks as remaining claims from projects covering the period July-Sept are processed for payment. At the time of writing we are in receipt of claims totalling £2.2m that are still to be processed for payment. The expenditure at the end of Q2 is £4.28m which will mean that we will have spent 80% of our total (2015-2020) LGF allocation at this point, whilst forecasting that this will increase to 102% at the end of the financial year.
- 1.6. The latest forecasts for expenditure across 2019/20 range between £36m and £62m, with a high degree of confidence that £36m will be achieved, a reasonable level of confidence that a further £19m will be achieved and a low level of confidence that an additional £7m will be achieved. With a number of contracts due to be signed in the coming weeks, it is expected that the high confidence figure will continue to increase.
- 1.7. In terms of project outputs, the current picture is in line with expectations at this stage of the year, with projects having completed their first quarter monitoring report to Enterprise M3 at the end of July. Quarter 2 monitoring reports are currently coming in from projects and an update on the position at the end of Q2 will be given at the November meeting. PMG members will note that the forecast for new homes completed has already been met, with strong progress against the jobs created/safeguarded target. At this stage, we are not concerned by the commercial floorspace target which relates to two projects (Plot W, Basing View and Tannery Studios) which are on track for completion in January 2020 and we are closely monitoring their progress.
- 1.8. As we are now in the penultimate year of the Local Growth Fund programme, it is also important to keep our contractual commitments under review. Over this year (2019/20) and next (2020/21), we have a total of £108m of capital funding available to support projects. Currently 46% of this money is contractually committed and a further 51% is allocated to projects approved by PMG/Board but is not yet contracted. With the approval of the Weyside Urban Village project at the last Board Meeting, Enterprise M3 have approved projects totalling 96% of our available capital funds. The team are prioritising contracting work at the moment and we expect at least 6 major legal agreements to be agreed before the end of

October with a total value of over £30m. We are also continuing to strengthen our pipeline of projects and the detail below provides PMG with the latest information on contractual commitments, allocated funding and available unallocated funding as at the 15 October 2019.

- LGF/GEF funding available - £99.8m
- LGF/GEF funding available (including forecast loan repayments up to 31 March 2021) - £108.3m
- Contractual commitments - £49.21m
- Approved projects still subject to contract - £55.18m
- Available funding to allocate to new projects - £3.91m
- Value of projects currently in the pipeline - £15.11m*

**If all category A projects are agreed by PMG at the meeting on 23 October 2019 then the total value of the pipeline will be £34.2m*

- 1.9. We are continuing to develop a sizeable pipeline of projects that we can bring forward if other projects slip and/or additional funding becomes available. We are working closely with scheme promoters to make them aware of our funding position and all projects in our pipeline are aware of our funding position and that the development of business cases is at their own risk. Our approach to pipeline development aims to put us in a strong position to accelerate projects swiftly should there be an opportunity to secure additional funding and we emphasised this message at our mid-year review with Government and continue to brief them on our position and make the case for additional funding.
- 1.10. PMG members will note from the figures above that our pipeline now significantly exceeds our available funding of £3.91m. Whilst PMG are not being asked to give final approval to any projects at this meeting, we do anticipate a number of projects being presented to PMG for consideration in November 2019. It is expected that the value of these projects will exceed the amount of available funding and the project team are currently reviewing all projects ahead of this meeting so that we can advise on relative priorities given our current available funding, focusing particularly on prioritising loans, deliverability of projects and scale of impact including links with the Local Industrial Strategy and wider Government priorities. With this having been the final closing date for new projects, the team will also be considering the approach on any further pipeline development/call for new projects and will be making recommendations to PMG and Board in due course.
- 1.11. As reported at September PMG and Board, the aim remains is to have all current approved projects contracted by end of calendar year. This message has been well received by partners and has focused attention on the swift progression of contracts for projects. Over the coming months we will be highlighting to PMG and Board projects which look likely to miss this deadline so a decision on whether to proceed can be made.

2. Process update

- 2.1. This is the final round of submissions to the Enterprise M3 Local Growth Fund responding to the 2019-21 prospectus identifying digital and data technologies and clean growth as key areas of focus along with seven sector specific opportunities. These related to
 - Clean growth
 - Space
 - Aerospace and defence
 - New mobility
 - Digital health
 - Sustainable transport
 - Transforming colleges

- 2.2. The deadline for Expressions of Interest was Thursday 27 August and 8 EOIs were received (7 new, 1 resubmission). All are for location specific projects; 5 in Hampshire and 3 in Surrey. Projects range in size from £160k to £16.0 million. There is one loan/grant application, the remaining are for grants. Applicants include local authorities, colleges and one Expression of Interest from the private sector.
- 2.3. To assist with the ranking of projects, an independent assessment was undertaken by Deborah Wyatt of Hanmer Management Ltd. The assessment undertook the following activities
 - review of all EOIs and submitted documentation
 - completion of a project assessment template
 - suitability of the project based on SMART objectives as detailed in the prospectus.
- 2.4. This assessment provided an initial ranking of projects as A, B or C. An A project is a well written proposal that responds to the Enterprise M3 SMART objectives across all areas. A B project does respond to the objectives but questions remain over one or more areas of the EOI. A C project has 3 or more areas of concern within the EOI bid and fails to meet the objectives and priorities set out in the Prospectus.
- 2.5. The SMART objectives for Enterprise M3 are that a project will significantly support a (S)pecific strategic Enterprise M3 theme as detailed in this Prospectus, it will be (M)easurable through monitoring and reporting throughout the project timeline and beyond, it will be (A)chievable within the specified costs and timeline, it will be (R)ealistic in relation to the rationale for providing public funding and (T)imed with a specified set of project timelines/milestones.
- 2.6. As detailed within the Prospectus, the following criteria will be applied to all projects and must be demonstrated by projects that receive funding
 - Have a strategic fit for Enterprise M3 with reference to the Strategic Economic Plan, emerging Local Industrial Strategy and/or Science and Innovation audit
 - Provide a response to the areas of opportunity detailed in the Prospectus including support for digital technology development and clean growth
 - Deliver economic growth
 - Demonstrate value for money

3. Ranking of projects

A projects

- 3.1. There are 4 A projects. The A projects are
 - EOI 51 (resubmission) - Guildford College Care Skills Centre
 - EOI 62 - Future Winchester
 - EOI 65 - BCOT Electric Vehicle Testing Centre
 - EOI 67 - Commercial in confidence submission (verbal update will be provided at the meeting)
- 3.2. These projects respond specifically to an area of strategic focus in the prospectus and meet all the criteria for an A category project.

B projects

- 3.3. There are 2 projects in the B category. These are
 - EOI 66 - Tech Forest Innovation Centre

- EOI 68 – Commercial in confidence submission (verbal update will be provided at the meeting)
- 3.4. EOI 66 - Tech Forest Innovation Centre will provide an Innovation Centre and follow on work space in the Whitehill & Bordon Enterprise Zone. Whilst the need for this space is recognised, the EOI needs review with the applicant as a loan/partial loan should be fully considered as the future space will be lettable and will generate income. The costings also appear high for a build and fitout of this type. This build also needs to be considered alongside the East Hants Advanced Manufacturing Project which will provide innovation centre space in close proximity in Alton and Petersfield.
- 3.5. EOI 68 - requires review with the applicant particularly with respect to costings. Further detail is required on the project as it develops to understand what Enterprise M3 would be supporting through its funding.
- 3.6. Both B projects have potential to move to the A category subject to feedback on the points noted and availability of funding. It is proposed that the Enterprise M3 team continue to work with the applicants for both projects.

C projects

- 3.7. There are 2 projects in the C category. These are
- EOI 63 - Commercial in confidence submission (verbal update will be provided at the meeting)
 - EOI 64 - Bordon MMC (Modern Methods of Construction) Skills Centre

Both of these EOIs had three or more areas of concern which will be detailed directly to the applicants.

4. Detail of all projects

	CATEGORY A
EOI 51 - resub	<p>Project name – Guildford College Care Skills Centre</p> <p>Applicant – Activate Learning</p> <p>Location – Guildford</p> <p>Grant funding of £430k against a total project cost of £926k with match funding (mix of capital and revenue) from Activate and Royal Surrey NHS Trust to support higher level apprenticeships and T-levels (40 over 3 years) and up to 400 new learners.</p> <p>The Care Skills Training Centre is designed to help grow learner numbers into healthcare, including new learners starting from 16 years old who could progress into a healthcare apprenticeship, or Higher Education (e.g. Nursing degree), or healthcare employment locally. The college is working collaboratively with the Royal Surrey NHS Trust.</p> <p>The Care Skills Training Centre, built with industry partner support, will</p> <ul style="list-style-type: none"> • Create a flexible training area similar to a hospital ward / social care setting enabling students to practice in a clinical environment • Develop an innovative technology driven teaching space for students to undertake training in a simulated real-life environment • Deliver health and social care qualifications not previously delivered at Guildford College • Provide a base for The Royal Surrey NHS Trust to train their own staff (subject to confirmation)

	<ul style="list-style-type: none"> • Provide a base for local health and social care providers to train their own staff <p>This is a resubmission of a B category project from April 2019. The applicant has responded positively to all feedback previously provided along with giving further detail on partnership working and confirmation of partners' support.</p> <p>This EOI supports the transforming colleges stream of the prospectus alongside supporting higher level and T level apprenticeships in a sector where gaps have been identified. It will also provide linkages to the Healthtech Accelerator in Guildford.</p>
EOI 62	<p>Project name – Future Winchester</p> <p>Applicant – Winchester City Council</p> <p>Location – Winchester</p> <p>Grant funding of £2.5million (50%) is sought for a total project cost of £5.049million with matched funding being provided by the council.</p> <p>Future Winchester is the development of a multi storey Park and Ride scheme at the Vaultex site in Winchester. It will integrate sustainable measures including a solar photovoltaic array on the roof of the building to produce renewable energy to support electric vehicle charging. In addition, battery storage will be added into the facility which will provide support to the electricity grid by providing balancing services along with storing the green energy generated on site. Measures will be installed at the facility that support the use of sustainable travel, including Electric Vehicle Charging Points.</p> <p>The project aims to lead to a 10% reduction in city centre vehicle movements. Provision of EV charging points will encourage EV usage which emit 0.96 tonnes of CO2 (compared to petrol car producing 2.99 tonnes of CO2 and diesel cars producing 2.88 tonnes)</p> <p>This EOI supports the clean growth and smart mobility sections of the prospectus. It has good deliverability with the potential to be brought forward relatively swiftly subject to funding availability from Enterprise M3. The business case must explore the use of electric buses in Winchester as part of the Park and Ride scheme.</p>
EOI 65	<p>Project name – BCOT Electric Vehicle Training Centre</p> <p>Applicant – Basingstoke College</p> <p>Location – Basingstoke</p> <p>Grant funding of £160k (44%) against a total project cost of £360k with matched funding from Basingstoke College and industry partners.</p> <p>The specialist needs of electric vehicle skills training is a national and local priority for UK government. The project will develop a sustainable and scalable Electric Vehicle & Hybrid Technology Training Centre at BCoT which will provide fitted out space for training in electric and hybrid vehicles. In addition, the new facility will offer training on charge point installation and safety and will also create the opportunity to offer safety courses to consumers, which will further extend the reach of this project. Project costs include the cost of building refurbishment and purchase of specialised equipment. Project will be undertaken in summer 2020 for the first cohort of students to start in September 2020.</p> <p>The project will support 2 new jobs and 400 level 1 learners, 270 level 2, 120 level 3, 28 level 4 and 5 intermediate and 5 advanced apprenticeships.</p> <p>This project responds directly to the prospectus and the needs of the marketplace. This is an excellent proposal with the applicant having completed a full business case with lots of appropriate detail.</p>

EOI 67	Commercial in confidence submission – verbal update to be provided at meeting
	CATEGORY B
EOI 66	<p>Project name - Tech Forest Innovation Centre</p> <p>Applicant - Whitehill & Bordon Enterprise Zone</p> <p>Location – East Hampshire District Council</p> <p>Grant funding of £1.0 million (29%) against a total project cost of £3.5million with matched funding from East Hampshire District Council, Homes England, Oxford Innovation, Hampshire County Council although amounts are not confirmed in the Expressions of Interest.</p> <p>The project will develop a new Innovation Centre at the Whitehill & Bordon Enterprise Zone. The Innovation Centre will provide step out space for SMEs within digital and high-tech sectors to move on from the spaces available in the existing Enterprise Centre as well as space for new investors to move to the Enterprise Zone. It will be located on the most visible plot at the new roundabout of the A325 relief road opposite the existing BASE Innovation Centre and Future Skills Centre.</p> <p>The development will create 15,000 sq feet of commercial space as the initial build. The Innovation Centre will be set out over three floors, including a shared reception and tenant areas, lettable units within the centre of ranging in size from 2 – 5,000 square feet, and onsite parking bays.</p> <p>Project outputs will include 15,000 sq feet of new commercial floorspace 116 direct new jobs, 58 indirect new jobs and £4m in local GVA benefits</p> <p>Whilst the need for this space is recognised, the EOI needs review with the applicant as a loan/partial loan should be fully considered as the future space will be lettable and will generate income and is located within the Enterprise Zone. The costings also appear high for a build and fit-out of this type. This build also needs to be considered alongside the East Hants Advanced Manufacturing Project which will provide innovation centre space in close proximity in Alton and Petersfield.</p>
EOI 68	Commercial in confidence submission – verbal update to be provided at meeting
	CATEGORY C
EOI 63	Commercial in confidence submission – verbal update to be provided at meeting
EOI 64	<p>Project name - Bordon Modern Methods of Construction (MMC) Skills Centre</p> <p>Applicant – Future Skills Centre</p> <p>Location – Bordon</p> <p>Grant funding of £4.5m for a total project cost of £4.5million with no match funding identified.</p> <p>The project idea is to build or extend the Future Skills Centre (FSC) to develop a new MMC Skills Centre in Bordon.</p> <p>The EOI is incomplete and provides no information on outputs or match funding detail. Costs are estimated and there is no formal project in place. Enterprise M3 will work with the applicant to investigate further utilisation of the Future Skills Centre and to explore future options.</p>