

Enterprise M3 Board

29 July 2021

Enterprise M3 Capital Programme Update – Item 11

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: That we are undertaking a review of the approach that we will take to the use of future funding and this will be considered further at the September meetings of PMG and the Board.

1. Background - Capital programme

- 1.1. As reported at the last meeting of the Enterprise M3 Board on 27th 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 Fund
 - the Getting Building Fund (GBF) programme
- 1.2. Since the last report to Board, there remain only two projects left to be contracted (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 Fund update

Guildford Sustainable Movement Corridor (SMC)

- 2.1. As previously reported at Board, 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.

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.

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

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

Table 2: TOTAL EM3 Capital Funds	EM3 Repayments Capital Fund	Getting Building Fund	Total at 8 July 2021
	(A)	(B)	(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	9.4	36.6
Of which allocated:			
<i>Contracted approved projects (I)</i>	(23.1)	(4.9)	(28.0)
<i>Approved projects subject to contract (J)</i>	(2.3)	(4.5)	(6.8)
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

- 4.2. 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.
- 4.3. From this total of £36.6m, PMG and Board have already approved allocation of £34.8m (Column C, row K). £28m of which has been contracted (Column C, row I), and £6.8m for the three projects which are not yet contracted or approved, (see 1.2) (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.

- 4.4. 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.
- 4.5. 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.

5. Future approach to use of available funding

- 5.1. As Appendix 1 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. This will include considering a range of options, some of which are substantially different from the approach we have taken in the past.
- 5.2. A draft set of principles and high-level approach to the use of future funding will be proposed to PMG and the Board in September.

Lee Danson
July 2021

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	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>		13.8	3.2	3.0	3.3	1.6	0.6	0.1	0.0	2.0	0.0	0.0
- <i>Governments</i>		6.7	6.7									
- <i>BRIG income</i>		13.3	0.0	0.1	0.1	10.4	2.7	0.0	0.0	0.0	0.0	0.0
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