MEETING OF LIVERPOOL CITY REGION

LOCAL ENTERPRISE PARTNERSHIP
STRATEGIC BOARD

AGENDA

DATE: Thursday, 4th June, 2015
TIME: 8.30 am
VENUE: LEP Boardroom 12 Princes Parade, Liverpool L3 1BG
AGENDA

1. DECLARATIONS OF INTEREST
   Board members to declare any interests in items under consideration.

2. MINUTES OF THE PREVIOUS MEETING
   To consider the minutes of the meeting held on 23 April 2015.
   (Pages 1 - 6)

3. CHAIRMAN'S VERBAL REPORT AND UPDATES FROM LEP BOARD REPRESENTATIVES ON EXTERNAL BODIES

4. IFB 2016
   To receive a presentation by Liverpool Vision.

5. ESIF 2014-2020 PROGRAMME: IMPLICATIONS OF GOVERNMENT GUIDANCE TO ESIF SUB-COMMITTEES ON STRATEGIC FIT
   To consider a paper on the implications of recent government guidance.
   (Pages 7 - 14)

6. EMERGING GOVERNMENT POLICY
   To consider a paper on changes in ministerial appointments and emerging policy of the new Government.
   (Pages 15 - 28)

7. CAPITAL INVESTMENT
   To consider ongoing work in the LCR to develop an aligned approach to the use of capital funds.
   (Pages 29 - 52)
10. **SKILLS CAPITAL INVESTMENT FUND: STRAND 1 (SITES AND PREMISES) ASSESSMENT RECOMMENDATIONS**

To seek approval for the applications received under Strand 1 of the Liverpool City Region Skills Capital Investment Fund.

*Please note:*-

This report, and its appendices, has been exempted from publication due to the commercially sensitive information it contains. There is a further requirement beyond this that, due to the confidential and competitive nature of the Skills Capital Fund, any Board member who is either an employee of or serving on the Board of an FE College or commercial training provider will not be able to receive a copy of the report nor take part in the discussion for this item at the meeting.

As such, the report has not been included in the main pack for circulation and in order that Strategic Board members, who do not have a conflict of interest, are able to access the paper they are asked to confirm by e-mail to the ESB Executive ([john.corish@knowsley.gov.uk](mailto:john.corish@knowsley.gov.uk)) that they do not fall into one of the above categories and then the report will be issued to them.

11. **ANY OTHER BUSINESS**

The next meeting of the Board is to be held on 16 July 2015 at 8.30am.
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LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP

STRATEGIC BOARD

At a meeting of the Liverpool City Region Local Enterprise Partnership held in the LEP Board Room, 12 Princes Parade, Liverpool, L3 1BG as on Thursday, 23rd April 2015 at 8.30am, the following members were:

PRESENT: Robert Hough CBE (Chairman)  
Mayor Joe Anderson OBE  
Chris Bliss  
Kath Boullen MBE  
Councillor Phil Davies  
Richard Else  
Amanda Lyne  
Councillor Rob Polhill  
Alistair Poole  
Councillor Ronnie Round  
Neil Sturmey  
Prof Nigel Weatherill  
Kate Willard

APOLOGIES: Councillor Peter Dowd  
Councillor Barrie Grunewald  
Asif Hamid

IN ATTENDANCE: Mark Basnett Liverpool City Region LEP  
Nicola Christie Liverpool City Region LEP  
Shelley Lockett Liverpool City Region LEP  
Tony Wade Liverpool City Region LEP  
Alan Welby Liverpool City Region LEP

DECLARATIONS OF INTEREST

Members of the Board declared the following situational conflicts in the agenda items shown:-

<table>
<thead>
<tr>
<th>Director</th>
<th>Agenda Item(s)</th>
<th>Nature and Extent of Interest</th>
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</thead>
<tbody>
<tr>
<td>Kate Willard</td>
<td>3 – STEP</td>
<td>Site owners – 3MG</td>
</tr>
</tbody>
</table>
| Robert Hough   | 3 –STEP        | Peel Holdings (Management) Ltd  
Site owner (through associated company) |
1. CHAIRMAN’S VERBAL REPORT AND UPDATES FROM LEP BOARD REPRESENTATIVES ON EXTERNAL BODIES

a) The Chairman reported on the publication of the Transport for the North report, noting the inclusion of Liverpool City Region proposals as a success and something on which to hang City Region transport priorities.

b) The Chairman reported that the 16th April visit by senior officials of Government Departments had been successful, both from a strategic point of view and from a sector visit perspective. The Chairman reported that Government had confirmed that they got everything they had wanted out of the visit. Key messages from Government were:
   - Devolution is here, seize the opportunity
   - Ensure Liverpool City Region asks of Government are robust and precise
   - Continue to build on the relationships established

Kate Willard noted as an attendee, the visit has been a success, justifying the amount of hard work put in to arrange it. The visit had allowed City Region stakeholders to hold discussions with a diverse range of Government departments.

Mayor Joe Anderson noted that it was good for Government to see what the City Region has achieved with reduced resources. He also highlighted that further public sector cuts were expected after the general Election and that Liverpool City Region needed to ensure in its dialogue with Government that Devolution is not seen as a means of cost cutting by Whitehall.

It was agreed – that the report be noted

2. SUSTAINABLE TRANSPORT ENHANCEMENTS PACKAGE (STEP)

The Board considered a verbal summary of the STEP report from Frank Rogers, Deputy Chief Executive & Director of Integrated Transport Services, MerseyTravel. The report sought the endorsement of the LEP Board on the approach taken to STEP and the Combined Authority’s approval to allow movement to delivery stage.

Frank Rogers noted that, due to sequencing of the Combined Authority and LEP Board as well as the need to progress schemes, the report had unusually been taken to the Combined Authority before the LEP Board. It was reported that the Combined Authority had approved the Major Schemes Business Case for STEP at its meeting held on 17th April 2015.

The Chairman highlighted that the earmarking of funding for scheme by Government was only the first step in the process; significant work is required to get schemes to the point where money can be drawn down.

It was agreed –
To endorse the approach taken to STEP and the Combined Authority’s approval of the Major Schemes Business Case for STEP to receive Growth Deal funding.

3. ENTERPRISE AND GROWTH UPDATE

The Board considered a report setting out the proposals and progress being made in the Business Growth and Enterprise programme of work and the steps needed to further accelerate that progress.

During consideration of the report, the Board was asked to note:-

- Progress made on implementation of the Growth Hub, its expanded scope, and requirements to ensure there are joined up business support services across the City Region.
- The establishment of an Investment Hub, comprising all local authorities and Liverpool Vision, with private sector support led by the LEP, that will deliver an Investment Strategy and Programme.
- The LEP Executive’s request to work with local authorities to develop an agreed approach to the selective and tactical use of Growth Deal Funds to support/attract major inward investment.
- The risk of a lack of continuity of existing funding for business schemes and a proposal for the LEP to submit a formal bid for ERDF funding, utilising unspent Merseyside ERDF from the 2007-2013 programme, to extend the running of the New Markets/Business Growth Programme.
- The Terms of Reference of the Enterprise Strategy Board and its objective to drive forward the City Region’s Enterprise Strategy.

Neil Sturme highlighted that the LEP needs to tap into best practices in the UK and internationally on how to prioritise the use of funding. Given changes to State Aid rules, the use of funding will have to be innovative and tactical and involvement of the private sector in thinking around this issue is a positive.

Mayor Joe Anderson raised a concern that the development of an approach to the tactical use of Growth Deal funds should be based on shared intelligence held across Liverpool City Region partners, predominantly local authority regeneration directors. Mark Basnett indicated that a dialogue with local authority regeneration directors was underway to get to a common position; the work forms part of the LEP’s role, along with the Combined Authority, in developing the appropriate use of Growth Deal funds.

Councillor Ronnie Round indicated that private sector involvement in deciding the approach to the use of Growth Deal funds was appropriate, but local authority regeneration directors should have oversight. In response Mark Basnett highlighted, decisions on the allocation of Growth Deal funds could only be approved by the LEP Board and Combined Authority.

Kate Willard highlighted that as a City Region there is a need to be sharper around State Aid regulations and that this required a dialogue with the private sector to understand market developments. She also indicated that the Terms of Reference for
the Enterprise Strategy Board needed to integrate the Skills agenda, and questioned whether 19 Board members was too many.

Chris Bliss suggested that business survival rates should be a KPi of the Enterprise Strategy Board. In response Mark Basnett indicated that survival rates will be a focus.

Amanda Lyne asked for clarification on why Life Sciences had been drawn out as a sector to invest ERDF funds. Mark Basnett highlighted that investment of ERDF funds would be broader than just Life Sciences. However the sector makes up a large amount of the current funding programme and to retain these businesses some investment focus on the sector would need to be retained.

It was agreed –

To approve the report with an amendment to recommendation 4, to reflect the role of local authority regeneration directors, and the inclusion of additional comments reflecting the Board discussion.

4. ESIF

(a) LIVERPOOL CITY REGION ERDF AND ESF TECHNICAL ASSISTANCE 2014-2020

The Board considered an update report on the recent national call for ERDF and ESF Technical Assistance (TA) and plans for a Liverpool City Region TA bid.

Mayor Joe Anderson raised a concern that there is a significant reputation risk associated with a bid, as well as the risk of “claw-back”; given that, the report does not provide an outline of how the money applied for will be spent.

Councillor Phil Davies raised a concern that more discussion with local authorities, particularly regeneration directors, could add value to the bid around staffing resource and match funding. He suggested that a later bid may therefore have more merit.

Kate Willard indicated that from a private sector perspective the City Region should be adopting a pragmatic approach. The bid deadline of 27th April should be met to gain “first mover” advantage, with conversations with relevant local authority officers undertaken before the deadline to allow any comments to be included.

Councillor Rob Polhill suggested that, provided the correct risk processes were in place, the bid should be submitted for 27th April. Councillor Ronnie Round agreed that it was important to get the bid submitted with any changes made at a later date. He noted that the employment and skills team at Knowsley MBC had worked with the LEP on the bid and had not raised any issues.

Amanda Lyne noted that Government bid guidelines were unclear as to what a “good bid” should look like, given the City Region is therefore competing “blind”, the bid should be submitted with negotiations undertaken at a later date.
The Chairman indicated that the submission had significant implications for local authorities, particularly concerning match-funding, and there was some concern regarding whether the purposes of the application was right. He pointed out that key partners felt they had not been able to provide all appropriate input which required addressing. That said, it was clear, as had been expressed by private sector members, that there was considerable merit in taking forward the application at the earliest appropriate opportunity.

It was agreed –

That the report is endorsed in principle and the mandate to submit the bid be approved dependent on appropriate consultation with local authority partners before the submission deadline of 27th April.

(b) BLUE GREEN ECONOMY UPDATE

The Board considered a report on the progress in developing a strategic ERDF investment framework for the Blue Green economy portfolio, in particular:

- the establishment of a blue green “task and finish” advisory group to provide strategic guidance to review and shape an investment framework.
- the development of a draft ERDF/ESF strategic investment framework for the Blue Green economy, ready for further consultation and input by local stakeholders over upcoming weeks.

It was agreed – that the report be noted.

5. VISITOR ECONOMY SECTOR DEVELOPMENT AND DESTINATION MANAGEMENT

The Board considered a report summarising the Succession Plan developed to provide the Liverpool City Region with an appropriate model for leadership, governance and delivery structures to support the Visitor Economy sector. The main conclusions and recommendations were:

Governance for the LCR’s Visitor Economy will continue to be provided by the Visitor Economy Board which will be refocused to allow it to deal with strategic development of the visitor economy for the City Region.

A new Visitor Economy structure will also be created for Liverpool City, governed by a Visitor Economy Network and will develop a strategy for Liverpool within the context of the wider LCR VE Stategy.

The LEP will retain responsibility for strategic functions for the City Region’s Visitor Economy including leadership, strategy development, funding and research. It will also represent the marketing interests of the City Region through its relationship with Marketing Liverpool. In terms of external relationships, it will be recognised as the LCR Destination Management Organisation (DMO) and within the LCR this will be known as LEP DMO.
Marketing Liverpool will continue to deliver Destination Marketing and Convention Bureau activity for the City Region. Responsibility for membership administration will transfer over from the LEP to enable a closer working relationship with businesses but this will be a process of transition during 2015-16. However, members will retain their status as members of the LEP.

Chris Bliss commented that the succession plan was a robust proposal based on a considerable amount of work.

It was agreed – that the model set out in the Succession Plan be approved.

6. MERSEY WATERS ENTERPRISE ZONE UPDATE REPORT 2015

The Board considered a report on the progress of the Mersey Waters Enterprise Zone (MWEZ) including the MWEZ Board meeting which took place at the end of March 2015.

It was agreed – that progress and activity on the Mersey Waters Enterprise Zone be noted.

7. ANY OTHER BUSINESS

The next meeting of the Board will be held on 4th June 2015 at 8.30am.

Minutes 1 to 7 received as a correct record on the 4th June 2015
European Structural and Investment Funds 2014-2020 Programme:

Implications of Government Guidance to ESIF sub-committees on Strategic Fit

Strategic Board Meeting 4 June 2015

Author:
Alan Welby
LCR LEP
1. Executive Summary/Purpose of Report

1.1 The aim of this report is to update the LEP Board on the implications of the recent government guidance in relation to the role of the local ESIF Sub Committee in relation to the ‘Strategic Fit’ of applications submitted for ERDF and ESF. A detailed briefing is at Annex 1.

2. Recommendations

2.1 To approve

- that the Executive Director Key Growth Sectors (Alan Welby) works with the lead local authority CEX for Europe (Mike Palin) to develop and secure sign off to a robust, locally owned and deliverable ‘strategic fit’ process by the ESIF committee;

- that the Executive Director Key Growth Sectors (Alan Welby) works with the Combined Authority and the Managing Authorities for ERDF and ESF to ensure that the EU governance structure is aligned to the established LCR governance structures

3. Background

3.1 On 7 May, the Government issued supplementary guidance on the working arrangements to support the delivery of the ESIF Operational Programmes (ERDF and ESF). This was in light of the imminent closure date for the open calls for ERDF and ESF.

3.2 Simultaneously, there has been transfer of the secretariat function for the local ESIF Committee from the LEP to DCLG (GDT). The ESIF sub committee is now a formal subcommittee of the National Growth Board (i.e. the Programme Monitoring Committee PMC). In other words, while members of the ESIF sub committee represent local stakeholders, there are no longer any formal links into the LEP Board, the Combined Authority or other LCR governance structures, other than through members nominated through these structures.

3.3 All ERDF and ESF applications in response to an Open Call will go through the same assessment procedure, which includes an eligibility check (eligibility expenditure, eligible applicant, etc.) followed by a Gateway Assessment (based on the outline application) and a Full Assessment (if the Gateway stage is passed). This will be carried out by the relevant Managing Authority.

3.4 As part of the Gateway Assessment, the ESIF Sub Committee will be asked to provide oral only advice on ‘Strategic Fit’, based on sight of the assessment reports. The strategic fit will be based on how well applications meet local development/growth needs. The ESIF committee will also be asked to prioritise bids for ESIF funding. The guidance envisages that ESIF Committees may wish to meet prior to the meeting to discuss.

3.5 It should also be noted that several elements of the business process are still missing:

- The final business process for approval of ERDF and ESF projects under the ‘open call’ route.
- Exact guidance on outputs and results expected (the ESIF targets must now be seen as advisory only).
- The final Terms of Reference for the ESIF sub committees.

3.6 Applications for the current Open Calls in relation to Research & Innovation, Low Carbon and SME/Competitiveness closed between 20 and 29 May. Applications for TA closed on 27 April. We have no indications of the value of these applications, nor how many applications have been received, but as the Board will recall much effort has gone into developing partnership/consortia bids aligned to LCR strategic priorities.

3.7 The attached briefing sets out in more detail the implications for LCR of the guidance issued on 7 May. The main ones relate to:
- Timing: the ability to get ESIF members together if papers are only issued 5 working days in advance;
- Conflict of interest: the ESIF committee will operate under Nolan principles;
- Support for the ESIF committee: secretariat support will be through GDT, which are expecting a single ESIF view on strategic fit, implying that the committee should meet prior to its formal meeting;
- Mandate: as the committee transfers from local control to GDT, we need to ensure that the ESIF committee is mandated on behalf of LCR to make recommendations on projects.

3.8 The challenge is therefore to put in place a process that will allow the ESIF committee to give advice, based on a transparent and accountable process as possible. The ESIF Committee did consider this issue and agreed at its April meeting to establish a Task & Finish Panel to consider outline applications and report back to the full ESIF Committee, involving relevant LCR sub boards and committees. It is now unlikely to be a deliverable process.

3.9 The Board is therefore asked to consider the above recommendations, which would embed and extend the formal working relationship between the LEP and the Combined Authority in the relation to the delivery of the LCR ESIF Strategy as well as ensure that decisions of the ESIF committee remains aligned to LCR wide Strategies.

4. Conclusion

4.1 The report has set out the implications in relation to the recent guidance on the discharge of Strategic Fit advice by the local ESIF committee. It has furthermore made recommendations for the way forward to ensure that projects with the strongest strategic fit will be prioritised for EU funding. This would be delivered through a strengthening of the working relationship between the LEP Board and the Combined Authority as the lead democratic and economic leadership Board/Authority for the city region.

May 2015
ANNEX 1

BRIEFING ON ESIF SUB COMMITTEE GUIDANCE NOTE ISSUED BY GOVERNMENT

Introduction

The UK Government has issued supplementary guidance on 7 May to ESIF committees on the core working arrangements to support the delivery of the ESIF Operational Programme. The guidance sets out the role of ESIF committees specifically on advising on 'strategic fit' of outline applications in the current round.

It is based on currently available information. A copy of the guidance is available on request.

Background

Following the calls for applications (outline stage), Government has issued guidance on the next steps in the business process. This relates to an assessment of 'strategic fit' against local development needs by the ESIF Committee. As expected, the timings are very short indeed, with papers only being issued five working days in advance.

The key points to note in this guidance note are:

- DCLG GDTs, as the secretariat, will be managing the process and will issue, electronically, Assessment Reports to ESIF Committee members five working days in advance of scheduled meetings or will request advice through written procedures with five days to respond;
- Advice from local ESIF committee members will be focused on fit with 'local development needs that are set out in the ESI Funds strategies within the context of the relevant Operational Programme';
- Advice from the ESIF committee will be oral only at the meeting, although written advice may inform this oral advice (and a local ESIF committee may choose to meet prior to the meeting to discuss);
- ESIF Meetings will normally be held quarterly and will operate under Nolan Principles to manage conflicts of interest.

The information in the Assessment Reports would appear to have been agreed with the European Commission.

'Strategic Fit' Process

Over the coming weeks, the LCR ESIF Committee will be asked to consider the full applications for ESF from the three opt-in organisations (DWP, SFA and Big Lottery) and all outline applications under the open calls for ERDF (low carbon, business/SME support, innovation) and ESF/Access to Employment. The deadlines for the open calls are between 20 May and 29 May. Outline applications for TA closed on 27 April. We have no information about the volume of either numbers and/or value of these.
The last ESIF Committee considered a report on ‘Strategic Fit’ and agreed that this would be exercised through a Panel of ESIF members, supported by relevant expertise from the LCR Sub Boards and reporting to the full ESIF committee, based on full sight of the outline applications. This process will now have to be modified in light of the Guidance Note issued by Government as Assessment Reports only will be made available to the committee five working days in advance.

The critical issue remains the ability for the LCR ESIF Committee to provide robust and sound advice on which outline applications should proceed to full application stage, taking into account the ESIF and other local LCR Strategies and the fit with local development needs. It will also be the only opportunity for the ESIF committee to reject outline applications or, if the project has a strong fit with local development needs, set out what changes would be required during the full application stage by the ESIF committee to gain full approval.

Issues to be addressed

The guidance raises a number of substantive challenges and it is unlikely that we will be able to run the agreed process. These are:

- **Timing** – the Assessment Reports will only be issued to the full ESIF committee five working days in advance. The agreed process by the last ESIF committee envisaged a Panel reporting to the full ESIF committee with relevant input from Sub Board;
- **Oral advice at ESIF Sub Committee only** – the process envisaged would have allowed the pulling together of a formal written report for the MAs; the guidance note makes it clear that the MAs will only allow oral advice from the ESIF committee;
- **Support for the ESIF Committee** – while the formal secretariat support will be provided by the Managing Authority, the guidance note also suggests informal meetings prior to agree on oral advice on applications. These would have to be supported locally;
- **LCR Mandate for ESIF sub committee** – there are no formal links between the ESIF sub committee and the LCR high level governance structures (LEP Board and Combined Authority), other than through the members, which have been nominated by individual sectors, potentially leading to a widening gap between EU projects and LCR ambitions.
- **Conflicts of Interests** – the ESIF Committee will be operating under Nolan Principles and potential and perceived conflicts of interests will need to be declared at each ESIF committee;
- **Composition of agreed ‘Strategic Fit’ Panel** – given the conflict of interest point above, we would need to consider the composition of the proposed Panel carefully. It is also unlikely that the timing would allow for any substantial involvement of any LCR Sub Boards (see mandate above);
- **Composition of ESIF Committee** – new ToRs will be in place for all local ESIF committees, probably after the next National Growth Board on 22 May. It is possible that the membership of the ESIF committees will have to be refreshed. In any case, it would be prudent to review the current membership of the shadow ESIF committee, if carried forward, to ensure that the formal committee is fit for purpose and aligned to current LCR governance structures;
Proposed Way Forward

Given the new guidance and the issues that this raises, it is proposed that the LEP and the CA work closely together to define a robust process, which gives maximum control over the oral advice that the ESIF Committee will give on the outline applications. This process would need endorsement of the ESIF Committee and officer support locally to work.

May 2015
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Emerging Government Policy
1 PURPOSE OF REPORT

1.1 The purpose of this report is to inform the LEP Strategic Board on important ministerial appointments for Liverpool City Region and the LEP as a result of the General Election, providing detail of individual ministerial responsibilities. Also to set out latest Government policy with regard to its long-term economic plan, including rebalancing the economy and improving productivity.

2 RECOMMENDATIONS

2.1 The Board is therefore asked to note the content of the report, and consider potential implications for Liverpool City Region and the LEP of emerging Government policy.

2.2 The Board mandates that LEP Executive to organise a consultation exercise with the private sector to establish if there is support for devolution and potential devolved powers and their expectation of what would be the potential benefits to business and economic growth. This will be undertaken, in collaboration with the Chambers of Commerce and other private sector representative bodies.

3 BACKGROUND

3.1 In the 8th May General Election the Conservatives won a majority, securing 331 seats in the House of Commons a majority of 12 seats.

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<th>Conservatives</th>
<th>Labour</th>
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<th>Liberal Democrats</th>
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Of the 157 parliamentary constituencies in the North West, North East and Yorkshire & the Humber less than a third are held by Conservative MPs, 70% of seats have Labour MPs.

The following table details the election results in parliamentary constituencies that include areas of the City Region.

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4 MINISTERIAL APPOINTMENTS

4.1 Given the Prime Minister’s announcement of his ministerial team, the following provides details of appointments of importance to Liverpool City Region and the LEP. Details of individual ministerial responsibilities can be found in the attached appendix.

Department for Business, Innovation and Skills

- Secretary of State for Business, Innovation and Skills – Sajid Javid
- Minister for Small Business, Industry & Enterprise – Anna Soubry
- Minister of State for Universities & Science – Jo Johnson
- Minister of State for Culture & the Digital Economy – Ed Vaizey
- Minister of State for Trade & Investment – Francis Maude
- Minister of State for Skills – Nick Boles
- Parliamentary Under Secretary of State for Life Sciences – George Freeman
- Parliamentary Under Secretary of State & Minister for Intellectual Property – Baroness Neville-Rolfe DBE CMG

Department for Communities & Local Government

- Secretary of State for Communities & Local Government – Greg Clark
- Minister of State for Communities & Resilience – Mark Francois
- Minister of State for Housing & Planning – Brandon Lewis
- Parliamentary Under Secretary of State, Minister for Local Government – Marcus Jones
- Parliamentary Under Secretary of State, Minister for Local Growth & the Northern Powerhouse – James Wharton
- Parliamentary Under Secretary of State for Communities & Local Government – Baroness Williams of Trafford

Department for Transport

- Secretary of State for Transport – Patrick McLoughlin
- Parliamentary Under Secretary of State for Transport – Robert Goodwill
- Parliamentary Under Secretary of State for Transport – Claire Perry
- Parliamentary Under Secretary of State for Transport – Andrew Jones
- Parliamentary Under Secretary of State for Transport – Lord Ahmad of Wimbledon

Department of Energy & Climate Change

- Secretary of State for Energy & Climate Change – Amber Rudd

Department for Culture, Media & Sport

- Secretary of State for Culture, Media and Sport – John Whittingdale

Department for Environment, Food & Rural Affairs

- Secretary of State for Environment, Food & Rural Affairs – Elizabeth Truss
5 GOVERNMENT’S LONG-TERM ECONOMIC PLAN

5.1 The Chancellor George Osborne, in his first two speeches since the General Election, has provided a broad outline of the Government’s priorities in the next parliament in terms of their long-term economic plan.

5.2 The Chancellor’s main tasks in the parliament:

- Dealing with the UK’s debt
- Boosting economic growth outside London (rebalancing the economy/devolution)
- Tackling weaknesses in the economy

6 DEALING WITH THE UK’S DEBT

6.1 The Government’s plan to eliminate the deficit by 2018 requires £30bn of spending cuts and clamping down on tax avoidance. A crucial element of the plan will be £13bn of cuts from “unprotected” departmental budgets by 2017/18: that might include business support, police, courts, defence, transport, local government and other services.

6.2 The Chancellor will set out his budget on 8th July when the scale cuts to public services and welfare payments will become clearer. Departmental budgets will be confirmed in the Comprehensive Spending Review scheduled for autumn 2015.

7 DEVOLUTION/THE NORTHERN POWERHOUSE

7.1 The devolution and localism agenda formed a major component of the former Coalition Government’s economic policy. This culminated in a series of City Deals, City Region Deals and most significantly, the devolution deal for Greater Manchester in November 2014.

7.2 The Greater Manchester Devolution Deal set out devolved powers over policing, skills, housing, and control over local buses. This was followed in February 2015 by a further agreement concerning powers over a £6bn health and social care budget. Agreement to the establishment of an elected city region-wide mayor formed an integral part of this agreement.

7.3 Agreements were also reached between Central Government and the Sheffield City Region and Leeds City Region in December 2014 and March 2015, respectively. These were generally less far reaching than the Greater Manchester agreements and changes to governance arrangements did not form part of Sheffield or Leeds City Region proposals.

7.4 Liverpool City Region commenced discussions on its devolution proposals in late 2014, following an initial report to the Combined Authority on 21st November. Government feedback has been that Liverpool City Region needs more focused “asks”, and to be clearer in defining the long-term outcomes and objectives that specific powers or freedoms would help to address.

7.5 After discussions between City Region Chief Executives and senior civil servants it was agreed that City Region proposals would be focused around three core themes:

- Transport
- Skills
- Low Carbon

7.6 David Brown, Chief Executive of Merseytravel is preparing a paper outlining the next stages for City Region proposals; this paper will go to the LEP Strategic Board and Combined Authority.
7.7 The devolution agenda has accelerated rapidly in the period following the general election. The Chancellor has outlined his ambition for cities to take control of their own affairs, dependent on the establishment of a directly elected city region-wide mayor which brings accountability and leadership.

7.8 The Queen’s speech on 27th May included a Cities and Local Government Devolution Bill to enable Greater Manchester and other cities to take forward a new model of city government. Whilst an elected city-wide mayor is a prerequisite of gaining greater control over local transport, housing, skills, social care and healthcare it does not have to be a case of “one size fits all”, rather what works for individual areas.

7.9 The main elements of the bill are:

- The Bill would provide new primary legislative powers to fulfil the Government’s manifesto commitments.
- Together with existing powers under the Localism Act 2011, the Bill would also enable the Government to empower towns and counties, building on the programme of Growth Deals which the Government implemented in the last Parliament.
- The provisions in the Bill would be generic (to be applied by order to specified combined authorities and their areas and would enable:
  - An elected mayor for the combined authority’s area who would exercise specified functions and chair the authority.
  - The mayor to undertake the functions of Police and Crime Commissioner (PCC) for the area.
  - Where a mayor is to have PCC functions, allow the current PCC term of office to be extended until the mayor is in place.
  - Remove the current statutory limitation on its functions (currently these are limited to those on economic development, regeneration, and transport).
  - Enable local authority governance to be streamlined as agreed by councils.

7.10 The drive to build a Northern Powerhouse comes from a need to bring about a balanced economic recovery. Government is committed to devolving powers and budgets to boost local growth. It is therefore important that the private sector has the opportunity to provide a business perspective on the emerging issues to ensure proposals maximise economic impact. The LEP sub-boards, as well as Chambers of Commerce and other private sector representative bodies provide an opportunity to engage with business on devolution.

8 TACKLING WEAKNESSES IN THE ECONOMY

8.1 In his key note speech at the Confederation of British Industry’s 2015 annual dinner on 20th May, the Chancellor outlined his plans to work in partnership with business to tackle long-term economic weaknesses, to make the economy more productive. A “Productivity Plan” will be released before the budget in July, areas of focus will be:

- Physical Infrastructure
- Skills
- New Enterprise Bill
- Privatisation of Assets
- Childcare
Physical Infrastructure

8.2 Action to improve the physical infrastructure of the country, productivity is lost through train delays, traffic jams and poor technology. Government will invest in HS2/HS3, the road network, broadband & telecoms, homes and remove obstacles to developing brownfield sites.

8.3 From a business perspective, the UK has consistently spent less on investment in new plant and machinery than its peers. In particular since the recession output has expanded by using more labour than capital. A change in this culture will be needed.

Skills

8.4 Changes to improve skills levels in the country. The UK is one of only three OECD countries where the skills of 16-24 yr olds are no better than those of 55-65 yr olds. Government plans to expand apprenticeships, grow student numbers, and support world class science research undertaken in universities. The Chancellor also made a point of noting efforts to cut tuition fees had been defeated.

Enterprise Bill

8.5 The Enterprise Bill will introduce measures to reduce regulation on small businesses so they can create jobs. The purpose of the Bill:

- Cement the UK’s position as the best place in Europe to start and grow a business, by cutting red tape and making it easier for small businesses to resolve disputes quickly and easily.
- Reward entrepreneurship, generate jobs and higher wages for all, and offer people opportunity at every stage of their lives.

8.6 The main elements of the Bill are deregulation, small business conciliation service, public sector redundancy pay and business rates.

Privatisation

8.7 Government to return banking sector investments to the private sector in line with policy to support a more productive allocation of finance. Government will also merge UK Financial Investments and the Shareholder Executive into one organisation to handle asset sales.

Childcare Bill

8.8 The Childcare Bill will bring forward measures to help working people by increasing the provision of free childcare. The main elements of the bill:

- To provide for an increased entitlement to 30 hours a week of free childcare (for 38 weeks of the year) to be made available to eligible working parents of three and four year olds.
- To require local authorities to publish information about the provision of childcare in the local authority area, and other services or facilities which might be of benefit to parents or prospective parents, or children or young persons in their area.
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<tr>
<th>Department for Business, Innovation &amp; Skills</th>
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| **Secretary of State for Business, Innovation and Skills – Sajid Javid** | • Overall responsibility for the department, strategy and all policies  
• Overall responsibility for the BIS budget  
• President of the Board of Trade  
• Lead Cabinet minister for reducing regulatory burdens across government |
| **Minister for Small Business, Industry & Enterprise – Anna Soubry** | • Business sectors and industrial strategy  
• Industry sectors (eg automotive, aerospace)  
• Enterprise including Enterprise Bill  
• Access to finance, including Business Bank and Green Investment Bank  
• Better regulation  
• Export control  
• Green economy  
• Royal Mail and Public Data Group  
• Economic shocks  
• Oversight of trade (as House of Commons trade spokesman)  
• Insolvency Service  
• Product Safety  
• Local growth  
• English devolution  
• Regional Growth Fund  
• EU Structural Funds  
• Employee ownership and social enterprise |
| **Minister of State for Universities & Science – Jo Johnson** | **Science and Innovation**  
• Overall responsibility for **Science and Innovation**  
• Strategy and Spending Review  
• Research Funding (HEFCE and Research Councils)  
• Public engagement in science  
• STEM skills  
• Open access / research data  
• Relationship with GO Science  
• Innovate UK  
• Great Technologies  
• International Knowledge and Innovation (EU)  
• Smart Cities (co-lead with Ed Vaizey as now) |
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<td>• Postgraduates</td>
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<td>• Education exports strategy</td>
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<td>• Preventing violent extremism</td>
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<td>• International students and migration</td>
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<td><strong>Intellectual Property</strong> - Commons spokesperson</td>
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<td><strong>UK wide devolution</strong></td>
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<th>Ministry of State for Trade &amp; Investment – Francis Maude</th>
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<tr>
<td><strong>Digital Single Market</strong></td>
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**JOINTLY TO BIS AND DCMS (Via Digital Economy Unit)**

| • Co chair smart city forum |
| • Digital Entrepreneurship (including work with Tech City and Tech Clusters) |
| • Future Technologies (including IOT and Big Data policy development) |
| • Digital Skills |
| • Tech and cyber business strategic relationship management |

**DCMS**

| • Digital economy strategy (including DE council) |
| • Cyber security |
| • Telecoms Resilience |
| • Telecoms and digital infrastructure |
| • Culture |
| • Media |
| • Creative Industries |

<p>| • Trade policy |
| • Trade promotion and inward investment |
| • UKTI |
| • Export Taskforce (chaired by SoS) |
| • Cabinet Committees, Trade and Investment Board |
| • UK Export Finance |
| • Strategic relationship management |
| • Defence security and aerospace |
| • House of Lords business |
| • GREAT campaign |
| • National Contact Point [for complaints against companies under the OECD Guidelines for |</p>
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<th>Minister of State for Skills – Nick Boles</th>
<th>Multi-National Enterprises</th>
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<td>- Traineeships and Basic skills</td>
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<td>- NEET young people</td>
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<td>- Disadvantaged learners</td>
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<td>- Community learning</td>
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<td>- International and EU skills</td>
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<td>- FE and Sixth Form colleges</td>
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<td>- Advanced learner loans</td>
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<td>- National colleges</td>
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<td>- Careers</td>
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<td>- Employer ownership of skills</td>
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<td><strong>Industry Sectors</strong></td>
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<td>- Retail, Construction and Rail sectors (including Industry Councils), Tourism Council</td>
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<td><strong>Employment relations</strong>, including ACAS</td>
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<td><strong>Trade union policy</strong> and regulation</td>
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<td>- Sponsorship of Citizens Advice, National Trading Standards</td>
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<td><strong>Competition Policy</strong></td>
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<td>- Advice on merger cases and market investigations</td>
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<td>- Sponsorship of CMA, Groceries Code Adjudicator, Pubs</td>
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<td>- Economic regulation including postal policy</td>
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<tr>
<th>Parliamentary Under Secretary of State for Life Sciences – George Freeman</th>
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<td><strong>BIS elements</strong></td>
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<td>- Office of Life Sciences</td>
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<td>- Industrial Strategy: life sciences</td>
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<td>- Supply chain resilience (animal research)</td>
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<td>- Agritech Strategy (reporting to Science Minister)</td>
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<td>- Ministerial lead for medical and pharmaceutical research and innovation, reporting to the Science Minister</td>
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<tr>
<td>- UKTI Life Sciences Innovation Office (reporting to Trade Minister) [subject to discussion]</td>
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<td><strong>DH elements</strong></td>
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<tr>
<td>- Regulation of medicines and drug pricing</td>
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<tr>
<td>Parliamentary Under Secretary of State &amp; Minister for Intellectual Property – Baroness Neville-Rolfe DBE CMG</td>
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<td>• Professional Business Services (PBS)</td>
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<td>• Single market in goods and services</td>
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<td>• Digital Single Market (Lords lead)</td>
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<td>• Competitiveness Council</td>
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<td>Corporate governance, Company law and Companies House</td>
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<td>BIS Better Regulation</td>
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<td>• Lords Business</td>
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<td><strong>Secretary of State for Communities &amp; Local Government – Greg Clark</strong></td>
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<td>• Overall leadership of the department</td>
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<td>• Troubled Families</td>
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<td><strong>Minister of State for Communities &amp; Resilience – Mark Francois</strong></td>
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<td>• Coastal communities and Thames Gateway</td>
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<td>• Deregulation</td>
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<td>• Lead minister on the Devolution Bill</td>
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<td>• Minister for Portsmouth</td>
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<td><strong>Minister of State for Housing &amp; Planning – Brandon Lewis</strong></td>
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<td>• Housing (including Ebbsfleet)</td>
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<td>• Planning policy</td>
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<td>• Neighbourhood planning</td>
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<td>• Lead minister on the Housing Bill</td>
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<td>• Planning casework</td>
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<tr>
<td><strong>Parliamentary Under Secretary of</strong></td>
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<tr>
<td>• Local government policy, including adult social</td>
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<tr>
<td>Position/Role</td>
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</table>
| State, Minister for Local Government – Marcus Jones                          | care and children’s services  
• Local government finance  
• Homelessness  
• Community rights, including community pubs  
• High streets, town centres and markets  
• Welfare reform  
• Supporting minister on the Housing Bill  
• Planning casework |
| Parliamentary Under Secretary of State, Minister for Local Growth & the Northern Powerhouse – James Wharton | • Northern Powerhouse, supporting the Secretary of State on City Deals  
• European Regional Development Fund  
• Enterprise Zones & Local Enterprise Partnerships  
• Building regulations  
• Supporting minister on the Devolution Bill  
• Planning casework |
| Parliamentary Under Secretary of State for Communities & Local Government – Baroness Williams of Trafford | • Departmental business in the House of Lords  
• Local government finance and policy  
• Integration and faith  
• HS2  
• Travellers  
• Supporting the Secretary of State on City Deals and Troubled Families  
• Women and equalities (supporting the Department for Education in the Lords) |

**Department for Transport**

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<tr>
<th>Position/Role</th>
<th>Responsibilities</th>
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| Secretary of State for Transport – Patrick McLoughlin                        | • Transport strategy, including economic growth and climate change  
• Spending review  
• Transport security  
• High speed rail (HS2) |
| Parliamentary Under Secretary of State for Transport – Robert Goodwill       | • High speed rail (HS2)  
• Aviation  
• Europe and international  
• Maritime  
• Devolution  
• Cycling and walking |
| Parliamentary Under Secretary of State for Transport – Claire Perry          | • Rail major projects and growth  
• Rail infrastructure, safety and security  
• Passenger services  
• Strategy, funding and sponsorship  
• Integrated delivery and accessibility  
• Rail fares and ticketing |
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<tr>
<th>Parliamentary Under Secretary of State for Transport – Andrew Jones</th>
<th>Parliamentary Under Secretary of State for Transport – Lord Ahmad of Wimbledon</th>
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<td>Northern Powerhouse, including Northern and TransPennine Express franchises</td>
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<td>Office for Low Emission Vehicles (OLEV)</td>
<td>Corporate and better regulation</td>
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<td>Technology and innovation</td>
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<td>Freight and logistics</td>
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<td>National roads and Highways England</td>
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<td>Bus policy</td>
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<td>Local transport, including roads, local majors, and Local Sustainable Transport Fund</td>
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<td>City growth deals</td>
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<td>Smart ticketing</td>
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**Department of Energy & Climate Change**

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<td>Energy bills and the Competition and Markets Authority investigation</td>
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<td>Key decisions on major programmes and new policy in DECC</td>
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**Department for Culture, Media & Sport**

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<td>Department for Environment, Food &amp; Rural Affairs</td>
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| Secretary of State for Environment, Food & Rural Affairs | • EU and international relations  
• Emergencies  
• Common Agricultural Policy Reform  
• Biodiversity |
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Capital Investment

Strategic Board Meeting 4 June 2015

Author: Lisa Smith
Liverpool City Council

Presented by: Alan Welby
LCR LEP
1. PURPOSE OF THE REPORT

1.1 The purpose of this report is for the LEP Strategic Board to consider the ongoing work underway in the City Region to develop a more aligned approach for the utilisation of capital funding.

1.2 This has resulted in a draft “Capital Commissioning Framework” which is presented to the Board for consideration alongside the context and next steps for the work.

1.3 This work is being managed in collaboration with the Lead Chief Executive for Economic Development and with Local Authority Regeneration Directors.

2. RECOMMENDATIONS

2.1 The LEP Strategic Board is recommended to endorse the work undertaken to date and note that further work is underway to prepare the detail of the commissioning areas and consider how the framework can be implemented and supported within the city region governance structures.

3. BACKGROUND

3.1 The LEP Board will recall that this work was commissioned by the previous Executive Director of Strategic Economic Development in order to develop a more effective utilisation of 2014-2020 ERDF place resources and the Local Growth Fund 2 resources of £15.6m. Paul Lakin of Urban Policy Associates was appointed to identify priorities for the use of these resources.

3.2 The aim of the work was to ensure these funds were deployed in a manner which avoided duplication between the funds, ensured resources were not tied up in projects which were not ready to be delivered and which focused on the strategic priorities of the City Region.

4. WHY DEVELOP A FRAMEWORK APPROACH?

4.1 Previous funding streams have come to the city region with a distinct set of outcomes and restrictions. Each funding stream requires its own strategy for allocation which can mean 4 or 5 different funding streams at any one time offering different support to investors. The clear flaws with this approach are that investors can be confused by the various funding streams, that funds compete within the same “pool” of projects and also that the strategic priorities of the city region are less distinct as the funds focus on addressing their own requirements.

4.2 The key advantage to developing a Capital Funding Framework is that the City-Region can clearly articulate the priorities it wants to allocate capital funding to and what outcomes should be achieved through such an approach.

4.3 As the devolution agenda grows in pace, there is also a clear opportunity for the City Region to demonstrate to Government that it has the ability and capacity in place to allocate and spend discretionary capital funds effectively. This will provide a firm basis on which to seek further devolved funding.

4.4 To be clear, the Framework being developed is not a strategy for the City Region. Instead, it draws upon existing strategies with the purpose of better aligning capital funding to those priorities for delivery. This is the principle purpose of the commissioning framework.

4.5 The benefits of this approach are potentially considerable;

- At present there is no mechanism in place to allocate discretionary capital funds to projects, this has led to delays in spending available resources, undermining the case for future discretionary resource
A ‘Framework’ helps ensure that a more comprehensive regeneration funding menu is available to support the delivery of those sites which require some form of public intervention. A ‘Framework’ offers the opportunity to consolidate funding streams and demonstrate a much greater collective economic impact. A ‘Framework’ can demonstrate to external investors and Central Government that the City-Region has a clear set of priorities and can effectively target resources to these priorities.

5. THE DRAFT COMMISSIONING FRAMEWORK

5.1 The attached Draft Framework currently covers two funding streams - ERDF Place resource of £6m and £15.6m of LGF2 funding from Central Government. However although limited at this point, it does have the potential to incorporate other resources such as unallocated or recycled Growing Places Fund monies and to ensure a clear alignment with recycled Chrysalis funding and other investment tools.

5.2 Against this resource, four initial priority commissioning areas have been identified:

i. Preparing very large sites and land in the city-region to meet the potential opportunity for growth driven by ‘Superport’;

ii. Providing structured support to stimulate the supply of commercial property;

iii. Increasing the speed, scale and delivery timetable of the Enterprise Zones;

iv. Provide greater demand stimulation for commercial property by intervening to support potential high-growth firms in higher-value sectors.

5.3 ERDF resources are generally much more restrictive than national funds. In particular because of the need to generate direct jobs outputs, certain activity such as ‘place-making’ (installing public realm to create an environment capable of absorbing investment) is difficult to fund.

5.4 Likewise the preparation of larger, and usually brownfield land sites, to meet the potential demand from port-expansion, will not directly create the higher value jobs that the ERDF programme is particularly focussed upon. LGF2 resources are therefore suggested in the framework as supporting these types of activities.

5.5 The ERDF programme is much better suited to providing a degree of investment in the direct construction of new commercial property, where a wider range of outputs can be counted. Likewise, support innovative business growth has a strong fit with the profile of the ERDF programme. These priority activities are therefore suggested as the focus for ERDF place

6. CONSTRAINTS AND FURTHER WORK REQUIRED

6.1 Further work is required to consider alignment with other funding streams operating outside of this framework to ensure that the different capital funds do not compete against each other and are effectively targeted. These include the various RGF grant funds operating in the City Region, Growing Places Funds and recycled funding from Chrysalis.

6.2 It has become clear that the City Region’s influence on the 2014-2020 EU Programme is not what partners expected or required. Although the framework has clearly identified the city region priorities which are best suited to ERDF funding, there is a need to ensure these are reflected and acted upon in the national calls process. In addition there will be ERDF spend
and output profiles for the City Region which will also need to be considered and applied through the Capital Framework approach.

6.3 There are a number of operational issues to consider for the approach to work effectively. Capacity within the city region will need to be considered both in terms of management of the funding streams, appraisal and approval processes, performance management but also the development of the pipeline of projects.

6.4 One of the benefits of a framework approach is that funding is targeted at strategic priority areas rather than a list of specific projects. That approach can have the effect of tying up resources in projects which have not reached the required level of maturity with the risk that funds don't get spent. Flexibility will be required to ensure that when a transformational project does emerge, the required resources can be aligned to support delivery at the right stage in its development process.

7. NEXT STEPS

7.1 The work undertaken to date has been developed in consultation with partners and in particular Regeneration Directors of the six Local Authorities who are supportive in principle and will be finalising and agreeing the exact detail of the 4 commissioning areas in the coming weeks.

7.2 The Combined Authority will be responsible for implementing any agreed approach. As such, the Lead Chief Executive for Economic Development is co-ordinating the next stage of the work to assess how it can be effectively operationalised. As referred to above, this will have to consider issues such as the role of an Accountable Body, alignment with other funding, the establishment of robust approval systems, governance structures and the capacity required to effectively manage and update the 'Framework'.

7.3 This work will also need to adapt and reflect any developments in the devolution agenda and respond to the emerging governance and management of the EU programme locally.

7.4 LEP Strategic Board Members will be kept informed of the outcome of this work.
Commissioning Framework for Capital Funding Projects

Version: Combined Authority for Approval
Index

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The Commissions

Commission 1 Prepare the next generation of Super Port sites
Commission 2 Stimulate the supply of sustainable commercial property
Commission 3 Increase the speed, scale and delivery timetable of the Enterprise Zones
Commission 4 Innovation Businesses Capital Fund

1. The Challenge and the Opportunity

The Liverpool City Region faces a range of economic challenges.

The city-region must compete with other large English city-regions, many of which have considerable resources and structures designed to attract investment projects. The devolved Governments in Cardiff and Edinburgh have very strong FDI (foreign direct investment) offers backed by considerable subsidy/intervention funds, and the Republic of Ireland offers not only a strong range of incentives, but much lower rates of corporation tax. In such a competitive investment environment the city-region cannot rest upon its laurels, it must be ambitious in designing a set of funding programmes and incentives that can compete for new investment projects.

There is a strong argument that the existing range of economic development funding approaches (in particular an over reliance on recyclable finance) are insufficient to meet the scale of the competitive challenge. Without an overhaul they will be inadequate to compete against the best city-regions and devolved entities and will contribute to leaving the city-region further behind economically.

There is a widespread reluctance to return to an era where grant funding was made widely available, not least because the public sector resources are no longer sufficient to support such an approach. However, the commercial property market remains partially blighted by a combination of generally low values, and, major sites with abnormal development costs.

The challenge is to create a new funding approach which is explicitly designed to unlock key investment sites in the city-region. These are the sites that have the scale and potential to deliver transformational change with the potential to deliver economic benefit across the city-region.

An important principle is that any new approach to capital funding should be designed around a broad principle; that the more options the public sector has to intervene, the more likely it will be that a wider range of sites will be regenerated and more investment projects will be landed.

The new funding framework will only be effective if implemented alongside effective and ambitious local economic development plans. Local Authorities will need to ensure that available development land is not over-priced because of unnecessary constraints upon the supply of employment land through the planning system. Local Authorities should also continue to innovate, for example by investing in projects where there is significant rates uplift or by investing their land into projects. It is by operating the new funding framework alongside innovative local approaches to financing and enabling development that impact will be maximised.

The design of a capital funding Framework should be driven by a number of commonly agreed principles;

- The alignment of external and internal funding sources is essential. There is a risk that if the funding sources are not effectively managed that duplication will occur, which would waste public funding and confuse the market.

- The city region should make available a pot of ‘gap-funding’ to subsidise certain types of commercial property. The gap funding should be offered only once Chrysalis funding has been explored (there should be no formal requirement to draw-down Chrysalis Funds). This should help avoid a position where Developers seek a grant first when a recyclable loan may have closed or eliminated the gap. If the Chrysalis Fund makes greater utilisation of its State Aid notification the scale of gap funding required to make schemes viable should reduce.

- The city region should use subsidy funding to reclaim a number of strategically located large sites, suitable for delivering the Super Port strategy. A landowner seeking funding would have to
demonstrate that the site has an abnormal development cost, and would have to directly contribute to any increase in land value following a work programme.

- The city-region should generally move towards interventions which stimulate demand for new commercial property, as opposed to measures which seek solely to increase supply of available commercial property. This change in approach would imply that resources be prioritised to attract new occupiers, in particular those operating in high-value and strategically important sectors.

- The city-region must continue to articulate the case for ‘place’ type interventions in targeted locations. The installation of public realm is particularly vital in delivering regeneration in former industrial locations, where a generally unattractive environment acts as a brake on external investment. There are no examples of major brownfield regeneration schemes in the UK which have not received public investment contributions to public realm.

- The Framework should enable investment in sites which could be considered at a pre-pipeline phase. Too often national funding has wanted to support only end-development, but to get to that stage there are costs involved in planning phase. This practice has hampered the ability of Local Authorities to bring forward a steady supply of sites to the market.

- A funding Framework should not be considered a static document. It should be dynamic, with the city-region designing new methods of intervention as national policy or external investment environments change. This should mean that over time that other active strategies in the city-region, such as the innovation strategy, are incorporated into the Framework.

2. The Creation of a Capital Funding Commissioning Framework

A funding Framework allows a city-region (or similar governance structure) to identify how it wants to use and deploy its full range of capital funding resources.

The alternative is to create a separate strategy for every different fund, which in the case of Liverpool City region could mean between four and five strategies. The flaws with such an approach are obvious, external investors become confused and funds potentially start competing to support the same pool of projects.

A key advantage of a ‘Framework’ is that the city-region can state the activity it wants to support using capital funding, as opposed to being overly restricted by the rules set by providers of the funds. As the UK government moves further towards offering areas of England greater devolution of public funds, an opportunity is presented to the city-region to demonstrate it has the structures in place to deliver capital spending projects.

Instead of receiving funding from national and European sources which comes with a whole host of strings attached and restrictions on use, the city-region should increasingly state that it wants to attach resources directly to the priorities identified in it’s ‘Framework’. Nationally the devolution agenda has been moving broadly in the right direction, but the journey is incomplete, and the Framework must take account of a number of existing rules, regulations and restrictions.

The national ERDF programme will not support some of the interventions proposed in this framework. The ERDF resources are principally suited to funding activity which directly creates jobs. The preparation of major employment sites (through land reclamation activity) ensures that a pipeline of sites are available to the market, but the activity in isolation cannot guarantee job outputs. Likewise, ‘Place’ type investments in public realm do not directly create jobs, but they do create the necessary conditions for external Developer investment.
Therefore, it is proposed that ERDF funding is applied to certain activity identified in the Framework. In other areas, where activity does not sit well with the ERDF priorities, it is proposed that the more flexible Local Growth Funds are used.

This first draft of the Framework contains the ‘Place’ allocation of funding in the 2014-2020 ERDF (European Regional Development Fund) and the c£15m capital resources secured through the Local Growth funding award to the city-region. It is proposed that once the Framework is operationalised, that the resources allocated to the Growing Places Fund are aligned.

The design of this Framework has taken detailed account of the strategic priorities of the Liverpool City Region LEP and it’s principal partners. The Framework is not a new ‘strategy’ for delivery, it has drawn upon an established portfolio of priorities. The purpose of the Framework is to better align capital funding to a broadly established set of priorities.

At a macro-level the priorities have been recognised as opportunities associated with the ‘Superport’, the Enterprise Zones (including the Liverpool City Enterprise Zone), the need to build on existing and established knowledge assets, and the more general need to increase the attractiveness of the city-region to business investors.

The Framework recognises a few existing spatial priorities (and it may be that new priorities emerge over time as a result of the Local Plan process), namely those which have already been given a particular designation such as the Enterprise Zones at Daresbury, Wirral and Liverpool Waters and Liverpool City Enterprise Zone. There are other strategic documents, such as the City-Region Local Investment Plan, which provides a reference point. Outside of these policy driven designations, there is no further benefit in any form of additional spatial prioritisation. The market and the needs of end-users should ultimately determine the exact location for a commercial property investment. A Framework identifies the typology of a project that would be desirable, it is for project applicants to demonstrate how they meet the criteria laid out in the commissioning documentation.

Figure 1 Commissioning Framework

3. Creating a Long Term Approach
This Framework offers the potential for the city-region to adopt a long-term and consistent approach to the delivery of capital funded projects.

The Government has allocated significant capital resources to the city-region. The onus is now upon the city-region partners to ensure that funding is deployed against strategic priorities, ones which translate to economic growth and new jobs. A failure to deploy an existing resource envelope would serve to undermine attempts to argue that the city-region should take greater responsibility for general public expenditure.

Commensurately, the ability locally to make sense of disparate funding streams to create a coherent and workable investment plan would serve as an example of how the city-region partners can deliver activity on the ground.

It is worth reiterating the point that the Framework is not a strategy document (it uses strategy developed elsewhere) it is a mechanism to allocate resources and deliver activity. If the strategic approach of the city-region partners alters, then the Framework should be adjusted to take account of this.

The Commissioning Framework can be promoted to Government and other key stakeholders to demonstrate the level of ambition and scale of resources the city-region is committing to economic development programmes. The Framework would give a clear insight to potential investors of what is available in the city-region and would help generate confidence for those Developers and Investors planning investments in the city-region.

The city-region should commit to identifying the total level of activity and investment commissioned through the Framework, and use independent evaluations to demonstrate the level of economic return the city-region is capable of achieving.

4. Delivering the City-Region economic development strategies

This framework is based upon a number of different strategies which have been created at a city-region level.

This Framework is limited to capital funding allocations for economic sites, commercial buildings and regeneration programmes.

If at some point in the future the city-region partners see benefit in extending the scope of this Framework then it could extend into wider areas where capital funding is deployed such as Further Education or Housing, but for now these are excluded.

This exercise has identified the following links between the City-Region Growth Plan and the four priority areas identified in this Framework;

- There is, firstly, a clear need to identify and prepare very large sites to take advantage of the Super Port concept, previous intelligence has shown the city-regions supply of large sites dwindling.
- There is a need to ensure that the city-region has a land and property offer that supports SME businesses both in target sectors such as bio-tech and ICT, but also does not overlook the important contribution of SME’s based in the city-regions industrial zones.
- The opportunities afforded by the Enterprise Zones are critical, city-region resources can compliment national approaches, offering funding and resources to ensure a comprehensive regeneration approach can be implemented.
• The city-region must increase the level of property occupation by businesses in higher-value and growing sectors, in particular in those sectors where the city-region has some emerging strengths.

5. Allocating Resources across the Commissioning Framework

The ‘Framework’ document itself is restricted to identifying only broad allocations. This is because circumstances can change quite rapidly, and re-writing the Framework every time a number funding source is identified would be unnecessarily cumbersome. Furthermore, the city-region partners will want greater flexibility going forwards, if one programme is not managing to spend it’s resource, it should be able to make rapid decisions about moving the funding between commissions.

The total ERDF ‘Place’ allocation is £32m. The initial city-region submission suggested a split of £25m for a new financial instrument and £7m for other activity. The city-region should consider whether that scale of allocation is justified on the basis of needs for funding.

As of January 2015 it is estimated that in the region of £20m of the total £34m allocation of funds to Chrysalis has been actively lent. This Framework document recommends lining up the available ‘gap’ funding resources alongside Chrysalis, this should increase the flow of projects and help the fund disperse its original allocation by the end of 2015.

This, in theory, will leave the Fund only with financial returns from its original investments to loan out from the beginning of 2016. There is, therefore, an argument that new programme resources should be allocated to ensure there is lending capital available. However, any new allocations would not benefit from the existing state-aid notice, and could only be lent out at somewhere around market rates. In such circumstances, future demand for the fund from Developers may be muted.

The city-region partners should also consider whether the resources that were originally allocated through the Growing Places fund, and are currently vested at the LEP, should be included in the Framework approach. The funds were originally designed to be used as recyclable loans, but the Government has more recently indicated that they can be used more or less at the discretion of the LEP and its partners. The Growing Places fund would be a useful and flexible addition to the Framework, with a much greater flexibility governing their use than for ERDF funds.

6. Constraints

A guiding principle behind a Framework approach is to remove constraints by ensuring available funding is able to stretch and bend to match city-region priorities. However, it is not possible to remove all the potential constraints, as many of these are imposed by European or national policies and guidelines.

6.1 ERDF and European Regional Policy

The Liverpool City Region ESIF (European Structural and Investment Funds Strategy) is heavily influenced by European regional policy. The current programme has a particular focus on innovation, new economy, sustainability and inclusivity.

There is also a particular enthusiasm in the UK for the use of financial instruments, such as JESSICA and JEREMIE. The UK has committed to deploy a proportion of its national resource to the development of new financial instruments during the current 2014-2020 programme. This will influence negotiations regarding the level of resource the city-region wishes to allocate for financial instruments.
Whilst the programme enables a degree of local influence, the calls for proposals under ERDF will be made nationally, with the scope for local innovation lessened.

The requirement to comply with ERDF policy drivers has influenced the design of the commissioning model. Activity best suited to ERDF funding has been separately demarcated.

6.2 State Aid

The ability to intervene in land and property markets has been substantially curtailed over the last few years. The latest Commission guidance provides a series of exemptions (General Block Exemptions) which details the circumstances under which aid may be granted. These priorities have been drawn up with regard to the new regulations, but it is for each applicant to determine whether what they propose is compliant with the revised regulations. State Aid regulations apply to all public investments.

The other major constraint is the reduction in the intervention rates for gap funding schemes. In the previous programme it was possible for ERDF to pay up to 45% of eligible costs for a given scheme. This has now been reduced to 15%/20%/25% depending upon whether the Developer is an SME. This will have the impact of reducing the level of demand from Developers over the course of the 2014-2020 programme.

Another significant change is to the Derelict Land Grant. In the previous ERDF programme this used to pay for the costs of soil remediation, the removal of existing site structures and the installation of site infrastructure. The Developer would contribute to the uplift in value following the completion of the reclamation of the site. The new updated State Aid guidance appears to only allow the costs of soil decontamination to be claimed, reducing the potential impact and use of the measure.

The overall impact from the changes to the State Aid regulations are fairly constraining. This has helped create a rationale for investing in the SME occupiers of commercial property, as the regulations covering SME businesses are less onerous. It allows the city-region to make a shift in emphasis towards promoting occupancy of commercial property, improving the base conditions of the commercial property market, so that over time the market becomes entirely viable with less recourse to subsidy.

6.3 Output Requirements

The requirement by providers of funding to generate fixed levels of economic outcomes is often a constraining factor. In particular it is a constraint on activity which creates the environment for investment. Such activities as land remediation and public realm do not directly create new jobs. The use of a Framework is helpful in this regard, this type of activity can be directed towards those public funds which have a lesser output requirement.

The new ERDF programme has nationally agreed output targets, it is proposed that these be distributed on a pro-rata basis to each operating area. For this reason, it is tactically smarter to deploy ERDF resources on that activity which generates the largest numbers of directly created new jobs.

The calculations for the overall outputs cannot be estimated until such time resources are applied across the five commission areas.

6.4 Spending Deadlines

The ERDF programme in particular has binding targets to meet in regard to spend commitment. In the previous ERDF programme (2007-2013) it was possible to establish a financial instrument and once ERDF funds were transferred to the Fund Manager the ERDF money was counted as spent. In the new (2014-2020) programme disbursements will instead be made on a phased basis according to
the level of resource actually committed to final recipients (source: Financial Instruments in ESIF programme 2014-2020 guide).

There are significant complexities associated with the procuring a new fund management arrangement, which would be subject to OJEU requirements, and then the subsequent timescales involved in establishing and legally constituting a new fund. Experience of the current programme suggests that even once constituted the flow of loan applications can be quite slow. This is not an argument against a new financial instrument, it merely highlights the risks associated in managing de-commitment targets.

6.5 Committing resources to projects before they are established

The benefit of a Framework approach is the recognition that the city-region is committed to the delivery of projects of a certain typology as opposed to a specific project.

The risks associated with the creation of lists of specific projects is that it can give a potentially inaccurate impression of a healthy development pipeline. The risk with such an approach is that the public funds that are allocated to the city-region don’t get spent, undermining the case for a larger resource allocation in the future.

The city-region should of course collectively commit to do everything it can when a transformational project emerges, and work to identify available resource to allocate to the project once it has reached an acceptable level of development maturity.

6.6 Managing the Commissioning Framework

The city-region partners will need to give consideration to how the Commissioning Framework is managed.

It is recommended that the Board of the LEP approve the overall strategic direction of the Framework and the Combined Authority provide overall sign-off for the document.

It is recommended that the LCR ESIF Committee are asked to approve the commissioning documentation for those elements of the Framework which are proposed to be funded by ERDF resource

It is recommended that the Regeneration Directors group oversee the delivery and implementation of the Framework on behalf of the Combined Authority and LEP

It is recommended that the Regeneration Directors, on behalf of the Combined Authority and the LEP, consider the future management and governance arrangements associated with the Commissioning Framework.
The Commissions

Commission 1  Prepare the next generation of Super Port sites
Commission 2  Stimulate the supply of sustainable commercial property
Commission 3  Increase the speed, scale and delivery timetable of the Enterprise Zones
Commission 4  Innovation Businesses Capital Fund

Table 1: Funding Matrix

The table shows the link between financial ‘pots’ and the different ‘commissioning areas’.

<table>
<thead>
<tr>
<th></th>
<th>ERDF Place</th>
<th>City Growth Fund</th>
<th>Growing Places Fund*</th>
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<tbody>
<tr>
<td>Prepare the next generation of Super Port sites</td>
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<tr>
<td>Stimulate the supply of sustainable commercial property</td>
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<tr>
<td>Increase the speed, scale and delivery timetable of the Enterprise Zones</td>
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<tr>
<td>Innovation Businesses Capital Fund</td>
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</table>

*Growing Places is shown at this stage for illustrative purposes, as each new capital fund is received it could be matched against the commissioning areas.
The expansion of the Port of Liverpool provides a unique opportunity for the city-region to benefit from projected increases in freight movements. These opportunities will partly fall on demand for space from those importing goods through the Port, to business opportunities associated with being better connected to world trading nodes.

A number of recent studies have noted the lack of available large sites in the city-region capable of hosting investor requirements for large sites. The recent NAI Haywoods report, commissioned by the LEP, identified a total land requirement of 233ha to support all port related activity over the next ten years, 90ha of which would be for logistics activity. The same report listed the available sites in the city-region and in surrounding regions. The report noted the Omega site in Warrington as having the largest potential, but that site is now rapidly filling up. Opportunities exist for new sites to come forward, in particular those with strong connections to the motorway network and those also with the potential for railhead connectivity.

The large shed market is growing in the UK and there is a danger that without a portfolio of available sites, the city-region will lose investment projects to other competing regions. The market is projected to expand exponentially over the next few years with the following drivers for growth;

- Pro-Logis (US based operator of large sheds) estimate that for every additional £650m of online spending an additional c750,000sqf of demand for warehouse space is created
- The national pipeline of available buildings has reduced from 94m sqf in 2009 and has fallen to 22m sqf in 2015
- There is strong demand from pension funds and other institutional investors for property of this type

A number of key locations have been identified as having the potential to deliver new supply on a significant scale, these include;

- Stonebridge
- Knowsley Industrial Estate
- Parkside and Haydock
- Widnes

There is a challenge in bringing forward large sites. Some have ground contamination and many require costly infrastructure to be installed. Whilst values for industrial land are beginning to improve, they are not at the levels sufficient for a Developer to tackle many of the costs associated with large brownfield sites.

There is a case for intervening to support the delivery of larger sites. This activity type cannot be supported through the ERDF programme, it is recommended that an allocation from the Growth Deal pot is made available. This could then support;

- Making available resources for land remediation and reclamation activity for strategically located sites of scale
- Offering gap funding, in circumstances where a recyclable loan does not close a viability gap and a cost/value deficit is present (this is often the case for large sheds where the combined cost of on-site infrastructure and the buildings exceed the end value)

- Offering financial support for wider infrastructure issues such as site access (subject to a state aid approved mechanism for delivery)

**It is recommended that a filtering process is applied;**

- A minimum site size of 10 acres is applied (it should be expected that the sites that are supported are likely to be much bigger in scale as this would provide greater value for money in any appraisal)

- The Developer/landowner must contribute an amount equal to the value of the uplift in land-values after remediation and reclamation works are complete. This will provide a source of private match funding and is also a state-aid requirement

- That the output requirement from this priority area should be limited to hectares of land remediated (it is speculative site preparation so job outputs would be inappropriate)
**Commission 2. Stimulate the supply of sustainable commercial property**

The city-region has a particular challenge in transitioning from having an industrial and office base that is characterised primarily by older and less energy efficient buildings. The city-region has a particular challenge as much of Liverpool City Centre’s commercial stock was built when the city was booming in the 19th century. Many of the industrial sites in the city-region and around the Port were constructed in a post-war era when the north of England was an important centre for manufacturing.

The city-region both needs to modernise it’s stock, creating energy efficient and environmentally sustainable generic office and industrial stock.

It also needs to stimulate the creation of specialist and bespoke facilities, in particular commercial property which fits the needs and aspirations of companies operating in sectors that are going to create wealth and opportunity in the future. This would include (but may not be limited to) laboratories, space for ICT businesses, low carbon and offshore technologies, and, facilities for advanced manufacturing.

**a) Supporting Generic Commercial Property Development**

The completion of new and speculative build small office and commercial buildings has dried up since the recession of 2008. This is because of low values and Bank imposed requirements to sell space ahead of construction. A healthy property pipeline would see a range of choices available for immediate occupation for growing companies, who should not be expected to wait six to twelve months for property to be constructed.

The challenge for Developers in creating new office and industrial stock is that end-value is usually below the construction and development costs. This has been the case over the last few years, with most Development schemes proving unviable without external financial subsidy.

There is a particular challenge in timing property projects to fit with ERDF and other external funding approval cycles. A Developer cannot usually wait months for a ‘call’ to be issued, as a commitment to proceed is likely to be linked to a prospective tenants requirements.

It is therefore recommended that any call for proposals for projects of this type is made on an ‘open-basis’.

**b) Supporting Specialist Commercial Property Development**

The City-Region has nationally significant research, development and innovation capabilities at the Daresbury Campus and also within the Knowledge Quarter. In addition to this there are also a number of larger businesses in the city-region with significant research and development functions.

There are active development programmes in place for both Daresbury and Liverpool Knowledge Quarter. There is the potential to see new commercially focussed development proposals come forward during the life of the 2014-2020 ERDF programme.

There are also potential projects in the pipeline designed to support the ICT, media and digital sectors. This type of pseudo-commercial facility can play an important role in nurturing an important potential growth sector within the city-region.
The emphasis of this commission is to increase the supply of specialist commercial facilities. For projects where the primary purpose is to develop a collaborative research and development facility, applications should be directed via the city-region innovation plan.

Whilst resources cannot be held in perpetuity for investable projects to crystallise, and many conceptual projects are difficult to shape, it is worth considering making an allocation for the support of specialist facilities but only commit resources once a project is at a point of acceptable maturity (full costs tendered, all other financial packaging in place). If a pipeline of mature projects does not emerge by 2017, the city-region could consider reallocating resources elsewhere within the Framework.

Alignment with Chrysalis Fund

The benefit of a ‘Framework’ approach is that it can ensure a degree of alignment between different funding pots. One important aspect of this is to not undermine the viability of the Chrysalis Fund by offering grants to projects which could potentially proceed with a loan, or a mix of loan and grant.

It is, therefore, recommended that all projects that seek resources from this call for grant funding are first tested for their viability for a loan from the Chrysalis Fund. If after due-diligence, and after being offered terms by Chrysalis, a cost/value gap remains a development appraisal should be undertaken to establish the level of grant required to enable the scheme to progress.

In the event that Chrysalis decline to offer a loan to a given project, it should not preclude that project from receiving a gap funding contribution, but the reason for not receiving Chrysalis funding should be stated prior to a grant offer being formally made.

An effective process will need to be established for screening potential projects with the Chrysalis Fund. This process must ensure that no undue delays occur to projects. There should be no requirement for projects that would be ineligible for Chrysalis funding, or in circumstances where the Chrysalis Fund has limited remaining lending resources available, to go through the screening process.

Environmental Requirements

There is a critical need to ensure that the city-regions economic infrastructure has the capability to withstand the impact of rising temperatures and an increase in unpredictable weather events.

It is important that Developers are able to identify specific measures that will enhance the environmental sustainability of both a wider development site and any new buildings constructed. Therefore, it is proposed that project promoters should identify a range of environmental enhancements appropriate to the particular site under development. This could include water-recycling, flood mitigation, solar installations, non-hard standing parking areas, tree planting etc. The aim should be to maximise the environmental performance of a site and it’s buildings without imposing punitive costs upon development.

The policy objective should be to encourage developers to mainstream environmental approaches so environmental treatments undertaken now are also applied to all future development schemes, not just those with an obligation to do so under ERDF regulations.
Call Specification

It is recommended that the ‘Framework’ support two separate calls for projects.

Firstly, a call for generic SME commercial property projects which are supported through;

- Offering gap funding, in circumstances where a recyclable loan does not close a viability gap and a cost/value deficit is present
- Supporting developers to create innovative environmental efficiencies that are cost effective and don’t contribute towards prohibitive build costs

It is recommended that a further filtering process be applied;

- It is recommended that a minimum scheme size should apply
- The grant should be applied to new stock and not for refurbishments
- The output requirement from this strand should be jobs created and new business floor-space
- The overall impact of the environmental efficiency of a Developers build proposals should form a formal part of the appraisal.

Secondly, an ‘Open-Call’ for projects which deliver new commercial space to support businesses trading in key knowledge-economy sectors.

Projects supported under the call must;

- Demonstrate that a full and viable commercial business case is in place to enable the project to proceed if an ERDF funding offer is made
- There are no further contingent events that would stop a project from proceeding should it be approved

Because of the unique difficulties associated with approving projects of this type, it is recommended that an ERDF/City Growth Deal offer be subject to a start on site within a prescribed period, or the funding be recycled back into the Commissioning pot.

It is recommended that to maintain flexibility projects are commissioned using both ERDF resources and city-growth deal funds.
Commission 3.

Increase the speed, scale and delivery timetable of the Enterprise Zones

The Enterprise Zones are a nationally recognised set of sites prioritised for development.

The city-region should seek to provide resources to accelerate the development programmes in the Enterprise Zones. The speed of delivery has been compromised, even with improved national economic performance, because the full range of funding tools required to deliver comprehensive regeneration are not available.

The national funding packages for enterprise zones have focussed on the provision of recyclable finance. Whilst recyclable finance has a role to play, what it cannot do is fund a quality of environment that is of a sufficient quality to attract widespread investment to a site.

Public realm investment has been at the heart of the delivery of all major UK regeneration projects over the last twenty years, examples include the Olympic Park, Salford Quays, Newcastle/Gateshead riverfront, Liverpool Waterfront and Sheffield winter gardens.

The city-region portfolio of Enterprise Zones have a number of challenges, not least that of creating a higher quality of physical environment, one that is sufficient to attract external investment.

There are four Enterprise Zones in the city-region. These are at Daresbury, Liverpool and Wirral Waters and Liverpool City Enterprise Zone.

The challenges faced by each of the Enterprise Zones varies by location.

For example, the types of location which Daresbury is competing against have a very high standard of site amenity, with high quality landscaping, public art and spaces. Likewise the Enterprise Zones in Liverpool and Wirral are in industrial settings which have often a poor environmental appearance. The Liverpool City Enterprise Zone is in a mixed-urban setting.

Public realm creates an environment which enables and attracts investment, all successful major UK urban regeneration has required an investment in enhancing a physical environment. Few major development appraisals (even in prime London) can afford to pay for public realm and cover development costs.

There are also issues associated with the world heritage status afforded to the Liverpool waterfront. This has put an onus upon all development schemes which have come forward to be heritage friendly. This has imposed an additional cost burden upon development, where a scheme can demonstrate through an appraisal that a ‘heritage’ premium is causing costs to exceed value, in such circumstances a contribution towards bridging that ‘gap’ should be considered.

There are also challenges with some of the wider infrastructure in the Enterprise Zones. In many cases the local road and rail network has limitations. There may be a case for funding aspects of new infrastructure, in particular where it directly enables new development. The timing of new infrastructure is critical, the risk that infrastructure is speculatively installed without certainty of development is present. This calls for careful appraisal of any proposals that are put forward.
The focus of the current 2014-2020 ERDF programme has moved towards innovation and environmental sustainability, the overall funding pot is also greatly reduced from previous programmes. This has virtually removed the prospect for public realm type projects being supported through ERDF.

Because of the importance of driving forward the Enterprise Zones and delivering a speeded-up development programme, it is recommended that resources are allocated for this commission through city resource pot.

**Call Specification**

The city-region ‘Growth Fund’ should commission for activity which;

- Provides grant support for new high quality public realm within the Enterprise Zones, where there are clear agreements in place for it on-going management and maintenance

- Provide gap funding to commercial schemes in circumstances where a ‘heritage’ premium has caused costs to exceed value

- When the Public Ream is installed on private land, the landowner should be expected to make a contribution to a level at least equivalent to an externally assessed value of the uplift of neighbouring land and property in their ownership

- Provides small scale infrastructure that directly increases the development potential of the Enterprise Zone (broader transport schemes should be directed via other Funding Frameworks)

The outputs associated with this activity should be hectares of land improved
Commission 4.

Innovation Businesses Capital Investment Fund

An important element of the ‘Place’ strand is to increase demand for city-region land and property. The city-region must compete for new investment projects with Scotland, Wales and Northern Ireland as well as other major city-regions in England. Many of those places have significant advantages in having greater access to resources designed to attract new occupiers.

The city-region has some powerful innovation assets. The Daresbury Campus is of national significance, the Liverpool Knowledge Quarter has a strong concentration of academic and research capabilities, and, a number of major firms undertake research and development across the city-region. There is underlying potential to build on key specialisms to create greater clustering in knowledge economy sectors.

Most major UK and European cities are building and creating strategies to enhance their share of knowledge economy businesses. A major challenge facing the city-region is that much of the commercial property stock is ill-suited to attracting the next generation of knowledge businesses. The costs of providing laboratory space or providing high-speed digital infrastructure is often prohibitive to a Developer.

There are two alternative ways of tackling this.

The first is to provide subsidies to Developers to reflect the risk they carry in providing new specialist space, but the level of subsidy is often very high as the more specialist a building becomes the narrower the pool of prospective tenants becomes.

The second is to provide support directly to the SME to assist with the costs of fitting out bespoke premises. This can be a highly effective way of targeting resources, ensuring that it is going to innovative SME’s at the point of growth.

The establishment of an Innovation Businesses Fund would enable Property Agents, Inward Investment staff and Developers to more effectively market the city-region nationally and internationally to innovation rich SME’s.

The availability of the Fund would also help individual Local Authorities in their efforts to attract high-quality investment projects to locate within the city-region.

The fund should also target existing SME’s seeking to relocate within the city-region, on the proviso that the relocation is being undertaken to facilitate expansion and the creation of new jobs.

Filtering: It is proposed that the Fund be explicitly targeted upon businesses operating in the following sectors (subject to city-region agreement):

- Life Sciences and Bio-Innovation
- ICT, digital and multi-media
- Advanced engineering/manufacturing
- Environmental technologies
- Advanced logistics
The fund should not be used for the general grant aiding of any business expressing an interest in locating in the city-region. This would clearly exclude activities involving leisure and tourism, business service centres, warehousing and storage, retail, maintenance and process manufacturing. This list is not meant to be exhaustive, but indicates the clear focus and intent of the approach.

Because the fund is targeted at SME businesses, it is expected that the State Aid regulations would enable investments up to the de-minimum threshold, and in certain circumstances where a very strong project is presented, additional grant could be deployed using the revised GBE (General Block Exemption).

**The ERDF ‘Place’ funding should be used to secure approval for a capital fund, for the following purposes:**

- Funding a contribution towards the direct costs of fitting out new business space, it could also pay additional contributions for research and development activity, training related activity and other state-aid eligible activity.
- The applicant must demonstrate a need for the funding, and show that existing Bank and business finance is insufficient to fund a planned expansion.
- It is expected that benchmarks around number of new jobs created should be used in the appraisal of all individual projects
- Higher value for money thresholds should be applied in cases where there is additional cost associated with a fit-out, such as providing Laboratory space.

There is no requirement to use ‘Growth Fund’ resources for this activity, as it should be wholly ERDF eligible. Match funding can be sourced at a project level as private sector leverage.

It is recommended that one organisation should administer the fund on behalf of the city-region partners. It is recommended that any other funds of this nature operated in the city-region should be incorporated into a single delivery structure.

The fund should be promoted on the ground by the constituent Local Authorities, property agents, inward investment agencies and Developers. The projects seeking investment should be routed via the Local Authority in which the project is proposed to be located.

The overall governance of the programme should be a combination of the Combined Authority supported by independent experts.

ENDS

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SUPERPORT Update

Strategic Board Meeting 4 June 2015

Author: Mark Basnett
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Presented by: Kate Willard
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1. **Superport Committee**

The Superport Committee meets quarterly to consider key strategic issues relating to the maritime freight and logistics sector and to oversee and drive delivery of activity to address these issues. The Committee has recently been expanded to include more leading manufacturing and retail logistics expertise and the meetings are well attended with good, open and robust discussions on key issues.

The most recent meeting took place on 19 May. The key issues arising from this and previous meetings and currently being taken forward are summarised below. These will be expanded on at the LEP Board Meeting.

2. **Northern Powerhouse**

The Committee believes that Northern Powerhouse offers an outstanding opportunity to address the key freight and logistics needs of the City Region and wider north and in so doing drive up regional productivity through more efficient transport infrastructure. It is taking a joined up approach with Atlantic Gateway on this.

The Committee supports the Merseytravel proposal to extend the initially proposed Liverpool City Region Freight Study across the North to provide a much wider regional picture of current and freight demands from which to develop a Freight Strategy for the North. This study, due to commence in August and report in March 2016 should provide an authoritative evidence base on which to inform investment decisions on key transport infrastructure in the North to improve freight movements across the North.

Superport Committee has been asked to recommend (for LEP Board approval) 2 business leaders to represent the City Region on the Private Sector Reference Group for this study and it is proposed that Bernard Molloy (Superport Chair) chairs this Group. This will ensure that key issues related to Superport are fully considered and incorporated in the work.

Decision: The Board are asked to endorse the nomination of Bernard Molloy as Chair of the private sector committee and colleagues are asked to provide Kate Willard with proposals for the second seat nomination.

3. **Global Connectivity**

Recent excellent progress has been achieved in global connectivity for the City Region by Liverpool John Lennon Airport. They have secured Flybe to fly daily to Amsterdam from September, offering potential to connect to a wide range of global carriers operating out of Amsterdam to long haul destinations. From 23 October Aer Lingus will operate daily flights from Liverpool to Dublin offering onward connection to 6 US and Canada destinations including New York, Boston, Chicago, Toronto and San Francisco – with the benefit of US immigration clearance in Dublin.

An opportunity has arisen for Liverpool to potentially host the annual Airlines/Airports conference “Routes Europe” in 2018. This prestigious industry leading event attracts well over 1000 delegates from airlines across the world serving Europe. It has never been hosted in Liverpool and is a competitive process, with significant costs of c £0.75m to secure, and is proven to raise the profile of the location and to result in increased connectivity with associated economic benefit resulting for host City Regions – hence the competitiveness to host it. The Superport Committee fully endorsed making this a key priority and working with the LEP to explore potential funding sources to enable a full submission to be made. An initial letter expressing intent to bid has been submitted by the airport, subject to City Region commitment to secure appropriate resources. Liverpool is expected to be the only English City Region proposed, creating an opportunity for this to be a National bid and an opportunity to showcase other Northern Powerhouse regions from Liverpool.
4. **Resources and Marketing**

The LEP with Superport support, has submitted a collaborative bid for Motorways of the Sea revenue funding to resource the promotion of Superport, increased EU short sea shipping and the development of detailed logistics infrastructure project proposals for the Autumn 2016 MoS bidding round. A decision is expected in June. In connection with this the LEP hosted the MoS Infrastructure strand launch in Liverpool on 20-21 May with 180 delegates attending from 19 different countries. There is a clear ambition for the Commission to incorporate Liverpool City Region and wider North in this programme and this positions us well to secure capital projects funding in due course.

The LEP has joined a pan-North Innovate UK bid for £100k resource to contribute to the development of SISTALS 2 - a collaborative project to study the impacts of freight optimisation measures to reduce freight based congestion across the region. A decision is expected by early Autumn.

Promotion of Superport has been stepped up through development of the new Superport website ([www.superport.com](http://www.superport.com)) and a social media campaign. Over 6,000 unique user visits have been made to the website from 91 different countries in the first 10 weeks since launch.
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Low Carbon Update

Strategic Board Meeting 4 June 2015

Author: Mark Knowles
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Presented by: Amanda Lyne
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1. **Off Shore Wind**

   - As part of the process to ensure that City Region businesses and stakeholders benefit from the expansion of the Off shore wind facilities, we have been working with partners (Wirral etc) with DONG Energy, and their Tier 1 suppliers (MHIVestas, A2Sea, Balfour Beatty, Volker) on supporting their supply chain requirements; this being one of key priorities for 2015. As such we are facilitating and supporting the latest supply chain communication event on the 2nd June being held at the Floral Pavilion, Wirral which currently has approx. 150 attendees from 120 companies signed up to attend. We will continue to work closely with DONG and Co to ensure that opportunities from this phase of the construction will be maximised for local benefit.

   - As part of the above the announcement of the award of the maritime, logistics and construction contract to Danish company A2Sea was made. This contract which applies to the Burbo Bank and Walney sites is worth £1.4billion and £2.3billion respectively. The event above is part of the next steps to ensure that local supply chain can participate in these lucrative contracts.

   - We have also continued the dialogue with CORE partners and National government on mechanisms and processes to ensure that the obligated UK content associated with the latest licenses are fulfilled, particularly raising the importance of local knowledge of suppliers (from outside of the established players). For instance we are leading discussions to set up a mechanism support local companies to understand and work through the complicated e-procurement platform, Achilles, and other pre-qualification criteria necessary to become eligible suppliers.

2. **Low Carbon Economy Committee**

   - The committee confirmed support for the proposed Blue Green ERDF task group, and have invited the chair Gideon Ben Tovin to join the committee.

   - Carl Beer, from the Waste & Recycling Authority has also joined the committee, giving us the interesting opportunity to develop the project to combine food waste collection (public and private sources) across the City Region for energy generation, particularly in collaboration with MerseyTravel to create biogas for the bus fleet.

   - The committee also noted the corporate reorganisation within Scottish Power and welcomed the move to a more local management structure. Stephen Stewart and Nia Lowe the new relevant senior team have already met with Mark K and will be invited to replace George Kirk on the committee. They are holding a series of communication events across the City Region to introduce themselves and the new priorities, the remaining events being one to held in Knowsley and Liverpool on 10-11 June.

   - A significant discussion was held around the next steps for LCR2Energy, including a need for work to be completed on possible governance structures, funding mechanisms, a more detailed definition of the scope and parameters of the approach, and a road map for delivering it. The committee supported the approach to press for inclusion of localised decision making (and devolved powers) within any discussions with National government post-election. The committee would also like to see revenue funds made available to help develop this transformational approach further.

   - Further to the above, the committee supported the “ask” for a possible regulatory pilot area to provide a test bed that would identify potential regulation changes that could unlock the barriers to growth, associated with energy and other utility infrastructure constraints, as part of the City Region’s asks for devolved power in this area.

   - We also noted the current discrepancy in relation to community share of the financial benefit that is being enacted for Shale gas, as opposed to other energy generation
The committee discussed the likelihood or otherwise of a favourable price being set for a Tidal Contract for Difference, which was not announced before the election, but is expected imminently. The general view was that government should continue to be made aware of the previous work and conclusions from the Mersey barrage scheme, and the local stakeholders encouraged to work together (via the proposed “task force”) to prepare our position once the South Wales schemes have a price set.

3. **Low Carbon call with the ERDF ESIF**

- Work has progressed well across the City region for response to the calls for projects under the current call.
- Loosing direct and specialist TA support for Low Carbon has been a disappointment and we look forward to news on how this will be covered going forward.
- We are have met with and will continue to meet with DECC to work through the aspects of the EU Low Carbon thematic areas that are pan England wide/Core City wide investment opportunities, and will use this approach to mitigate potential duplication and minimise the local administration cost of some of the process for the City region’s priority areas.

4. **Low Carbon skills capital programme**

- Significant resource has been deployed to create the business case and scheme for the deployment of the low carbon strand of the Skills Capital award within the City Growth Deal. The work has focussed on balancing the local resourcing and time constraints to set up the strand within the aim of creating some form of revolving fund opportunity. A compromise scheme has been proposed to the CA and the Skills team that we feel is a pragmatic way forward.
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