Liverpool City Region
Local Enterprise Partnership

MEETING OF LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP STRATEGIC BOARD

AGENDA

DATE: Thursday, 10th September, 2015

TIME: **8.30 am**

VENUE: LEP Boardroom, 12 Princes Parade, Liverpool L3 1BG

LIVERPOOL CITY REGION
LOCAL ENTERPRISE PARTNERSHIP
STRATEGIC BOARD

AGENDA

1. DECLARATIONS OF INTEREST

Board members to declare any interests in items under consideration.

2. MINUTES OF THE LAST MEETING

To consider the minutes of the last meeting held on 16th July 2015.

(Pages 1 - 10)

3. CHAIRMAN'S REPORT

To receive a verbal update from the Chairman and an update from the Board member who represents the LEP on Atlantic Gateway.

(Pages 11 - 16)

4. POLICY UPDATE

To receive a paper summarising recent policy developments across the UK, the North and the City Region.

(Pages 17 - 22)

5. DEVOLUTION

To receive the Liverpool City Region submission to the Comprehensive Spending Review.

(Pages 23 - 50)

6. EUROPEAN PROGRAMMES

(a) **EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014-2020 PROGRAMME: LCR ESIF STRATEGY UPDATE**

To receive a paper updating the Board on the implementation of the LCR ESIF strategy.

(Pages 51 - 56)

(b) **PLACE MARKETING FOR INVESTMENT: COMMISSIONING REPORT**

To seek approval for the creation of a ‘task and finish’ advisory group for the Place Marketing for Investment priority area of the LCR ESIF.

(Pages 57 - 60)

7. DEVOLVED FUNDING PROGRAMMES

(a) **CAPITAL COMMISSIONING FRAMEWORK**

To consider a Commencement Business Plan for the Capital Commissioning Framework.

(Pages 61 - 92)

(b) **BUSINESS INVESTMENT FUND: BUSINESS CASE AND DRAFT INVESTMENT STRATEGY**

To endorse the Business Case and Investment Strategy for the Business Investment Fund.

(Pages 93 - 106)

8. ENTERPRISE ZONES

(a) **LCR ENTERPRISE ZONE PROGRAMME UPDATE REPORT**

To receive an update on the Mersey Waters and Sci-Tech Daresbury Enterprise Zones.

(Pages 107 - 110)

(b) **NEW ENTERPRISE ZONE BIDDING ROUND SEPTEMBER 2015**

To receive an overview of proposals under development for the new round of Enterprise Zones.

(Pages 111 - 134)

9. CITY REGION GOVERNANCE

(a) **ENTERPRISE BOARD**

To approve the Terms of Reference of the Enterprise Board.

(Pages 135 - 142)

(b) **HEALTH ENTERPRISE BOARD**

To receive an overview of the new Health Enterprise Board.

(Pages 143 - 148)

10. MAJOR PROJECTS: STRATEGIC ALIGNMENT/ENDORSEMENT

(a) **MOTORWAYS OF THE SEA**

To receive an overview of the recently-funded ATLANTIS Motorways of the Sea project.

(Pages 149 - 152)

(b) **INNOVATE UK 'INTERNET OF THINGS'**

To receive a briefing on a Liverpool City Region bid for this national competition.

(Pages 153 - 156)

11. ANY OTHER BUSINESS

The next meeting of the Board is to be held on 22nd October 2015 at 8.30am.

LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP STRATEGIC BOARD

At a meeting of the Liverpool City Region Local Enterprise Partnership Strategic Board held in Room G40, No.1 Mann Island, Liverpool L3 1BP on Thursday, 16th July, 2015 at 8.30am the following Members were

PRESENT:
Robert Hough CBE (Chairman)
Chris Bliss
Kath Boullen MBE
Richard Else
Asif Hamid
Amanda Lyne
Councillor Phil Davies
Councillor Andy Moorhead
Neil Sturmey
Kate Willard

APOLOGIES:
Mayor Joe Anderson OBE
Councillor Barrie Grunewald
Councillor Ian Maher
Councillor Rob Polhill
Alistair Poole
Professor Nigel Weatherill

IN ATTENDANCE:

Mark Basnett	Liverpool City Region LEP
Tony Wade	Liverpool City Region LEP
Alan Welby	Liverpool City Region LEP
Shelley Lockett	Liverpool City Region LEP
Sue Jarvis	Knowsley MBC
Andrew Bilsborrow	Knowsley MBC

139. DECLARATIONS OF INTEREST

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

Director	Minute No.(s)	Nature and Extent of Interest
Robert Hough	144	Director of Peel Holdings (Management Limited)
	145	Director of Liverpool Airport Ltd
Kate Willard	145	Stobart Group – Owner of Carlisle and Southend Airports
	146	Stobart Energy (Biomass)

140. CHAIRMAN'S WELCOME

The Chairman welcomed to the meeting Mathew Cliff, Operations Manager – Heseltine Institute for Public Policy and Practice, who had been seconded to the LEP for a 12 month period and Sam Evans, Assistant Director – Liverpool City Region, Cities and Local Growth Unit BIS North West.

141. MINUTES OF THE LAST MEETING

Subject to the following amendment, the minutes of the meeting of the Strategic Board held on 4th June 2015 were agreed as a correct record:-

Minute 134 – Emerging Government Policy – Fourth Paragraph – First Bullet Point – second line the addition of the word "at" after the word "were".

142. CHAIRMAN'S REPORT

The Board considered the content of the Chairman's report and the following additional verbal updates that were given at the meeting:-

(a) Councillor Phil Davies gave a verbal update on the devolution proposals in which he indicated that:-

- The six Local Authority (LA) Leaders had, on 6th July, met with the Rt. Hon Greg Clark MP, his ministerial team and Lord Heseltine where it was confirmed that the Liverpool City Region was to be included within the discussions on the next wave of devolution deals, which had tight timescales for the first announcements in early September.

- The discussions were to proceed on the basis of the possible devolution of any powers that are currently exercised at a level with the challenge to be "as bold as we want to be";

- In this respect, the City Region Team – Councillor Phil Davies, Mayor Joe Anderson, Ged Fitzgerald, David Parr and Robert Hough would use Greater Manchester's deal as the starting point and look to see what could be added to ensure the best possible deal for the City Region. Work was well underway on the compilation of the ask list, that was being co-ordinated by Catherine Garnell (Chief Executive's Office – Liverpool City Council) that would be considered at a further meeting on 21st July. Councillor Davies stressed that the City Region would need to provide compelling evidence that the infrastructure and capacity was in place to deliver such asks, with the latter being a significant challenge to be addressed. Councillor Andy Moorhead also pointed out that as the devolution picture becomes clearer, there would be an opportunity to add asks.

- In terms of the Governance arrangements, the quid quo pro for greater powers was the requirement to adapt a Metro-Mayor system. He indicated that such governance issues had, for now, been set aside but stressed that, at this stage, nothing had been

ruled in or out but at some point the six Leaders would need to determine if the price was worth the prize.

Board Members referred to potential devolution asks. Kate Willard stressed the need for the City Region to stand out and shine in the next wave and suggested that an innovative approach to the Skills agenda could provide such an exemplar initiative.

Amanda Lyne felt that the opportunity for the devolution of powers currently within the remit of the Department for Energy and Climate Change presented a real opportunity for the energy sector.

Asif Hamid asked when Board Members would be able to view the ask list. In response, Councillor Davies suggested that details of the asks could be circulated after the meeting on 21st July. In response to a request from Richard Else for a broad timeline for the process, Councillor Davies indicated that the timescales involved would become clearer as the discussions with Government progress.

Reference was made to, and further information was sought on, the meeting that had been arranged for the morning of Friday 17th July. It was reported that the event was a small workshop session, facilitated by Influential, which sought to build upon previous discussions with representatives of the LEP's business membership seeking their views on devolution. In this respect, Kath Boullen felt that ways to engage with small businesses, such as a series of road show events, should be examined.

(b) The Board considered an update on the Atlantic Gateway Board. In this respect, Kate Willard set out the background to the item and highlighted the excellent progress being made by the team, led by Mike Wilton – Arup Director, to develop new investment priorities for Atlantic Gateway. She indicated that the sharply focused piece of work would enable the AG Board to prioritise infrastructure projects based on compelling business cases.

It was **agreed –** that the items submitted for information, and the devolution update, be noted.

143. CHRYSALIS

The Board received a presentation from Jim Gill, the Independent Chairman of the Chrysalis Fund and John Tatham, Chrysalis Fund Manager – Igloo. The presentation set out details of-

- The performance to date – £30.8m had been committed out of the available £34.3m on the following schemes:-

  - Exhibition Centre Liverpool, The Watson Building Accelerator (£23.5m)
  - Duke Street Liverpool, Hornhouse Lane Knowsley (£3.8m)
  - Tratos UK, Knowsley Business Park (£3.5m).

- How the Fund fitted in with the LEP as a significant part of the City Region's investment landscape and the potential for a greater contribution.

- The strengths of the Chrysalis Fund and its role after 2015 and its position between grant funding and commercial lending.

After the presentation, the following issues were raised by Board Members:-

Kate Willard noted that in the presentation, reference was made to the desire to improve the co-ordination of public funding regeneration financing and asked what the barriers to overcome were. In response, John Tatham highlighted the key role the Banking sector played and, in particular, the extent of their appetite to lend. In this respect, he felt that there was a need for an effective investors forum, focused on the LCR, to discuss such issues as the current North West Investors Forum tended to be dominated by Greater Manchester.

Asif Hamid pointed out that from a business perspective there was a lack of awareness and understanding of initiatives such as the Chrysalis Fund.

The Board also discussed the wider constraints placed on funding opportunities by central government and the need for more freedom at a local level was highlighted. It was felt that this could be addressed through a devolution ask.

It was **agreed** - that the content of the presentation be noted and Mr Gill and Mr Tatham be thanked for their attendance.

144. SHALE GAS AND LIVERPOOL CITY REGION REPORT

The Board considered a report which set out the context to, and appended a copy of, the report –'The Potential for the Liverpool City Region Economy to Benefit from Shale Development'. In this respect the report, whose focus was solely on the economic opportunity and not an environmental review, set out:-

- An introductory overview of the processes around shale gas extraction;
- Analysed the potential unconventional hydrocarbon developments in spatial proximity to the Liverpool City Region; and
- Set out recommendations in order to make sensible, measured and controlled steps forward in terms of finding out more information and laying the foundations for future decision making.

During its consideration of the item, the following issues were raised by Board members-

- Councillor Phil Davies indicated that Wirral MBC had passed, on two occasions, motions which confirmed its opposition to Unconventional Gas Extraction, including Underground Coal Gasification, Coal Bed Methane and Fracking. He also felt that it was extremely difficult to make informed decisions on the issue when the environmental and economic impacts of shale gas extraction were separated. He stressed that in view of his Council's position, he did not support the recommendations set out in the Shale Gas Report.

- Kate Willard highlighted the need for the Board to receive an assessment of the environmental sensitivities, to be considered alongside the technical/economic considerations.

- Neil Sturmey suggested that to inform the Board's future considerations, the LCR LEP Shale Gas Report Steering Group should continue its work with revised terms of reference and membership.

- Whilst noting that there was no LEP budget line allocated to this activity, Amanda Lyne pointed out that it would be difficult to get an independent view if sponsorship came from companies who have a vested interest in shale gas extraction.

It was **agreed** –

(i) That the content of, and recommendations made in the report 'The Potential for the Liverpool City Region Economy to Benefit from Shale Development' be noted;

(ii) that the next steps, as outlined in section 6 of the report, be noted; and

(iii) that, to enable the Board to consider an informed response to the opportunities presented through the development of the Shale Gas Industry in the North West, the constitution and terms of reference of the Shale Gas Steering Group be reviewed and its membership expanded to strengthen Local Authority engagement to enable further information to be presented to the Board.

145. ROUTES EUROPE 2018 LIVERPOOL CITY REGION HOSTING OPPORTUNITY

The Board considered a report on the opportunity that had arisen for the Liverpool City Region to host Routes Europe 2018 which, along with significant PR coverage and media exposure, would attract air route network decision makers from between 110 to 130 airlines, around 450 airports and a delegate figure in the region of 1,400.

In this respect, the report indicated that following the recent submission of the LCR's expression of interest, and the assessment of the region's suitability to host the event that would examined by the event organisers during their visit the region in August. Following this, a detailed submission would be required by 31 October 2015.

Board Members sought further details on the August visit, as they felt it was unclear who had been invited to take part. In response, it was reported that the technical visit would take place on 3rd/4th August, the organisation of which was being co-ordinated by Liverpool John Lennon Airport and Marketing Liverpool.

It was **agreed** –

(i) That the Board's interest in the City Region hosting Routes Europe 2018, on the basis of its significant potential economic impact, be confirmed and the LEP Executive and partners explore sources of funding both locally and nationally to resource and underwrite the event;

(ii) that it be noted that the LEP Executive would work with LJLA, LA and other colleagues including the Visitor Economy Board to develop a compelling detailed proposal to host the event; and

(iii) that, once developed, the detailed proposals be shared with the LEP Strategic Board.

146. LIVERPOOL CITY REGION BLUE GREEN ECONOMY ERDF INVESTMENT POLICY

The Board considered a report which presented a consultation draft of "A Strategic Framework for Investing ERDF and ESF Funds in the Blue Green Economy Portfolio".

The report indicated that the Blue Green Economy was one of the five priority investment portfolios submitted to Government as part of the Liverpool City Region 2014-2020 European Structural and Investment Funds (ESIF) Strategy in 2014.

It was **agreed** – That the draft of ERDF/ESF strategic investment framework for the Blue Green Economy, be endorsed.

147. EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014 - 2020 PROGRAMME - ESIF GOVERNANCE - ALIGNMENT AND LINKS TO LCR GOVERNANCE STRUCTURES

The Board considered a report that set out the processes proposed to ensure that the City Region democratic structures (the Combined Authority) and economic structures (the LEP Board) retain as much influence on the delivery of the ESIF Strategy as possible.

The report indicated that the LCR ESIF Committee was now a formal Sub-Committee of the National Growth Programme Board and included, as appendices its Terms of Reference, a Code of Conduct and a Declaration of Interest form.

It was **agreed** -

(i) That the approach set out in the report to ensure continued alignment between the ESIF Committee and the Combined Authority and the LEP on an interim basis, until the full governance structure requirements had been assessed, be endorsed;

(ii) that regular updates, on the delivery of the European Programme, be submitted to the Strategic Board;

(iii) that the proposed process for local call text and strategic fit, be supported; and

(iv) that the update on the Technical Assistance application be noted.

148. SKILLS CAPITAL INVESTMENT FUND - LOW CARBON STRAND

The Board considered a report that:-

(a) indicated that within the 2015/16 LCR Growth Deal, £6.5m of capital funding had been allocated for a Low Carbon Strand of the Skills Capital Investment Fund, £1.5m in 2015/16 and £5m in 2016/17 subject to approval of the Business Case by the Department for Business, Innovation and Skills (BIS);

(b) appended a copy of the Business Case proposal that had been sent to BIS on 19 June who had indicated that, whilst the document was being reviewed, the decision to proceed was likely to rest with the LEP/CA under Assurance Framework arrangements; and

(c) indicated that the proposed arrangements had been put forward in order to develop an Implementation Plan in time to allocate and spend funds appropriately within the agreed profiles, based on Green Book Appraisal principles. The report also pointed out that the proposal sought to address the need to significantly improve efficiency and decarbonise energy consumption in the City Region through the Further Education (FE) College estate.

It was **agreed** –

(i) That the proposal set out in the report be endorsed and the LEP Executive be authorised to work with LA and ESB colleagues to develop the detailed Implementation Plan, including an allocation process that is fully compliant with BIS and the Assurance Framework requirements, in a timely manner to meet funding allocation deadlines; and

(ii) that it be noted that the detailed Implementation Plan would be developed, and together with the proposed allocations from the Fund, would be presented to the LEP Board for approval later in the year.

149. SKILLS FOR GROWTH FUNDING

The Board considered a report that set out the progress made on the implementation of the Growth Deal funding for Skills for Growth activity and proposed an approach for implementation that focused on delivery in 2015/16.

In this respect, the report:-

(a) indicated that, in June 2015, the Government advised that £1.550m of Skills for Growth Funding was available in 2015/16 to be spent by 31 March 2016 with all training interventions to be completed and claims made for associated funding by 31 March 2016;

(b) set out the requirements from Government on the use of such funding; and

(c) indicated that in view of the constraints, and the associated challenges faced, the priority in the short term was to develop a delivery model that enabled the efficient allocation of funding in 2015/16 to support training activity that is delivered at an increased pace.

Kath Boullen pointed out that the LCR needed to be more innovative and build upon the consortium arrangements and systems established by Wirral Met. In addition, she stressed the importance of an input from other training providers when finalising the detail of the proposed approach.

Kate Willard felt that the constraints placed on, and challenging timescales for, such funding highlighted the desirability of including skills funding in the devolution asks.

It was **agreed** -

(i) That the requirements and constraints on the utilisation of the funding, be noted;

(ii) that the proposed design principles for the utilisation of the funding, be supported;

(iii) that the proposal to allocate £0.150m to Halton Council for the Apprenticeship Hub, be supported;

(iv) that the proposal to secure £0.100m WorldHost training for City Region businesses for 2015/16, be supported;

(v) that the Combined Authority be recommended to delegate authority to the Lead Officer: Employment and Skills to agree the model for the deployment of the remaining £1.300m funding for 2015/16 for submission to Government for approval; and

(vi) that the Chairs of the LEP Board and Combined Authority be requested to write to Government to register the City Region's concerns over the constraints and potential delivery challenges noted in the report.

150. SKILLS CAPITAL INVESTMENT FUND UPDATE

The Board considered a report that presented, for approval, the Skills Capital Investment Panel's recommended investment package for applications received under Strand 2 of the Liverpool City Region Skills Capital Investment Fund together with a progress update for the other strands of Skills Capital activity.

The report indicated that a strategic steer would be required from the Board, during August 2015, for Strand 3 (Equipment) projects and Strand 1 Full Applications. As the LEP Strategic Board was not scheduled to meet in this period, the nomination of two representatives, to consider, by e-mail, the Investment Panel's recommendations were sought.

It was **agreed** -

(i) That the outcome of the assessment process for Skills Capital applications received under Strand 2, as set out in Section 4 of the report now submitted, be noted;

(ii) that the recommendations made by the Skills Capital Investment Panel for the Skills Capital Investment package, as set out at Section 5 of the report now submitted, be endorsed and recommended to the Combined Authority for approval;

(iii) that the proposal to allocate the remaining 2015/16 Strand 2 funding across the 7 FE Colleges and to open up Strand 2 to all approved training providers for 2016/17 activity, be endorsed;

(iv) that Asif Hamid and Kate Willard be authorised to consider and comment on the Skills Capital Investment Panel recommendations during August 2015 on behalf of the LEP Board;

(v) that the proposed risks and proposed mitigation actions, detailed in Section 9 of the report now submitted, be noted; and

(vi) that a further update report on the progress made on the implementation of such investments be submitted to a future meeting of the LEP Strategic Board.

Minutes 139 to 150 received as a correct record on the 10 day of September 2015

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Chairman of the Board

(The meeting closed at 10.59 am)

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Liverpool City Region
Local Enterprise Partnership

Chairman's Report

Strategic Board Meeting
10th September 2015

Author:
Robert Hough
Liverpool City Region LEP

Because of the fast moving nature of the topics I will be reporting orally on:

a. The LEP's position in the context of Devolution

b. LEP Network's representations to the Chancellor and DCLG – Letter dated 5 August 2015 previously circulated but also attached

c. Northern Powerhouse and Meeting(s) with James Wharton Minister for the Northern Powerhouse

d. LEP resource

The three year term of Kath Boullen as a Board Member of the LEP comes to an end on 2 August 2015.

Kath is willing to serve for a further period. The position has been considered by the Remuneration and Appointments Committee who recommend that Kath should be appointed to the LEP Strategic Board for a term of a further two years.

The LEP Network
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The Rt Hon George Osborne MP
First Secretary of State, Chancellor of the Exchequer
HM Treasury
Horse Guards Road
London, SW1A 2HQ

The Rt Hon Greg Clark MP
Secretary of State
Department for Communities & Local Government
2 Marsham Street
London, SW1P 4DF

The Rt Hon Sajid Javid MP
Secretary of State
Department for Business, Innovation & Skills
1 Victoria Street
London, SW1H 0ET

5th August 2015

Dear Chancellor and Secretaries of State

LOCAL ENTERPRISE PARTNERSHIPS – CERTAINTY OF FUTURE FUNDING

You will be aware of our previous submissions regarding the future certainty of funding that will enable increased productivity across the country through the combined efforts of LEPs and their partners. There are two fundamental issues that remain of highest concern to LEPs which are certainty of programme funding beyond March 2016, and certainty of core resource funding beyond March 2016. Many LEPs have raised these points in a variety of 1:1 discussions with officials, at our Network event with Ministers and officials on 24th June, and in our written representation to the July 2015 Budget.

LEPs attended a Growth Deal workshop on 29th July where Government officials indicated that the written confirmation of 2016/17 core and Growth Deal funding could not be be provided until after the Spending Review had concluded. We are writing to ask for written confirmation before the Spending Review, as any delay is of real concern to us and puts an unnecessary high level of risk into the system at a time when LEPs are leading the delivery of Growth Deals that will help the private sector be more productive, generate new jobs and leverage private sector funding.

We all welcomed the Local Growth Deal payments made to LEPs in April 2015. To date LEPs have created over 100,000 jobs, supported almost 50,000 businesses and leveraged over £4bn from the private sector. We ask that government confirms as soon as possible the (currently) indicative allocation of the c.£5.77bn already identified, **but not confirmed**, for project activity running into or starting in April 2016 and beyond. We also need confirmation on when LEPs can bring forward projects for the remaining £4.18bn from the Local Growth Fund, that is as yet unallocated. LEPs forecast that the Local Growth Funds will help us create 750,000 new jobs by

2021, support 500,000 learners, help 250,000 businesses and leverage in £16bn from the private sector. As encouraged by government, we are working with local partners to develop pipelines of projects that will grow our local economies, but a compressed timescale for project submissions will not help the development of robust business cases or give our partners any confidence that the funding will be available.

The funding uncertainty makes it a lot harder to secure match funding/additional resources from local partners. In part, this is due to the 'domino effect' of uncertainty over our funding, which is leading to local partners looking at other uses for their limited budgets. One LEP reports that two of its Further Education projects are being delayed by a further academic year. Losing the momentum with projects such as these is something that is critical to avoid as our economy continues to pick up. This is why we are asking you to confirm the indicative allocations quickly.

LEPs welcome the Spending Review document *'A country that lives within its means'* that was released on 21st July, and which confirmed the devolution of £12bn made in the Autumn Statement 2013. £12bn is our medium term programme. We encourage you to increase the £12bn through other mechanisms, such as the Devolution Deal process and further rounds of Local Growth Funding. We are confident that LEPs will build on the experience gained over recent years. LEPs have created a talented pool of teams across the country, who are willing and able to do more in stimulating private sector productivity. We are concerned about any impact to momentum and request a minimum of medium term certainty of at least three years future funding, so proper planning and development can take place at a local level.

On core resource funding, the critical issues are around staff retention, morale, continuity and value for money in using short-term contractors. This uncertainty has featured in informal discussions with some LEP staff, who have recently left their organisations and this uncertainty was mentioned as a contributory factor in their departures. Some senior LEP posts are on a 6 month notice period, so at-risk notifications will be issued at the end of September, and in almost every case for other staff at the end of December. Another LEP reports that they had two candidates lined up for a vacant role, but both turned the offer of employment down because of the lack of security of employment beyond 31st March 2016. This lack of certainty of funding also makes it much harder for LEPs to secure other funding sources, such as Technical Assistance. In all cases the Growth Deals are profiled over six years so a LEP team needs to be in place for the duration. If we are to get the best people into the LEPs to deliver the Growth and Devolution Deals, more certainty must be created in the LEP structure, which is not happening with government's inability to confirm their long term support.

We all hope you will recognise our need for some certainty and long term commitment from government are an effort to be helpful as supportive partners, who want to work with the government and increase the UK's productivity.

We welcome your early feedback on our requests. LEPs are offering to work with your officials over the summer as part of your deliberations on the Spending Review, to which we will be responding formally.

Yours sincerely

Signed by all 39 Local Enterprise Partnerships

Atlantic Gateway
General Update: LCR LEP
September 2015

The next AG Board meeting will take place in October 2015 therefore this paper provides an update on two key activities which are in progress and previously reported to the AG and LEP Boards; (1) AG Infrastructure Priorities and (2) Science and Innovation Action Planning.

Infrastructure priorities

Arup is leading the work to identify AG infrastructure priorities. The approach is focused on establishing a long list of potential infrastructure priorities based upon consultation with LEPs, AG Board members and key relevant stakeholders. AG-wide priorities will then be considered and agreed by the AG Board based upon consultations and evidence gathered by Arup.

Consultations are underway and it is evident that LEPs are at different stages in identifying and agreeing infrastructure priorities. A cross LEP/AG workshop has been arranged for mid-September to discuss guiding principles and shortlisting.

Prioritisation principles and emerging priorities will also be discussed with The Treasury and BIS at the end of September to inform the development of ongoing national infrastructure planning and funding.

Arup will report to the next October Board and an AG infrastructure prioritisation will be agreed before the end of 2015. An updated AG Business Plan will be produced based upon the revised priorities.

Each LEP is involved in the prioritisation process via individual consultation, workshops and AG Board meetings. Key outputs produced by Arup will be shared with each LEP.

Science and innovation (S&I)

SQW was commissioned in Summer 2015 to review potential collaboration opportunities across AG to strengthen the long term development of the S&I sector. The first phase of consultations have already taken place and have highlighted a number of issues and opportunities which will be considered be a smaller number of focus groups including LEPs, to develop specific propositions and actions.

A Steering Group has been established to oversee and guide this work which includes senior representation from each LEP.

BIS will shortly be announcing a series of science audits (competitive tendering process) to identify S&I priorities which are expected to inform future government investment programmes. Whilst the details of these audits have not yet been communicated they are expected to be an important component on the Government's approach to supporting development of the sector. In light of this pending announcement, SQW are working closely with the AG to ensure that timescales for both the AG work and BIS' call for proposals are aligned as necessary to support this process. In light of this, SQW's final report is expected by the end of 2015 although this will have to be reviewed given national developments.

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Liverpool City Region
Local Enterprise Partnership

Policy Update

Strategic Board Meeting
10 September 2015

Author:
Matthew Cliff
Liverpool City Region LEP

Presented by:
Alan Welby
Liverpool City Region LEP

1. PURPOSE

1.1 This paper provides an update to the Strategic Board on recent policy developments across the UK, the North and the City Region.

2. RECOMMENDATIONS

2.1 The Board is requested to **note** the report.

2.2 The Board is requested to **endorse** the recommendation that Professor Michael Parkinson be invited to present on the State of the City Region Report at the next meeting of the Strategic Board.

3. NORTHERN POWERHOUSE

3.1 The Northern Powerhouse was introduced as a proposal by the Chancellor in June 2014. In a speech at the Museum of Science and Industry in Manchester he highlighted that:

- Northern cities were strong individually but not strong enough collectively. There is a powerful correlation between the size of a city and the productivity of its inhabitants; on a global scale, the populations of individual Northern cities are quite small.
- Northern cities needed to be joined together by:
  - providing modern transport connections
  - supporting their science and universities
  - backing their creative clusters
  - giving them the local power and control

3.2 One year, on progress has been made, if unevenly, across these fronts:

- **Transport for the North** (TfN) will be established as a statutory body with statutory duties. Its remit will be to set out transport policies and investment priorities in a long-term transport strategy for the north. TfN will be underpinned by £30m of additional funding over three years. Merseytravel is currently leading a Freight and Logistics study which will:
  - establish a baseline of freight movements across all modes of transport
  - identify and model potential infrastructure requirements
- £235m investment in the **Henry Royce advanced materials institute**, based in Manchester.
- A £78m Government commitment to the construction of **The Factory**, a new arts centre in Manchester.
- A **devolution** deal has been concluded with Manchester and deals are under discussion with city regions across the North, including Liverpool.
- A first Northern Powerhouse **trade mission** to Singapore and Malaysia, led by the Prime Minister and Business Secretary

3.3 At its most ambitious, the Northern Powerhouse will help deliver a functioning labour market across the North and new economic opportunities of genuine scale. Nevertheless, a recent letter from Sir Richard Lease to Local Authority leaders and LEP Chairs argued that the concept can only succeed if a much clearer economic 'narrative' for the North is constructed, which identifies the pan-Northern strengths that will underpin future growth and investment plans. An initial exercise to map critical assets and sectors across the Northern Powerhouse is currently being led by Manchester's Commission for the New Economy.

3.4 The LEP's relationship with Central Government, its role as the voice of the private sector on the Combined Authority and the status and profile of its Board members mean that it has a critical role to play in staking the City Region's credentials. The LEP is currently co-ordinating autumn visits from Andrew Johnson MP, Parliamentary Under Secretary of State in DfT, and Gareth Davies, Director General for Business, Knowledge and Innovation, BIS. Alongside specific messages relating to SuperPort and Innovation respectively, these will also offer a natural opportunity to put forward a firm City Region position on the Northern Powerhouse.

3.5 Whilst critics will note the Government's announcement in June to 'pause' the electrification of the Manchester-Leeds rail line, recent weeks have seen an upturn in activity around the Northern Powerhouse. This includes:

- A meeting on 26 August for Chairs of Northern Powerhouse LEPs with James Wharton MP, Parliamentary Under Secretary of State at the Department for Communities and Local Government with responsibility for the Northern Powerhouse, attended by Neil Sturmey
- A meeting for Local Authority leaders and LEP Chairs with Lord Jim O'Neill, Commercial Secretary to the Treasury on 7 September, convened by Sir Richard Leese.
- A UK Northern Powerhouse International Conference & Exhibition announced for 25 February 2016. Confirmed speakers include:
  - Ged Fitzgerald, Chief Executive, Liverpool City Council
  - Professor Nigel Weatherill, Vice-Chancellor, Liverpool John Moores University
  - Mark Whittaker, Chief Executive, Peel Ports
  - Kate Willard, Chair Atlantic Gateway & Corporate Affairs Director, Stobart Group
- A UKTI exercise with Northern Powerhouse LEPs to identify how a 'Northern sub-offer' can be developed to reflect specific Northern strengths and growth potential.

3.6 In view of these developments and in parallel with the devolution process in the City Region, it is therefore recommended that the LEP should now establish a firm and robust private sector position on the Northern Powerhouse so that this can shape wider City Region discussions. Key questions would be:

- what would the City Region bring to the Northern Powerhouse? What are our unique, world-class strengths?
- what would an effective Northern Powerhouse deliver for the City Region? How would it advance our own key ambitions?
- who do we want to communicate this position to across the North and UK Government, when and how?

3.7 To stimulate discussion, a briefing paper, prepared for the LEP Chairs meeting with James Wharton, outlining LCR assets for the Northern Powerhouse is appended to this report.

4. DEVOLUTION

4.1 New devolution deals: Cornwall became the first county to gain new devolved powers when it concluded a deal with Government on 22 July. The deal, which includes giving greater control over transport, skills, and business support is less far-reaching than the Manchester devolution deal and does not come with the requirement for a directly elected mayor. Key items include:

- powers for franchising bus services
- integrating local and national business support services
- reshaping FE training and learning provision for adults
- producing a business plan for the integration of health and social care services

4.2 Significantly, Cornwall will have Intermediate Body status for European Regional Development Fund and European Social Fund, with responsibility to select projects from April 2016. Following the Cornwall deal, it was announced that Manchester would gain similar powers over £300m of European funding under an extension to their own devolution agreement.

4.3 State of the Liverpool City Region Report (SoLCRR): The LEP has responded to an invitation from Professor Michael Parkinson at the University of Liverpool to engage in the delivery of a first State of the Liverpool City Region report. A collaborative research team across the University and Liverpool John Moores University will deliver the report in mid-autumn. The LEP will contribute capacity from its Policy and Strategy team; interviews have also been conducted with key officers and board members.

4.4 The goal of SoLCRR is to begin to generate the evidence base that the LCR needs to win the arguments and resources it needs. Specifically, it will seek to:

- generate robust evidence about the city region's comparative performance and prospects
- identify policy issues and responses
- mobilise support and interest among key stakeholders
- attract national attention for its products

4.5 The SoLCRR will be both a process and a product. It will create long-term intelligence and a database. In the shorter term it will also be a product, whose delivery will help:

- build collaboration and partnership within LCR
- publicise and promote LCR's achievements and ambitions
- influence internal and external audiences
- win hearts and minds and, most importantly, public and private investment for the LCR

4.6 This initial report will have three parts:

- a quantitative assessment of LCR's recent past and achievements
- a review of current policies and projects
- an assessment of the long- and short-term forces that will impact upon LCR during the next decade and a discussion of alternative desirable futures - and ways of delivering them

4.7 In view of the significance of the SOLCRR to the prospective LCR devolution deal and to Northern Powerhouse discussions, it is recommended that Professor Parkinson be invited to present the project at the next meeting of the Strategic Board.

5. GROWTH AND PRODUCTIVITY

5.1 Launch of Productivity Plan The Chancellor launched the Government's Productivity Plan on 10th July. The Plan sets out a pan-government agenda to address long-term UK productivity issues. The Plan is built on two pillars: encouraging long-term investment and promoting a dynamic economy. It reiterates the government's commitment to a rebalanced economy and devolving powers to elected mayors.

5.2 Measures within the Plan include:

- introducing a new compulsory **apprenticeship** levy requiring large businesses to invest in their own future
- radically streamlining **further education** qualifications
- review of business **energy** tax policy to improve and simplify the landscape
- creation of a new Roads Fund from 2020-21, financed from Vehicle Excise Duty, and a plan to get Network Rail and the **rail investment** programme back on track
- investing £6.9bn in the UK's research infrastructure and developing the UK's network of **Catapult centres**
- introducing a new zonal system to give automatic permission on suitable **brownfield sites**

6. KEY SECTORS

6.1 Innovation: Science & Innovation Audits (SIAs) were announced in the Productivity Plan. BIS will procure a body to gather overall evidence for SIAs in September and will then ask for expressions of interest from consortia (universities, cities, LEPs and businesses) in October to 'map strengths and an area of focus for different regions'. SIAs are scheduled to take place from January to April 2016. Whilst it is not yet clear how many consortia may be selected or on the basis of what geography (e.g. LEP areas) or criteria, the City Region should be well placed, given the focused work on the Innovation Plan, led by the LEP. If cross-boundary submissions are preferred, then the Atlantic Gateway Science and Innovation Study currently being undertaken provides a possible mechanism to facilitate this.

6.2 Professor Dame Ann Dowling, President of the Royal Academy of Engineering, was asked to review business-university research collaborations in December 2014 as part of the Science and Innovation Strategy. The report was published in July and recommendations include:

- simplifying the UK's research and innovation support system for businesses and academics
- prioritising increased public investment in R&D in industrial sectors of strategic importance
- providing more explicit recognition in successor exercises to the Research Excellence Framework for impact and staff moving between industry and academia in either direction
- increasing levels of funding for Knowledge Transfer Partnerships (KTPs)

Specifically, the review recommends that:

- BIS and the DCLG need to set out clear guidance on supporting innovation at a local level, which Innovate UK should be actively involved in developing and communicating
- Innovate UK, with support from BIS and DCLG, should be tasked with ensuring that the local innovation strategies make sense nationally and that collaboration, rather than competition, between LEPs is the dominant modus operandi.

6.3 Shale Gas: The Oil and Gas Authority has announced 27 more locations in England where licences to frack for shale oil and gas will be offered. The blocks of land, which are typically 100 sq-km, include areas near Lincoln, Nottingham, Sheffield and Preston. A second group of 132 further blocks could be granted following a consultation. Applications are subject to approval by local councils, which will have 16 weeks to decide on them. The Secretary of State for Communities and Local Government, Greg Clark, has been given the power to fast track proposals if necessary.

6.4 Visitor Economy: The Government launched a new Five Point Plan to boost tourism across the UK on 17 July 2015. A new inter-ministerial group will be formed to co-ordinate and align action. The group will focus on five key areas:

- A better co-ordinated sector: the Government wants to see local attractions and tourism organisations collaborating to grow the sector for everyone, not competing.
- Skills and jobs: driving and retaining talent in the sector to encourage growth
- Common sense regulation to drive competition and improve the tourism offer for visitors
- Transport: Forging innovative links between the transport and tourism sectors to help visitors travel outside of the capital
- An improved welcome: delivering a world class welcome at the Border

APPENDIX

Briefing: Northern Powerhouse LEP Chairs' meeting with Minister for the Northern Powerhouse, James Wharton MP

York, 26 August 2015

LCR assets for the Northern Powerhouse

1. **Connectivity: Logistics**
   - **SuperPort** encompasses: the Port of Liverpool, deep-water L2 terminal, 9 ancillary ports, 5 berths, 1 ship canal, 2 airports, 3 Enterprise Zones, 10 motorways. £1bn+ investment in intermodal infrastructure is already underway.
   - SuperPort will deliver faster, cheaper and greener global market access to and from the UK and Ireland. The post-Panamax facility offers new North American trade potential.
   - 90% of deep water container freight currently enters the UK via the South. However, at least 60% is destined for, or originates from, the North. 35m people in the UK and Ireland live within a 150-mile radius of SuperPort.

2. **Science and Innovation**
   - The LCR has inherent strengths in Big Science, Life Sciences and Bio-medical, High-Value Manufacturing, Marine/Maritime and Digital and Creative industries. These complement strengths across the North's other major urban centres.
   - **Sci-Tech Daresbury** is one of only two national science and innovation campuses and home to the biggest industrial R&D supercomputer in the UK at the **Hartree Centre**. Sci-Tech's partnership with **IBM** partnership confirmed its international reputation for fostering relationships between science, innovation and industry. Sci-Tech became an Enterprise Zone in 2012.
   - The LCR **Life Sciences** sector employs 6,000+ and is worth £1.7bn a year. Liverpool has Europe's largest bio-manufacturing cluster and is home to Actavis Biologics, Bristol Myers Squibb, Eli Lilly, Astra Zeneca, Novartis, Unilever, Vitaflo and RedX Pharma.
   - **Health firsts:** The new £279m **Alder Hey** Children's Hospital, a global 'Top 100' project, aims to be the world's first 'living' hospital. It is the UK HQ for the NIHR Clinical Research Network on children's research. Prof Sir Munir Pirmohamed was the first NHS Chair in **Pharmacogenetics**. Liverpool has the world's first School of **Tropical Medicine**.
   - The LEP successfully bid for **Sensor City**, one of only four **University Enterprise Zones** (UEZs) in the UK.
   - The City Region is ahead of the game and has already responded to the Government's invitation in the Productivity Plan for universities, cities, LEPs and business to work with the government and map their strengths via a science and innovation audit. The LCR's **Innovation Plan** identifies a suite of major projects to deliver an 'innovation ecosystem' for the City Region. The LEP's Innovation Board is chaired by Unilever's Global VP of Open Innovation, Dr Jon Hague.

3. **Natural assets: Low carbon**
   - Liverpool City Region's **coastal location** and low carbon and energy business capabilities means it offers a nationally significant opportunity to support large-scale renewable energy generation through offshore, tidal and biomass projects.
   - The Low Carbon sector already contributes over £2bn to the LCR's economy employing over 22,000 people in 1,400 companies. With **>4.4 GW of potential resource capacity** identified for renewable and low carbon energy generation, the LCR has enormous potential to deliver a diverse range of commercial, community and micro-generation projects.
   - The LCR has been awarded Centre for Offshore Renewable Engineering (**CORE Status**) – the first on the West Coast – in recognition of its potential in the low carbon and renewable sector.

Liverpool City Region
Local Enterprise Partnership

Devolution

Strategic Board Meeting
10 September 2015

Author:
Matthew Cliff
Liverpool City Region LEP

Presented by:
Alan Welby
Liverpool City Region LEP

1. PURPOSE

1.1 This paper provides an update to the Strategic Board on the Liverpool City Region's ongoing dialogue with government around potential devolution of powers and resources.

2. RECOMMENDATIONS

2.1 The Board is requested to **note** the report and **welcome** the submission made by the Liverpool City Region to the Comprehensive Spending Review (CSR).

2.2 The Board is requested to **consider** the submission and also how the LEP may optimally contribute to the next phase of the process towards the CSR in late autumn.

3. BACKGROUND

3.1 A special meeting of the Liverpool City Region Combined Authority (CA) took place on 2nd September 2015 to further consider and agree the scope of the proposed devolution of powers and funds to the Liverpool City Region. The CA endorsed a submission to the Government's CSR (see Appendix A), outlining devolution proposals across a series of functions.

3.2 It is important to note that this document does not constitute the final shape or content of the City Region's devolution deal; rather, it has been prepared for the purposes of the CSR and the specific deadline that Government set for CSR submissions of 4th September 2015. The CA has noted that the devolution deal will remain an iterative process and that further information will be presented to future meetings for members' consideration.

3.3 The CA confirmed that the LEP would be a key player through the devolution process when it met on 2nd September 2015. The LEP has already begun to engage its members and wider business stakeholders via a series of events. A next session on 17th September 2015 at the Rum Warehouse will focus on the specific content of the CSR submission.

MEETING OF THE LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Members of the Liverpool City Region Combined Authority

Dear Member,

I refer to the agenda for the Special Meeting of the Liverpool City Region Combined Authority to be held on **Wednesday, 2nd September, 2015** at **9.00am** in the Authority Chamber - No. 1 Mann Island, Liverpool, L3 1BP.

I attach for your attention a copy of the following:-

AGENDA ITEM 3 – THE POTENTIAL DEVOLUTION OF POWERS AND FUNDING TO THE LIVERPOOL CITY REGION
Liverpool City Region Potential Devolution of Powers and Resources - Submission to the Comprehensive Spending Review 2015

If you have any queries regarding this meeting, please contact Trudy Bedford on telephone number (0151) 443 3365.

Yours faithfully

Head of Paid Service

LIVERPOOL CITY REGION COMBINED AUTHORITY

AGENDA

3. THE POTENTIAL DEVOLUTION OF POWERS AND FUNDING TO THE LIVERPOOL CITY REGION

Liverpool City Region Potential Devolution of Powers and Resources – Submission to the Comprehensive Spending Review 2015.

(Pages 1 - 24)

LIVERPOOL CITY REGION

POTENTIAL DEVOLUTION OF POWERS AND RESOURCES

SUBMISSION TO THE COMPREHENSIVE SPENDING REVIEW 2015

FOREWORD

Liverpool City Region welcomes the opportunity to make a formal submission to the 2015 Comprehensive Spending Review (CSR) outlining proposals for a devolution Framework with Government which will draw down powers, control and resources from central government in Westminster and Whitehall to the Liverpool City Region Combined Authority. This will enable the city region to have greater control and influence over the reduced funding that is expected to flow to the city region post CSR following a significant reduction in Whitehall departments Spending Plans. This is not simply a call for more investment; it is a call for getting much greater value from existing investment, clearly focused, to raise productivity, transform lives and economy.

The CSR takes place amongst ongoing austerity measures but it should be remembered that the 6 Local Authorities in LCR have already suffered over £650m of cuts since 2010 – the equivalent of the value of the first EU Objective One Programme for the area. We are already anticipating an additional £470m in cuts up to 2020- before the CSR changes come into effect. This is over £1.12billion of cuts in a decade. This is neither fair nor sustainable.

The communities of the city region have also suffered from massive changes in the welfare system, as well as the effects of the economic recession. We are therefore calling for a fairer distribution of resources in the CSR with cuts needing to be shared more equitably across the country.

We are also looking to the CSR to provide sustainable arrangements to meet the challenges that the city region faces in respect of essential health and social care for vulnerable adults together with a sustainable, realistic funding base for

children's social care which we believe should be protected alongside education services in the CSR process.

We believe that local decision making powers over significant areas of national government spend is better than the current system whereby priorities for local services and funding are decided in London.

We have a proven track record of being able to decide priorities locally as well as continuing to deliver quality services despite the cuts we have had to endure. We have also proven our ability to work together collectively through the Combined Authority and with private sector and other public agency partners to help grow our economy, to use resources better and to improve outcomes for local people and communities.

We recognise that the government will be seeking to make the CSR process and devolution "fiscally neutral". We believe an innovative '**place-based multi-year' approach to the Comprehensive Spending Review** in terms of changing some forms of public investment and service delivery will ensure that despite continuing budget cuts the most effective use will be made of limited resources to maximise impact at the local level and ensure value for money is achieved through sustainable economic growth. We understand the challenges and how best to solve them within our locality to deliver greater efficiency by reducing duplication and improving outcomes.

We are looking to government to ensure that "fiscal neutrality" means that the city region is no worse off through the CSR. We believe that devolution is not about government passing the buck to the city region leaders to implement further Whitehall department cuts.

We also see devolution as powers and resources being passed down from national level to city region level. Devolution is not about taking powers and resources from individual local authority level to city region level. The sovereignty of our constituent district councils will remain.

We also recognize that the "prize" of devolution may necessitate a "price" to be paid in respect of the government's stated aim of introducing an elected mayor for the city region. We are prepared to consider making a change in our local governance arrangements but only when we have considered the outcome of

the negotiations with government on the devolution package for the city region.

(To be finalised and signed by the Leaders and the Mayor)

THE OPPORTUNITY

Liverpool City Region is home to 1.5 million population; 40,000 businesses and 625,200 employees. Partners across the Liverpool City have been working together over many years to drive regeneration and economic growth. The City Region is already seeing success through greater strategic working across transport, logistics, economic growth and skills. It has a strong track record of collaboration highlighted though the Liverpool City Region Growth Deal, one of the most successful awards in the country. The Deal secured funding of £232 million (from a £250 million bid); in part due to the strength of the pipeline of projects capable of delivering ambitious plans to grow the economy and re-establish the City region's reputation as a first tier global locality and brand. But, also due to the strength of its approach to policy making and investment decisions through an agreed cost/benefit Assurance Framework which has delivered sound decision making and financial accountability across the city region.

The UK's economy is highly unbalanced, with some of the worst regional disparities in the developed world. Rebalancing the UK economy is crucial for future growth and LCR's devolution agreement must help to address this and place the city region at the heart of the Northern Powerhouse.

The City Region economy is more resilient compared to the past and well positioned to capitalise on a strengthening UK economy. Economic growth rebounded strongly in 2013, comparable with its peers. The number of people in employment continued to grow, driven by the creation of over 23,000 private sector jobs since 2010. The stock of businesses in the LCR increased particularly through small business growth and higher rates of self-employment.

Liverpool City Region is well positioned to be a significant component of the 'Northern Powerhouse', which is home to 10.7 million people. However, over the last 10 years, the Northern Powerhouse has performed below the UK's average for GVA growth, while London has outstripped the region, growing nearly twice as fast as the Northern Powerhouse. This is due to the considerable imbalance in funding allocations. An IPPR report identified that for transport projects alone spend per head in London was £2,731 but in the North West was just £134 per head of population. To enable job growth these

inconsistencies need rebalancing so that The North, collectively, can take its place as the 8th biggest economy in Europe for which the Liverpool City Region is a critically important part of this overall potential.

Currently, the local economy is not performing to its full potential. Whilst it has done well in recent years with economic growth rates above the national average; this is only a fraction of the city region's potential. There is a need to radically shift and accelerate the rate of economic growth to enable the LCR to tackle the long standing social and economic challenges it faces. There is an £8.2billion productivity gap between the city region and the national average; a deficit of 18,500 businesses, a 90,000 jobs gap and a £1,700 per capita income gap with national levels. The City Region also has one of the highest levels of welfare dependency, and health and unemployment deprivation in the country.

These challenges are significant. The analysis of public spending and tax income at the local level provides a stark challenge and context for devolution to both Government and the City Region.

For every pound raised in taxation within the city region we spend two on public services. Liverpool City Region has the largest relative gap between tax raised and public spending in England:

- LCR generates £9.5 billion in taxation for national Treasury but receives £18.6bn back in public spending;
- The deficit to the Treasury is £9.1bn, almost double the amount of tax raised;
- The deficit is much greater in LCR (96%), compared with West Midlands 52%; Greater Manchester 55%; North East 81%.

There is a unique opportunity for the city region to work with government to design a bespoke Devolution Agreement that provides the long term Vision and strategy to significantly reduce this gap and set the City region on a path to sustainable economic growth; benefiting businesses and the tax base of the area. By approaching devolution alongside public service reform, we believe that we can reduce the costs of public services whilst also improving outcomes for local people and helping build more sustainable communities.

A FRAMEWORK FOR DEVOLUTION

It is estimated that local authorities only account for between twenty and thirty percent of total public spending in their area. These budgets are largely ring-fenced on statutory services, leaving discretionary spend for local priorities as low as one or two percent of the total of public spending.

The fundamental reason for Liverpool city region pursuing devolution is to gain much greater control over its own destiny. Public finances will continue to be increasingly challenging but there are potentially major efficiencies and cost savings to be gained if greater control and coordination of government funding and activity is devolved to the city region level. In return, the city region will be better able to tailor and deliver Government policies to raise productivity, rebalance the economy, whilst delivering public service reform at the local level.

The current round of devolution agreements should be seen as a step towards a longer term aim for "total place based budgeting" - devolution of all public funding to a place

Liverpool City Region economy has the assets, scale and capacity to achieve much more. Working with government to design a bespoke Devolution Agreement, place-based rather than via separate departments and agencies will provide maximum flexibility to allocate funding against local priorities.

Having the right levers in place will provide the long term Vision and strategy set the City region on a path to sustainable economic growth.

Devolution

The Liverpool City Region Devolution Agreement is about drawing additional powers, control and resource down from central government and not up from constituent local authorities. It will deliver a 'place-based' approach to:

- Accelerate economic growth - growing jobs and increasing productivity;
- Public service reform – local re-design and co-ordination of services to reduce costs and improve outcomes across the whole of the public sector
- Improved social outcomes and better health and wellbeing of local residents

INITIAL LIVERPOOL CITY REGION DEVOLUTION "ASKS"

Liverpool City Region Combined Authority (LCRCA) requests that the following powers and resources be devolved to the Authority.

DRIVING ECONOMIC GROWTH

Outcomes

A Liverpool City Region (LCR) Place Based approach will maximise economic growth and delivery through raising productivity levels, rebalancing the economy and public service reform.

A comprehensive LCR investment model will ensure locally developed and delivered solutions to accelerating economic performance through a focus on growth, business and jobs. This will require a commitment from Government for a long term and multi-year placed based settlement underpinned by a framework of shared local and national outcomes and appropriate performance monitoring points.

Asks

1. Legislative clarity on the ability to utilise tunnel toll income for wider economic development purposes.

2. Ability to access "project rate "borrowing to bring forward developments.

3. Development Corporation Status for LCR to allow the City Region to have the flexibility of Corporation Status across LCR economic priority zones.

4. Creation of a Land Commission to oversee the utilisation of the public sector estate, creating a comprehensive database of all public sector land, identifying barriers to its disposal, and developing solutions to address those barriers in parallel to the approach to One Public Estate

BUSINESS SUPPORT

Outcomes

The City Region has significant challenges to address in terms of low levels of entrepreneurship and business density. A simplified and rationalised business support system which addresses local need, is locally delivered and much more demand led will help the city region improve business growth and performance.

Asks

1. Co-commissioning and alignment of national business support funding streams to the Liverpool City Region.

2. Designation of Catapult Centres in the City Region for Manufacturing Technology Centre focused on marine and renewable energy and a Centre of Excellence for Infectious Diseases.

3. Build on the partnership with Liverpool City Region, maintain its investment in the International Festival for Business for a further two events in 2018 and 2020.

SKILLS AND EMPLOYMENT

Outcomes

The long term ambition is to create a more flexible, responsive and "total household" approach that aligns skills and employment provision with local employer demand; and significantly reduces the gap between the Liverpool City Region and the national average in terms of skills levels and welfare dependency. This will deliver:

- A simplified delivery landscape.
- More specialist and resilient post-16 provision linked to local economic priorities.
- A shared focus and common framework of priorities and targets for strategic partners.
- Residents accessing employability services at the right time to support them back into work, reducing duplication and maximising value for money.
- Increase in the quantity and quality of apprenticeships.
- Improved skills levels, including a greater proportion of residents with the intermediate professional and technical skills that employers require.
- Reduction in out of work benefit claimants.
- Productivity improvements leading to increased economic growth.

Asks

1. Power to reshape and re-structure the local skills and Advisory systems to be more responsive to employer and economic growth priorities, through control and influence over budgets, delivery infrastructure and employer facing functions

2. Powers to transform back to work support in the City Region through co-design and co-commissioning and devolved responsibility national programmes; innovative local employer pilots and co-investment models

3. To establish a Data Repository to share local and national information and intelligence

FINANCIAL MEASURES

1. Multi-year financial settlement to local government and to other public bodies in the City Region.

2. Greater certainty, clarity and flexibility for integrated transport funding including the Special Rail Grant, highways maintenance and others.

3. Single place-based investment programme utilising public and private finance and assets against a set of shared outcomes contained within a consistent co-ordinated delivery structure. We expect to be no worse off from city region receipts from national government funding streams as measured at Investment Pot.

4. Retention of 100% business rates income in pre-defined Development Zones and sites.

5. Recognise the locational, business case and skills advantages of Liverpool City Region as solution to the Government's current re-location review with a view to retaining as a minimum the current level of Government employment in the City Region.

EUROPEAN FUNDING

Outcome

The City Region has benefitted from the deployment of European Funds to assist our economic development over recent years. However, the alignment of this funding alongside other resources and against local priorities that will stimulate growth has often been poor.

The Combined Authority and LEP have endorsed a series of investment strategies around business support, capital investment, innovation and low carbon investment which demonstrates our commitment to aligning our resources.

Ask

1. Designated Intermediate Body status for the City Region so that programme and project selection against the £200 million allocation.

FREE TRADE ZONE FOR THE LIVERPOOL WIRRAL PORT SYSTEM

Outcomes

A Free Trade Zone (FTZ) is a designation which is used by countries across the globe to promote international trade opportunities, increased Foreign Direct Investment and to promote supply chain development by offering various incentives relating to tax and duty payments.

FTZs are an effective way of achieving supply chain efficiency and cost savings. Companies use FTZs (or similarly designated areas) in various global locations to promote trade via Duty Deferral, Duty Exemption and Duty Reduction.

Asks

1. A Free Trade Zone designation for the Liverpool Wirral Port system that includes provision for Global Zone-to-Zone Transfers, No Duty on Value Added and Enhanced Customs Warehousing.

TRANSPORT

Outcomes

To work with government to enhance the core transport network across the LCR. This is to enhance connectivity and in turn, to ensure that transport serves the city region's wider, social, economic and environmental needs.

The LCR wishes to:

- Secure greater influence over the tolling regime that governs the use of the Mersey Road Tunnels, to ensure that it fully supports the city region's transport policy framework
- Maximise the collection and re-investment of monies secured through toll income, through the repayment of historic tunnels debts by government which are currently funded from toll income
- Reduce the financial risks associated with the planned replacement of the Merseyrail electric rolling stock, with long-term certainty from government in respect of the Special Rail Grant awarded to the LCR each year
- Share operating savings that come from this investment with Network Rail, and secure a long term lease on the Merseyrail stations so that we can better plan upgrades in and around stations.
- Secure the ability to franchise local bus services, to ensure that they have the required reach, penetration, quality and pricing structure and serve the needs of the LCR.

Asks

1. We want government to pay off the debts on the Mersey Tunnels and give us freedom to set toll levels on our own terms. Paying the debt will help create a bigger investment fund that we can reinvest in local transport. More control over the tolls will also allow us to vary toll levels by time of day, by engine type or in response to users' specific needs.

2. We want government to give us a long-term Special Rail Grant (SRG) to help secure a new fleet of Merseyrail trains. The new trains will have more capacity and will be able to serve additional places by being able to run

beyond the existing Northern and Wirral lines, in support of economic growth.

3. We want to be able to manage local bus services by being able to set routes and fares, and so that bus operators would be able to bid for the right to operate these. We also want all existing bus grants to be devolved and managed locally. This will create a more efficient bus market and help people to access jobs and services more affordably.

HOUSING AND SPATIAL PLANNING

Outcomes

The Liverpool City Region is an increasingly revitalised economy – our population and economy has been growing, there is increasing demands for land for new housing, business growth and new business investment.

Our approach to Housing and Spatial Planning will provide greater confidence to investors, public and private, to deliver more housing units, business investment, and ultimately, new job creation.

We would expect a better co-ordinated approach across the public sector when disposing of assets, ensuring our economic and social objectives are achieved in a more efficient and effective way by providing the City Region additional influence over those disposals; this will benefit the fiscal position of the City Region but also Government.

Our outcomes will be to deliver more housing and business investment. We would expect an increase in home ownership, and an increase in jobs.

We would aim to support our communities too, coordinating activities to make sure communities are more self-sustainable, with the right homes in the right place and increased home ownership.

Asks

1. Development of an LCR Statutory Spatial Plan.

2. Creation of a Land Commission to oversee the utilisation of the public sector estate, creating a comprehensive database of all public sector land, identifying barriers to its disposal, and developing solutions to address those barriers in parallel to the approach to One Public Estate.

3. A single investment approach in Housing.

4. Devolution of the necessary 'tools' to deliver improved development outcomes, housing markets, and deliver social benefits at a local level.

5. Modification and devolution of some regulatory powers to enable a more locally responsive local planning regime achieving economic growth, improved housing markets, and improved social benefits.

HEALTH, WELLBEING AND SOCIAL CARE

Outcomes

Our ambition is to improve the health and wellbeing of the 1.5 million citizens of Liverpool City Region as significantly and rapidly as possible. We want to do this on the foundation of a clinically and financially sustainable health and social care system across the City Region.

To achieve this, the aspiration is to work with Government and other stakeholders to create an integrated health, wellbeing and social care strategy that eliminate the health and wellbeing inequalities faced by our citizens across the City Region and between the City Region and the best of the rest of the country. We will do this in a flexible way recognising the need for locally appropriate organisational models and innovative solutions.

The Local Authorities, CCGs, NHS E and PHE are committed to finding the most appropriate solutions to deliver better outcomes, better experience and sustainability based on our unique circumstances. Preferred solutions will inevitably be a combination of collaborative local working using existing powers/resources and devolved powers/resources from Government (NHSE and PHE). The solutions will respect the NHS Constitution and Mandate plus local government legal requirements.

Asks

1. To work actively with local authorities, CCGs, NHSE and PHE to accelerate the definition, agreement and implementation of local solutions.

2. National partners' support to inform the journey locally. Should national barriers to delivering better outcomes be identified, Government to work with us to deliver a mutually beneficial outcome.

3. Explore in detail the opportunities and risks associated with the devolution of powers and resources covering:
    - Specialist health services currently commissioned by NHSE including military and prison health
    - Emergency and no-emergency transport including ambulances
    - Primary health care where it is currently commissioned by NHS E

- Public Health responsibilities and budgets from Public Health England/NHS E and removal of the Public Health Grant ring-fence
- A local leadership role in the performance oversight of the health and social care community in close partnership with Monitor, TDA and CQC
- Emergency planning responsibilities within PHE's health protection responsibilities and the NHS E emergency planning responsibilities.

ENERGY

Outcome

LCR has an aspiration to maximise the economic potential of its considerable natural assets and to improve energy resilience and sustainability. It has a vision to build the first offshore tidal lagoon in the UK and to create, under the new Licence Lite electricity supply licence options, a public/private special purpose vehicle that can exploit the full generation capacity of the lagoon for the benefit of the City Region.

Asks

1. Powers to maximise the renewable energy and economic potential of the city region's assets, including the river and coast through the development of a generation system of regional significance, for example, an offshore tidal lagoon.

2. A commitment to deliver through DECC a successful Contract for Difference and agree electricity supply arrangements with a Special Purpose Vehicle that enables the benefits to be provided directly to the residents, businesses and local authority buildings through a 'direct' connection to the output of the tidal lagoon.

3. A standardised community benefit regime covering all new generation systems installed in the City Region, including the principle that a share of any energy production profit is retained locally.

4. The establishment of a Regulatory Pilot Area (RPA) covering utilities in the LCR.

CULTURAL PARTNERSHIP AND CREATIVE DOCK

Outcome

The Liverpool City Region Cultural Partnership (LCP) would be a broad partnership of all stakeholders that impact and shape the cultural tone, visitor experience and skills pipeline of the city-region: from the arts to business; health; museums; blue light services, and schools, colleges and universities. It will provide the mechanism for cultural cooperation, and an improved place based approach between local and national agencies, focusing on strategic and city region level activity. It will explore the potential for devolving and aligning the various government and government agency funding streams for culture, creativity and tourism.

The LCP would develop and deliver a high tech multi-use National Creative Skills Centre. By staging paid-for visitor attractions, from performance to block-buster exhibitions, it will become a self-sustaining and nationally recognised training and skills resource for the Liverpool City Region and the UK as a whole. It will enhance the critical mass of Liverpool's cultural assets and provide a joint resource for participation, engagement and outreach.

Asks

1. Develop a financially sustainable delivery model for cultural and creative assets including the devolution and alignment of funding between the city region, government and its agencies.
2. Additional cultural national infrastructure within the city region to further economic growth to culture industries and activity.
3. Develop financially sustainable solution to nationally funded amenities and services (e.g. MNL) within the City Region including exploring the creation of an innovative endowment fund.

COMMUNITY SAFETY, ENFORCEMENT, LICENSING AND REGULATORY SERVICES

Outcomes

Police and Fire

To explore closer working between the emergency services and other LCR activities, to improve and deliver effective and efficient services to local communities.

To explore alternative governance models to secure better commissioning and delivery of emergency services at a local level and to pursue ambitious reform through collaboration.

Waste

To explore increased efficiency from streamlined governance, closer joint working and management arrangements in respect of waste.

Maximise recycling and re-use opportunities across the City Region and thereby reduce residual waste, reduce costs and improve the environment.

Licensing and Enforcement

To explore a consistent set of fees and policies across the City Region in respect of all licensing matters and environmental crime activities.

Asks

1. To consider whether an elected LCR City Region Mayor should take over the role of the directly elected PCC for the Merseyside Police Force Area and the role of the Fire Authority for the Merseyside Fire and Rescue Service Area.

2. To consider whether an elected LCR City Region Mayor should take over the role of the directly elected PCC for the Halton Borough Council area of the directly elected PCC for the Cheshire Police Force Area and the role of the Fire Authority for the Halton Borough Council area of the Cheshire Fire and Rescue Service Area.

3. Flexibility to establish appropriate governance and operational arrangements in respect of waste across the City Region.

4. The power to establish consistent Local Licensing Objectives across the City Region (for example to support health, wellbeing, economic objectives and greater efficiencies).

5. The power to set consistent local fine levels for environmental crime across the City Region (for example in respect of litter, fly tipping and dog fouling).

EDUCATION

Outcome

To deliver improved and better co-ordinated education sector including pre-school, school, FEI's & HEI's in a more cost effective manner and to better meet the learning, attainment, skills and employment needs & opportunities of young people in the LCR.

Asks

1. Devolution of the sub-regional coordination of education sector improvement and responsibility for pre-school, school, FEI's & HEI's.

2. Removal of the ring fence for Dedicated Schools Grant in the LCR

3. Explore the feasibility of pooling existing financial resources in the statutory school sector (e.g. use of assets or uncommitted financial balanced)

4. Devolution of powers for the diversification of educational provision (including Academies)

5. To develop vocational educational opportunities (14-19) tailored to better deliver business and labour market needs and support an appropriately qualified workforce.

CHILDREN'S SERVICES

Outcome

To deliver improved and better co-ordinated services for children, young people and families in the LCR, in a more cost effective and efficient manner.

To improve the quality and cost-effectiveness of the Children's Services workforce in the LCR.

Asks

1. Power for the LCR to determine the number, type and quality of residential care homes for children and adults; and manage the market both in qualitative and quantitative terms.

2. Regulation and inspection services (such as OFSTED's responsibility for the inspection of children's homes) to be prioritized and managed at a LCR level.

3. Devolution of the Youth Justice Board's commissioning powers in the LCR to shape the supply of secure settings for young people.

4. Locally determined criteria for Troubled Families and Payment by Results in the LCR.

5. Removal of the claw-back requirements on capital assets including Surestart Children's Centres and Neighbourhood Nurseries in the LCR.

Liverpool City Region
Local Enterprise Partnership

European Structural and Investment Funds 2014-2020 Programme:

LCR ESIF Strategy Update

Strategic Board Meeting
10 September 2015

Author:
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Liverpool City Region LEP

Presented by:
Alan Welby
Liverpool City Region LEP

1. PURPOSE

1.1 This report sets out progress in relation to the implementation of the LCR ESIF Strategy and provides an update for the LEP Strategic Board on the main developments.

2. RECOMMENDATIONS

That the LEP Strategic Board:

- **consider** the view expressed by Local Authority Regen Directors regarding the JESSICA Financial Instrument for the 2014-2020 ESIF Strategy (paras 3.5 – 3.18)
- **agree** that the Executive Director for Strategy work with the appropriate Lead Chief Executives (Europe and Economic Development) to define the appropriate proposals for use of those funds for consideration at the Combined Authority and LEP Strategic Board meetings in October, prior to final submission of the ESIF strategy to Government on 23rd October 2015
- **note** the progress on the development of the Sustainable Urban Development (SUD) strategy (paras 3.12 – 3.18)
- **note** the contents of the report, especially regarding the required revisions to the LCR ESIF (paras 3.2 – 3.4)

3. BACKGROUND

3.1 This section of the report provides the Strategic Board with an update on current developments.

3.2 Revisions to the LCR ESIF Strategy: Following the formal adoptionof the ERDF OP and the final draft of the ESF OP, Government has issued guidance on the required revisions to the ESIF Strategies. This work has a deadline of 23 October 2015 for completion and will require a formal sign off by the LCR ESIF Committee. Officers have considered the actions required and discussed this with CLG. It is likely that textual amendments will be light touch only, mainly to ensure that the proposed activities are eligible under the ERDF and the ESF OPs. Both OPs are now structured around a number of Priority Axes and Investment Priorities, in line with the ERDF and ESF regulations. This work will progress through the EU core team.

3.3 There are a couple of interim deadlines. Government will also issue updated ERDF and ESF allocations (within the nominal allocation) in Euros, a pro-rata distribution of the N+3 and performance Framework spend targets with specific targets in 2018 and 2023. This information will be issued on 11 September 2015. Output and spend targets will need to be incorporated into the ESIF Strategy.

3.4 The main issue of eligibility will be the removal of TO7 Transport and the insertion of this activity as sustainable urban mobility under the Low Carbon Priority Axis. A revision to ensure alignment with the now agreed approach to the LCR SUD is required in the text (see below). There are no issues regarding the portfolio approach, although a document showing the relationship between the OPs and the LCR portfolios will need to be prepared to clarify the links between the activities.

3.5 The City Region also has the opportunity to consider the proposed Financial Instruments, i.e. Jeremie (access to finance for SMEs) and Jessica (the Urban Development Fund – property and low carbon). Both will have an impact on spend targets and outputs.

3.6 The local authorities, through the Lead Chief Executive: Economic Development and Regeneration Directors, are the formal portfolio leads for the Place and Connectivity Portfolio and have considered the need for a Jessica-type instrument in LCR. The LEP leads on the Jeremie type FIs. The paragraphs below set out the current position as developed by the City Region local authorities for consideration.

3.7 JESSICA Funds (Financial Instrument) were established under the previous ERDF programme. The Chrysalis Fund is contracted until 2021 and will continue to operate and reinvest the returns on the investments made to date. It will therefore continue to be a "financial instrument" in the City Region.

3.8 The ESIF 2014-2020 contains provision for a new FI which would be a separate and additional fund to Chrysalis with £24m ERDF ring-fenced. PWC undertook a 2014-2020 Ex Ante assessment. Whilst there was a positive conclusion on the need for 2nd FI, this seems to be predicated on a number of assumptions, including the a strong pipeline of projects and alignment/combing of various funding sources (including very significant levels of grant) which is unlikely to be available within LCR.

3.9 Within LCR local authorities, there is an acknowledgement of a lack of shovel ready or deliverable projects from an investment perspective (i.e. the focus is largely public sector led projects). Gap funding / land remediation issues face many of the larger strategic projects across LCR and the capacity and resource to deal with these issues is problematic. This has also been recognised through the external capital commissioning work undertaken through Paul Lakin.

3.10 Most of the benefits of a 2nd Financial Instrument are predicated on pipeline of projects which are investable and deliverable. This is the key area of concern for LCR with a consistent view that this pipeline is not sufficiently developed to exploit the opportunity of a second financial instrument.

3.11 Other considerations include the fact that Chrysalis operate the current JESSICA fund. It is private company owned by Igloo. As part of the required competitive procurement process for 2nd FI, it is entirely plausible that there could be another Fund manager selected resulting in separate FI's operating within LCR. This raises issues of competing funds (unless overarching LCR investment policies are devised in a complimentary/aligned manner) but also practical issues of how such funds would be operated and managed through the CA. Supply of projects and demand still remains.

3.12 Without pipeline of projects a 2nd Financial Instrument has the risk of sitting redundant. Whilst the Chrysalis Fund performance has significantly improved the overall experience has been very challenging and difficult. The majority of funds invested have also been into large public sector projects.

3.13 The existing Chrysalis Fund has now £30.8m signed with a further £7m approved subject to funding and final terms. On the assumption this level is to be incurred and recycled, there will be a level of future resource that will come on stream which could address the needs/demand of future projects going forward for such investment funding that would be operated by a second Financial instrument. This also has the advantage of using the State Aid notification which remains in place for Chrysalis but will not be available for a second financial instrument (as it currently stands at the point of writing this report).

3.14 A more coherent and aligned 2nd round Investment Policy of Chrysalis within the LCR may provide a more efficient solution than to create a 2nd FI and potentially competing structure (subject to demand and pipeline).

3.15 Through the alignment of wider LCR resources inclusive of Chrysalis funding, it is possible to provide a programme of investments utilising a combination of grant (where gap is required) and debt where projects are taken to a level which can support borrowing. Through the efficient deployment of LCR resource (non ERDF) there is local control and flexibility to amend investment policy to deal with market conditions. The tools available to LCR will be further increased based on the proposed transfer of Chrysalis to LCR (Combined Authority).

3.16 LCR can ensure the right message and culture of 'investment' led is established and without the need for tying up funding in an undeliverable fund for significant periods. The local control

and fund approach of LCR (inclusive of the capital commissioning framework) will ensure there is consistency, alignment and responsiveness to the market.

3.17 CLG has made it clear that its preference is for a JESSICA instrument to be part of the LCR ESIF Strategy. That is based on their view that such structures provide a much better use of resources than traditional grant. However, this is a decision for the City Region to make and CLG has indicated to the City Region that the ESIF review is the process via which to make such a change.

3.18 Not proceeding with Jessica will require proposals for the types of activityto be included in the ESIF as a replacement for JESSICA for the local authorities as portfolio lead. The allocation for the Jessica comes from the Thematic Objectives (TO1, TO3, and TO4) covering the three main ERDF portfolios – Innovation, Blue/Green and Business. The proposals to be developed will reflect this but also the need to address SME infrastructure requirements in each of these thematic areas. These proposals are required in time for the October meetings of the LEP Strategic Board and Combined Authority.

3.19 Likewise, we also need clarity from the LEP that the allocation for the Jeremie FI can now be fixed. The same timetable applies.

3.20 ERDF and ESF Calls: Following the closure of the first ERDF and ESF calls in May 2015, there have been two LCR ESIF Sub committee meetings to discuss and agree the local strategic fit advice to CLG and DWP re the submitted outline applications. The process was organised by CA and LEP officers, working with and through the specialist Boards (i.e. the Innovation Board, ESB, the Blue/Green Advisory Group and the emerging Enterprise Board). The use of a dedicated common framework across both ERDF and ESF greatly assisted the process and both partners and CLG have been supportive of the process in LCR.

3.21 ERDF applications have now been invited to full application and are due on 11 September 2015. Of the 18 ESF applications, 15 have been invited to full applications. Following a further assessment by CLG and DWP, the ESIF sub-committee will consider the full applications in late October 2015 for ERDF applications and November 2015 for the ESF applications. Offer letters, if agreed, are likely to follow in December 2015 with delivery starting in early 2016. The SFA and BIG have now also submitted their applications for ESF and these have been assessed by DWP and local strategic fit has been provided to DWP. Procurement of ESF activities will start later this year for SFA, based on LCR requirements. BIG will open their application round early next year and local consortium building continues around the two themes of digital and financial inclusion.

3.22 Following this round of bids, discussions have taken place with both DWP and CLG about the process with a view to making it more streamlined and consistent going forward. Reports with suggestions were made to the ESIF committee for both ESF and ERDF. One issue has been the different approach taken by DWP and CLG. DWP assigns a score to each assessment criterion, whereas the CLG approach has been a qualitative process. In terms of the former, this has meant that projects which score highly have gone forward to full applications, despite having little or no strategic fit with local needs. Officers have been assured that local strategic fit will be the overriding consideration in the final decision.

3.23 Sustainable Urban Development Strategy: The core cities have now been formally invited to develop a Sustainable Urban Development Strategy. As Board members will recall, we had originally planned to shape this around innovation and blue/green. An options analysis has been carried out and the SUD will now focus on sustainable urban mobility and associated green infrastructure and pull-in resources from the required minimum of two Priority Axes (PA4 Low Carbon and PA 6 Preserving and Protecting the Environment and Promoting Resource Efficiency).

3.24 A number of LCR wide Strategies and Plan will provide the overarching framework for the SUD, with the Transport for Growth Plan forming the central strategic and policy framework.

Supporting documents will be the SEAP, the Low Carbon Action Plan and the Green Infrastructure Framework. Transport for Growth was adopted in February 2015 This strategy places transport and mobility in the context of the City Region's priorities around economic growth, the low carbon economy, health, social inclusion, land use planning, housing and tourism. It is also City Region-wide in its coverage and is able to draw in significant levels of match funding.

3.25 The current thinking is that the focus of the City Region's SUD activities would be on the following:

- Supporting small-scale sustainable transport improvements that facilitate access to economic and employment growth areas, focusing on walking and cycling, and on joining up existing networks of walking and cycling routes to form a LCR wide network;
- Adding value to major capital schemes being funded through Growth Deal or similar capital funds, by further enhancing sustainable access to growth areas (e.g. improved cycle links from key rail hubs to strategic sites such as Daresbury, Parkside and the Port of Liverpool);
- Support for innovative transport fuels (e.g. waste management and renewable fuels from food waste);
- Complementary green infrastructure, such as tree planting, natural shelter, sustainable or solar lighting, sustainable drainage and so forth, linked to innovative ways of remediating and using brownfield land;
- Infrastructure to enhance the quality and attractiveness of walking and cycling infrastructure; and
- Better information and technology to enhance journey planning and to remove barriers travel, e.g. the further rollout of real-time bus travel information, multi modal smartcards, on-line journey planning information and so forth.

3.26 The LCR already has existing strong governance arrangements to co-ordinate transport issues across the City Region, through the officer-level Transport Advisory Group (TAG) and the Merseytravel Committee. A process of identifying a pipeline of candidate transport schemes is also in the process of being developed, which will help to identify suitable candidate projects. It is considered that these existing structures, with suitable additions to represent all relevant sectors, would provide the basis of the SUD advisory committee that will be required to oversee the programme. Likewise there are strong LCR wide networks around the GI agenda through the work of MEAS, the LNP and the work of the Mersey Forest. Representatives of these networks will be brought together in the SUD advisory group, which is a requirement of the SUD Strategy.

3.27 A report has been presented to the CA, requesting that it takes on the role of the designated urban authority as well as the lead for the development of the SUD for submission by 25 September. The role of the designated urban authority would be focused on pipeline development, project selection and the wider management of the SUD Strategy. This can be part funded by TA. Final guidance on the exact scope of the functions, which will transfer from CLG to the IB (Intermediary Body), is still outstanding from CLG. The Combined Authority considered this at its meeting of the CA on 21 August and agreed to become the IB for the SUD and delegated the development of the SUD to a drafting group, led be Merseytravel.

3.28 The drafting group is currently developing the SUD plan, building on the proposed activities above. The Group brings together representatives from Merseytravel, the local authorities, the LCR LEP and the third sector (Mersey Forest as the GI lead). A first draft should be completed by mid September. Following an assessment by the CLG, the likely launch of the SUD will be early 2016. We are discussing the possibility of a single SUD call, rather than calls based on priority axes.

3.29 Second ERDF Calls: A further second round of ERDF Calls was launched at the end of July on the ESIF gov.uk website[1]. For LCR, this call covers:

- Innovation (focused on revenue schemes to delivered the Innovation Exchange),
- Place marketing (covering three portfolios – Innovation, Blue/Green and Place/Connectivity) and
- Gap funding for business infrastructure.

The latter two are contained within the same call prospectus under Priority Axis 3 as CLG is required to align calls with the ERDF OP. For the place marketing call, it should be noted that the local strategic fit assessment must include input from the Innovation Board and the Blue/Green Advisory Group to align with the LCR ESIF portfolio approach – the allocation of funding this activity comes from the Innovation, Blue/Green **and** Business portfolios. Workshops for interested partners have been held for all three elements. The calls close on 25 September.

3.30 Technical Assistance: Following the CLG and DWP assessments of the Technical Assistance bids, the CA have been redrafting the proposals to meet the conditions of the outline assessment. This has focused on developing a more realistic proposal, based on LCR requirements around the eligible activities of publicity/promotion and pipeline development. An element for the SUD will be added to the ERDF application, following discussions with CLG. The CA will submit the full applications for ERDF and ESF in September 2015. These will then be assessed by CLG and DWP and given a further opportunity for advice from the ESIF committee.

[1](https://www.gov.uk/european-structural-investment-funds?keywords=&fund_state%5B%5D=open&location%5B%5D=north-west).

Liverpool City Region
Local Enterprise Partnership

Place Marketing For Investment Commissioning Report

Strategic Board Meeting
10 September 2015

Author:
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Presented by:
Alan Welby
Liverpool City Region LEP

1. PURPOSE

1.1 The purpose of the report is to seek approval for the creation of 'task and finish' advisory group for the Place Marketing for Investment priority area of the LCR ESIF.

2. RECOMMENDATIONS

2.1 Liverpool City Region Local Enterprise Partnership is recommended to:

(a) **endorse** the broad terms of reference for recommended for the group.
(b) **approve** the process for selecting representatives to form the task and finish advisory group.

3. BACKGROUND

3.1 The Place Marketing for Investment programme sits within the Place and Connectivity, Business, Blue/Green and Innovation Portfolio areas of the LCR ESIF. There is £3.75m ERDF allocated to this activity to 2020 with activity geared to delivering national requirements for supporting the capacity of SMEs to grow in regional, national and international markets (Priority Axis 3 of the England Operating Programme (3d)).

3.2 The intention of the programme is to ensure that the LCR and its key assets are widely recognised and understood as a leading place of innovation, science, technology and creativity, as well as a centre for heritage, culture and sport, supporting the attraction of new business, investment and visitors.

3.3 The envisaged approach for the programme will be through the creation of a consortium that will integrate intensive business engagement in key sectors with an effective cross-sector, City Region-wide inward investment and place marketing programme. This will be predicated on developing an overarching proposition/brand for the region and establishing the appropriate routes to market that will deliver an evidence-based return on marketing investment.

3.4 In terms of project development, a commissioning framework was agreed by the ESIF Committee in July 2015, with a call for projects opening on 3rd August 2015 and closing on 25th September.

4. TASK AND FINISH ADVISORY GROUP

4.1 In order to provide the appropriate level of governance and support for the ESIF Committee, a 'task and finish' advisory group is required. The primary function of the group will be to support the development of an investment strategy against which prospective bids will be assessed for strategic fit. It will also provide specialist guidance to the ESIF Committee on: local 'strategic fit'; assessment of marketing; and, investment ERDF project proposals.

4.2 Detailed terms of reference for the group will be developed once membership has been confirmed. However the primary focus of the group will be to commission and develop the Place Marketing Investment strategy which is likely to comprise:

- governance for Place Marketing for Investment decisions.
- establishing the rationale for a clear and concise LCR place brand/proposition that is market-focused and able to support sector specific marketing initiatives.
- identification of key markets for the LCR on which ERDF investment should be prioritised, including local strategic fit with the identified ESIF Portfolio Areas.
- project development criteria based on outline application and full application stages.
- conversion analysis recommendations based on programme outputs.

5. TASK AND FINISH GROUP MEMBERSHIP

5.1 Given the cross cutting nature of the Place Marketing for Investment programme, the task and finish group must be representative of the portfolio areas within the ESIF strategy and ensure there is appropriate representation from the LCR local authorities and key stakeholders groups.

5.2 It is also a condition of DCLG that the group is chaired by an ESIF Committee representative. Supplementing these arrangements, the group also requires strategic marketing expertise to ensure sufficient rigour is introduced into the development of the investment strategy and the initial appraisal of prospective projects.

5.3 Given the extremely challenging timescales associated with developing the investment strategy, the LEP's Executive Director for Policy and Strategy will be seeking single nominations for the task and finish group in early September. Working to a maximum of 10 representatives, the following groups will be consulted for expressions of interest:-

Stakeholder	Groups	Reps
ESIF	Committee	1 (Chair)
LEP	Thematic Boards - Innovation, Enterprise, Blue/Green and Visitor Economy	4
Local Authority	Regen Directors	2
Chambers of Trade	Liverpool/Sefton, St Helens, Knowsley, Wirral	1
Higher & Further Education	FE / Vice-Chancellors	1

5.4 The group will also have representation from the LEP executive and other representatives to: co-ordinate group meetings; shape the investment strategy; and commission the external resource that will be required to support this process.

6. NEXT STEPS

6.1 Consultation with the members of the ESIF Committee will commence in the next 5 working days to establish a suitable chair for the group. It is envisaged that notifications to the stakeholder groups identified above will also be sent out during this period.

6.2 In terms of procuring resource to progress the investment strategy, the LEP is currently in the process of seeking expressions of interest from consultants with the appropriate mix of ERDF/funding and marketing expertise. It is anticipated that the investment strategy will be completed by late September to correspond with DCLG appraisal timescales.

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Liverpool City Region
Local Enterprise Partnership

Capital Commissioning Framework

Strategic Board Meeting
10th September 2015

Author:
Alan Welby
Liverpool City Region 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 around a draft "Capital Commissioning Framework".

2. RECOMMENDATIONS

2.1 The LEP Strategic Board is asked to **consider** the appended Commencement Business Plan as part of the consultation process that is now under way.

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.

3.3 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. The Combined Authority will be responsible for implementing any agreed approach. As such, the Lead Chief Executive for Economic Development has co-ordinated a further stage of the work to assess how it can be effectively operationalised. This has included consideration of 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'.

3.4 A consultation phase is now under way and the LEP Strategic Board is invited to provide comments. Alongside stakeholder feedback, future work will, of course, need to adapt and reflect any developments in any proposed City Region devolution deal whilst also responding to the emerging governance and management of the EU programme locally.

Commencement Business Plan

Liverpool City Region Capital Fund

Partner Consultation Draft v4

Table of Contents

Glossary of Terms

LCRCF (Liverpool City Region Capital Fund)	The acronym used to define the Fund for which this Business Plan is designed
Capital Projects Funding Framework	The City-Region strategic framework which identifies thematic priorities for commissioning activity. Also referred to as 'the Framework'
Core Team	The team of people directly appointed to Manage the LCRCF
Investment Manager	A nominated individual within the Core Team responsible for formal negotiations with Applicants and presenting investment case papers for approval
Procured Experts	Specialists such as Quantity Surveyors, Valuation Specialists and Construction Managers appointed from external panels to complete technical tasks
Accountable Body	The organisation in the city-region which takes direct responsibility for managing and accounting for the Funds delegated to the city-region
Applicants	The entity, usually a private Developer, that submits a project proposal
Management and Administration Plan	A linked document which contains the Plans for the management and administration of the Business Plan going forwards (also referred to as the M&A Plan)
ERDF Place Resources	An allocation of European Regional Development Funds (2014-2020 programmes) for 'Place' type activity (ie: capital investments)
Growth Deal (or City Deal)	The Growth Deal is a financial package agreed between Central Government and Liverpool City Region
Growth Deal 2	An additional allocation of resources, made in January 2015, for Liverpool City Region
Enterprise Zones	Designated zones where business rates relief applies, Wirral Waters, Liverpool Waters, Liverpool City and Daresbury are the recognised Zones in Liverpool City Region
Chrysalis Fund	Recyclable Loan fund established using ERDF funding, offers debt and equity finance and can offer subsidised lending rates
Growing Places Fund	Government capital fund distributed distributed to LEP's with a view to stimulating economic development activity
Investment Committee	A proposed small and independent committee to be tasked with recommending project approvals to the Combined Authority
Capital Projects Board	A Board with responsibility for overseeing the implementation of the Business Plan, might be the existing Regeneration Directors Group
Development Appraisal	The process of appraising all costs associated with a development scheme to establish viability
Land Reclamation	The process of clearing or cleaning land for the purpose of facilitating new development
State Aid	EU regulations that specify limits on the level of public funding that can be passed to a private entity
Overage	A mechanism by which profits over a certain threshold can be shared
Gap Funding	Public sector funding designed to plug the gap between the actual costs of a scheme and the level of return required by a Developer to make a scheme viable
Abnormal Costs	Specific costs associated with Development which when present cause a scheme to be unviable
Outline Project Proposal (OPP)	First step in the two-stage Appraisal system, ensures that a fully worked up and compliant project is in place
Detailed Project Application (DPA)	Second step in the two-stage Appraisal system, a completed project application with full development appraisal attached
Preliminary Development Fund	A component fund designed to help work-up details of major Development schemes

1. Introduction and Context

1.1 Introduction

The Liverpool City-Region partners adopted a Capital Projects Funding Framework in June 2015.

The purpose of the 'Framework' is to link a number of established strategies (such as the Local Growth Plan) and national policy drivers (such as Enterprise Zones) to create some clear commissioning priorities. The purpose of commissioning is to direct discretionary capital funding to those projects which best deliver the economic strategy of the city-region.

The funding for this Business Plan comes principally, although not exclusively, from an expanded Growth Deal (Growth Deal 2) with Government. This funding envelope was announced by Government in January 2015, the resources were earmarked against two priorities, one of which was;

> *'A competitive capital investment fund that will provide grants and/or loans to individual land, infrastructure and property projects, selected on a competitive basis'*

This Business Plan is designed to both operationalise the 'Framework' document and implement the requirement to develop an investment fund approach. It does this by;

- Allocating resources to the commissioning priorities
- Identifying the overall economic impact of implementing the Business Plan
- Identifying the management and administration (M&A) resources required to deliver the Plan
- Designing the appraisal and approval systems necessary to implement the Business Plan
- Undertaking a detailed risk assessment
- Developing a credible and robust governance proposal

As this is the first Business Plan produced by the city-region partners for this purpose it is badged as a 'Commencement Business Plan.'

The Plan covers the next three financial years (2015/16 to 2017/18). Only limited 'spend' activity is profiled for the 2015/16 financial year, as the emphasis for this year is placed upon early commissioning activity and setting up effective programme management systems.

Alongside this Commencement Business Plan is a linked document.

A 'Management and Administration Plan' which identifies the resources required to Programme Manage this Business Plan. The M&A Plan also contains proposed application and appraisal documentation as well as governance proposals.

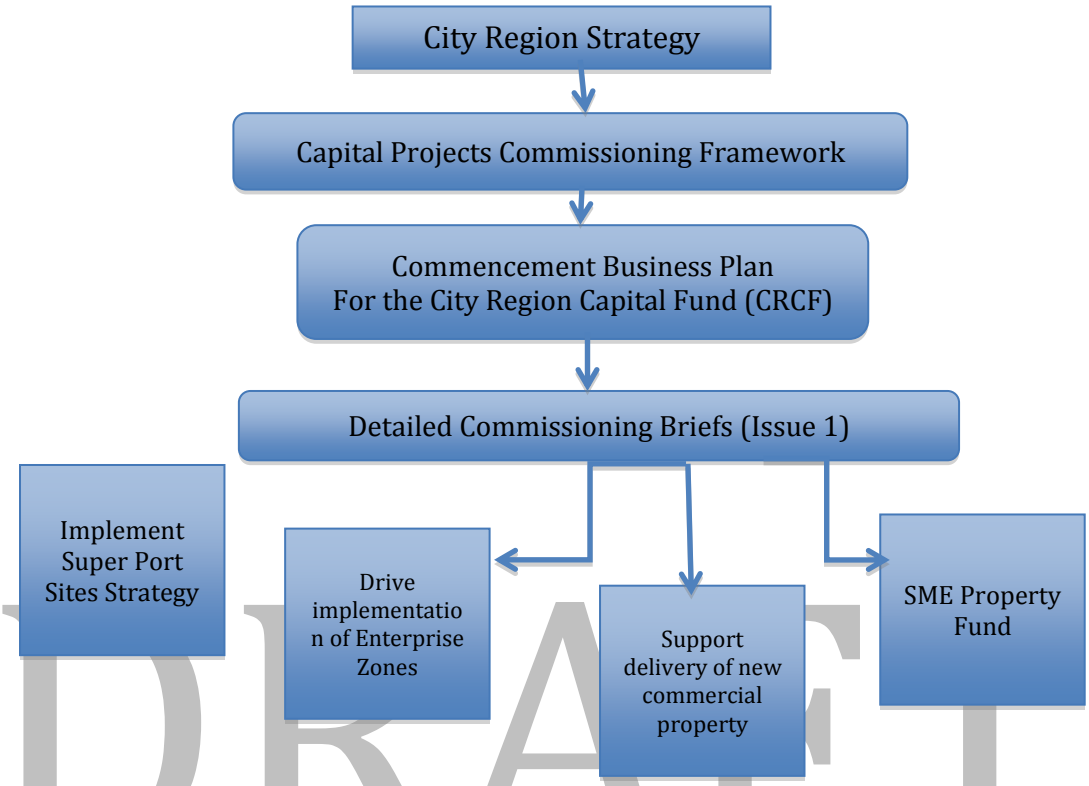
1.2 The Objective of the Business Plan

The objective of this Business Plan is to set output and outcome targets against the commissioning priorities identified in the 'Framework' document and to allocate the available city-region capital funds against these priorities.

The Commissioning Framework has identified the four priority commissioning areas. These are;

1. Implementing the Superport strategy through the preparation of new employment sites
2. Driving forward the implementation of activity in the City-Region Enterprise Zones
3. Driving the delivery of new commercial property
4. Supporting SME's in value-added sectors access new commercial property in the city-region

Figure 1: The Link between the Framework, the Business Plan and the Commissioning Priorities



The original rationale for supporting the four priority areas is contained in the main 'Framework' document. The purpose of this Commencement Business Plan is manage the implementation of the 'Framework'.

The 'Framework' outlined the broad commissioning areas, the Business Planning process will see those four areas worked up in much more detail (the **Issue 1** Commissioning Documents are included in the Annex to this Business Plan).

1.3 Economic Impact of the Plan

A detailed assessment of the likely economic impact of the implementation of this Business Plan has been undertaken.

The impact assessment assumes that;

- A minimum of £19.7m of Local Growth Fund resources and remaining Growing Places funding will be allocated to projects.
- £6m of ERDF resources will be allocated to supporting commercial development and to an SME Property Fund.

The impact assessment period covers five years. This is because many of the interventions will require up-front public investment that may not be immediately matched by private sector resources within a three year planning horizon for this business plan.

Based on a public sector investment of £25.7m it is expected that the following outcomes can be achieved over a five year period;

- Private Sector investment of £207.4m
- 4,548 new jobs in the City-Region
- 214,613 sqm of new commercial floor space
- 120 acres of brownfield land reclaimed for development

These economic outcomes will help set delivery targets for individual projects seeking resources from the City Region Capital Fund.The full details of how the overall targets have been calculated are included in Annex 1 (Economic Impact Assessment)

1.4 Strengthening the Project Pipeline

The 'Framework' document recognised a number of structural weaknesses in the city-region economy.

Since the crash of 2008 and subsequent recession the pipeline of large capital projects in the city-region has largely dried up.

There are, however, two mega-level infrastructure projects under construction in the city-region. A new in-river cargo terminal which will enable the world's largest cargo-ships to access north of England markets, and, the construction of a new Bridge crossing over the Mersey which will better link the city-region to national markets.

It can reasonably be expected that a combination of major new economic infrastructure along with a generally improving economic outlook will help create the conditions for accelerated private sector investment in the city-region.

An important priority for the Business Plan is to ensure that the flow of major sites become available to the market increases. This means that a number of key sites in the city-region will require up-front (enabling) public investment to facilitate the private sector investing in new commercial property.

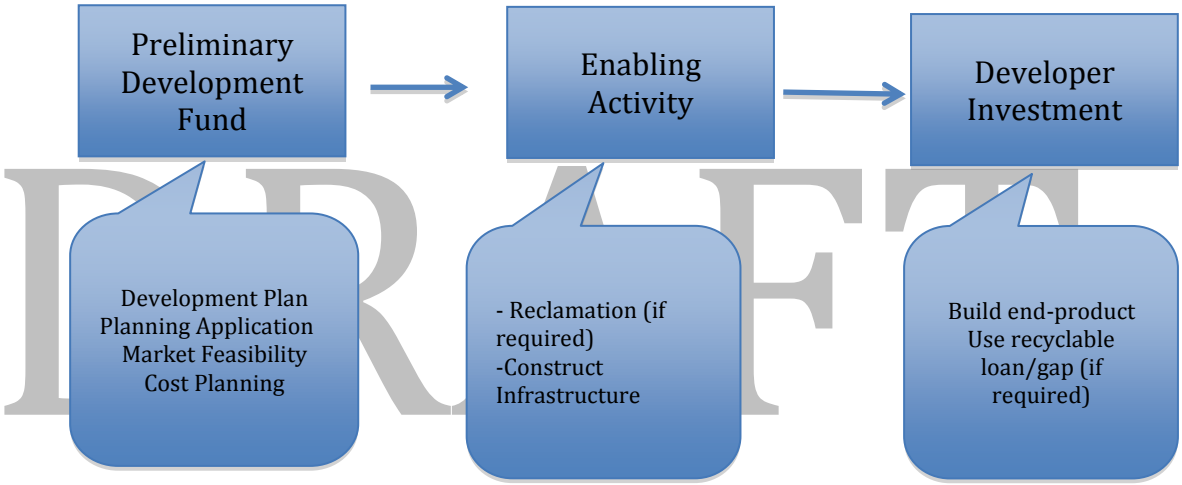
Enabling activity includes the reclamation and remediation of major sites, the bringing forward of new infrastructure and investment in 'place-making' type activity.

Alongside these early interventions is a need to invest in the very early preparation of a small number of strategically important sites. This will require

detailed planning work, technical feasibilities, cost planning and market analysis. To achieve this the Business Plan has set-aside an allocation for a 'Preliminary Development Fund'. This will cover no more than 6-8 major development opportunities,and is earmarked for site planning and preparation type activity.

This approach marks a strategic break with previous approaches, that would often only intervene at the point at which an Applicant required funding for a scheme (the right-hand box). Figure 2 (below) demonstrates the city-region will now strategically intervene at three different points in the development cycle. This should have the effect of vastly increasing the number of 'investable' schemes in the city-region and will leverage more private sector investment.

Figure 2: Major Sites Project Lifecycle



1.5 The Business Plan and the wider devolution opportunity

The Government has committed to a process of devolution. This process has the potential to be transformative. It will enable the City-Region to directly manage large allocations of capital funding

The 'Framework' and the associated 'Business Plan' provide an opportunity to demonstrate to Government that the city-region is developing the right skills and capacity to manage and administer large-scale capital funds.

The associated Management and Administration report recommends hiring a small 'core-team' of 2-3 staff as well as setting up procured panels from which property professionals can be accessed. This 'base' capacity will help to demonstrate to Government that the city-region is taking positive steps to pool expertise and in the future will be in a position to manage ever larger sums of public funding.

In the shorter-term the additional capacity will help the implementation of the Business Plan, and should demonstrate delivery of the Growth Plan and the city-region proposition around competitive places and competitive people.

2. Resources Available to the Plan

2.1 Resources available to the Commencement Business Plan

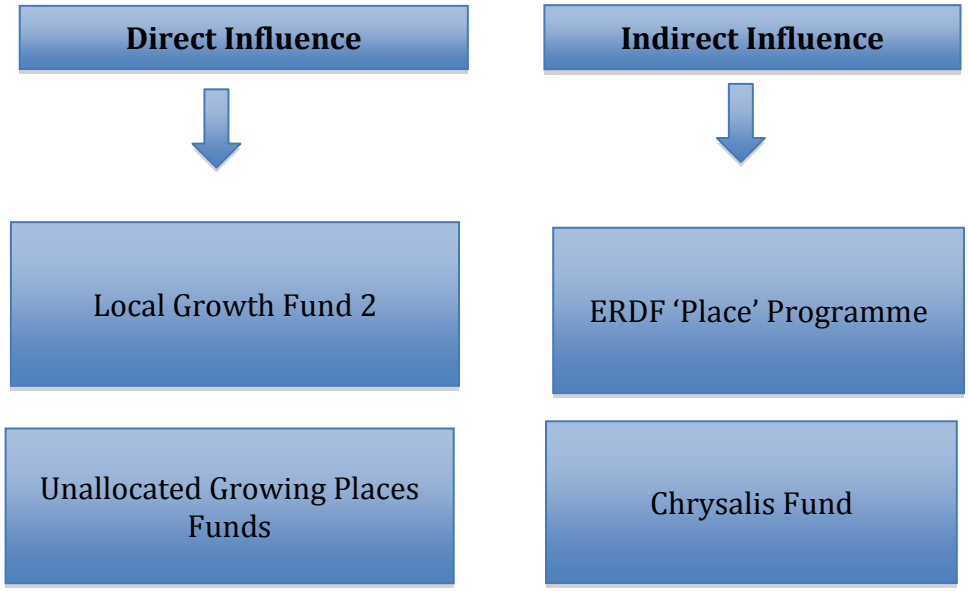
As stated in the Introduction it could be reasonably expected that over the course of the next two years the Framework and it's associated Business Plan might significantly evolve and develop to take-on a wider range of funds.

As it stands this Business Plan has a limited scope which reflects the initial limited scope of the Commissioning Framework.

- The Business Plan will directly influence the utilisation of 'Local Growth Fund 2' resources and unallocated 'Growing Places' resources
- The Business Plan will strategically influence the 2014-2020 ERDF programme, however, the allocation of resources and project selection is outside of the scope of this Plan.
- At some point the Framework (and therefore the Business Plan) might be expanded in scope and revised to cover the full range of capital finance available to the City-Region, including opportunities such as the re-investment of the Chrysalis Fund.
- There are other capital funds which may eventually fall under the influence of the city-region as the policy of devolution is rolled-out.

City Region Capital Fund (Component Funds)

Figure 3: Funds in Scope and Out of Scope of the Business Plan



2.2 Allocating resources to the Commissioning Priorities

The process of allocating resources to the four commissioning priorities is an important task.

The allocation of resources has been undertaken on an indicative basis. The actual level of resources that ends up being committed will depend upon the quality of projects submitted by Applicants. In light of the actual submissions the city-region partners may wish to move resource allocations between the different pots. This is an important flexibility. It should result in a better use of public funds.

The immediate priority, however, is to establish a starting position by allocating resources to each of the four commissioning priorities, the preliminary development fund and allocating budget for management and administration purposes.

ERDF 'Place' Resources

The ERDF 'Place' resources are identified at £6m (this figure could vary upwards depending upon a decision regarding the future use of Financial Instruments). It is proposed to split the £6m between the two commissioning priorities (Driving Commercial Development and SME Property Fund equally).

The basis for this allocation is;

- The number of property projects seeking 'gap' funding under the new state-aid regime may well be muted, and the intervention rates are quite low.
- The 'Driving Commercial Development' pot is likely to yield a higher number of jobs per £1 invested, however, the quality of jobs supported by the SME Property Fund (targeted only at knowledge rich sectors) is likely much higher.
- The 'SME Property Fund' is the only 'pot' of funds dedicated to driving property demand as opposed to unlocking supply, it is strategically important to maintain a balance between interventions that lead to constructing more property and those which increase the level of market demand for it.
- In the event that either 'pot' is under-bid, resources can be transferred to 'over-bid' pots.

National Government Funds (LGF and GP Fund)

The National Government Funds available total £24.27m.

It is recommended that in the first instance £19.7m is made available for commissioning projects.

A separate amount will have to be set aside for 'Management and Administration' which is detailed in the 'M&A annex'.

The benefits of not allocating the full amount are;

- That a degree of flexibility in the deployment of funds can be retained (for example, more could be allocated to a Commissioning Pot where project demand is strong)

- That additional commissioning priorities may emerge that require some up-front investment

The proposed allocations to the different commissioning pots are proposed at the following maximum levels;

- £10m for 'Superport' projects

- £8m for 'Driving Enterprise Zones' projects

- £1.7m for 'Preliminary Project Development'

The basis for these allocations are;

The 'Superport' commissioning pot has the highest potential for both private sector leverage and job creation. It also supports a demonstrably growing sector with a need for large sites to be made available (this was demonstrated through the LEP commissioned Port Demand Study).

The 'Enterprise Zones' commissioning pot would deliver a slightly lower level of overall job creation, but this is in part because it contains a greater mix of office and associated public realm type activity. The scale of allocation may have to be revised downwards in the event that a significant office development scheme does not come forward for funding through the 'Call' process.

The funding allocation for the 'Preliminary Development Fund' is calculated at £1.7m. With a maximum of six to seven sites expected to be supported this will enable allocations in the range of £150,000 to £300,000 per-project supported.

The Preliminary Development Fund should have an overall allocation of £1.7m. The profiling of this will allow activity to commence in 2015/16 financial year, however, the majority of allocation is proposed for the following two financial years.

2015/16	£300k
2016/17	£700k
2017/18	£700k

It is proposed that the Fund should have it's own simplified application process, with a simple scoring system designed to aid the decisions on which projects should be awarded funding. The full details of the proposed scoring

and appraisal process are contained in the separate Management and Administration report.

The level of allocation between the different priorities should be reviewed on a regular basis.

2.3 Performance and Impact Assessment

The initial (baseline) economic impact assessment used two particular source documents to enable calculations.

- The 'OffPAT 2010 Employment Densities Guide'
- Turner and Townsend 2013 'Global Construction Costs Assessment'

Whilst the OffPAT guidance was last updated in 2010, the broad data around employment densities remains fairly constant.

The Turner and Townsend 2013 cost assessment has UK specific data, and allows for regional variation. The data allows a range of calculations to be conducted against defined specific commercial building types.

Once the Business plan has been in operation for a decent time period (at least 18 months), it would be worth undertaking a full review of the initial baseline targets, with a view to refining them in light of outcomes from actual commissioning activity.

Impact of National Economic Performance

The scale and speed of delivery of the economic impacts projected are sensitive to external economic conditions.

As a general guide the outputs profiled as a part of the impact assessment were made on an assumption that the UK economy continues to grow albeit at a steady pace of somewhere between 2% and 3% per-annum.

Should the economy fall back into a state of recession the baseline output targets in the impact assessment would require significant downgrading.

Commensurately should the UK economy grow rapidly over the next few years, at a rate above 3%, it would enable the baseline output targets to be increased.

Impact of Values on Recycling of Project Level Grant

There are other external variables which could impact on both the level of outcomes delivered by projects, but also impact upon the potential for a higher-level of resource recycling.

One such external variable is a potential increase in property values. If this were to crystallise it could mean a greater level of funding is returned from Applicants through overage agreements. An overage clause is used to ensure that profits from a development scheme are effectively shared between the Developer and the Combined Authority.

An example of overage agreements being used in this manner was the St Paul's Square development in Pall Mall. It was delivered using a 'grant' and 'overage' mechanism. This resulted in the public sector making a profit through its funding agreement.

3 Guiding Principles for Investment

3.1 Broad Approach

The city-region partners have expressed a clear preference for an approach towards investment management which is flexible whilst maintaining strategic purpose.

The broad approach towards managing the Funds should be one of seeking to actively find solutions to deliver strategically important projects. Commensurately the Fund must not make 'funding offers' to projects which are unable to complete an acceptable development appraisal however strategically or politically important they are deemed.

The integrity and robustness of the appraisal process are utmost in demonstrating transparency in decision making and effectiveness in the use of public funds.

When a project has successfully passed the appraisal process, a full range of funding solutions should be considered.

The range of funding options could include (but are not limited to)

- A non-repayable grant
- A grant with profit sharing clauses
- A grant offered alongside a Chrysalis loan
- A rental guarantee

It would be for the Investment Manager (the lead individual responsible for managing the LCRCF) to ensure that whichever option selected represents the best value for money for the LCRCF.

The Investment Manager should not play a passive role. They should actively work with lead Economic Development officers from the six authorities to find funding solutions. The Investment Manager should convene a technical panel to review completed development appraisals, this panel would enable the Chrysalis Fund, ERDF and Local Authorities to consider how best to package a funding offer to the applicant.

To increase the chances of a project being successful a Local Authority could decide to intervene alongside the LCRCF, increasing the attractiveness of a particular project. They could do this in a number of ways, through making an offer of a loan, through a rental-guarantee or funding some enabling infrastructure.

The key to implementing this approach is to ensure that the right people are involved in managing the Fund. They need to have the capability to negotiate with project applicants and to be able to draw and present an investment case following these negotiations (Full details of proposals for the Core Team and

professional staff requirements are in the accompanying Management and Administration Plan).

The other vital skill the Investment Manager must demonstrate is effective stakeholder management. In particular building effective relationships with the six Local Authority partners. This will need to work on a number of levels. Firstly, is the importance of a clear and open dialogue about the progression of projects through the process. Secondly, the ability to manage expectations and clearly explain and rationalise the recommendations the Investment Manager makes in relation to individual projects. The third is to effectively tap into the skills and knowledge that is present in the constituent Local Authorities. Getting the practical support and help from some experienced and skilled Local Authority staff and using that resource effectively would reduce some risks and would build collective confidence.

This implies that it will be vital to ensure that the people managing the Fund are not generic 'Programme-Managers' who are simply implementing a purely process-driven approach towards Fund Management.

During the consultation phase for the Business Plan it was emphasised that *'not all projects are the same'.* This important observation reinforces the need for creative deal-making skills (and a joined-up approach through the Technical Panel) to be fundamental in the way the LCRCF Fund operates.

3.2 Creating an External Identity

To implement the LCRCF effectively, it must be properly promoted.

There would be significant benefit in creating a simple brand under which the LCRCF is promoted. A brand can help explain to the outside world and the developer and investment community what is potentially available to them. Something along the lines of 'Liverpool Funding Solutions' would have the benefit of being useful in terms of promoting and marketing activity, but would not necessarily generate an additional administrative burden.

This is because it would not be an independent entity or company, simply a 'brand' under which activity is promoted and communicated. The benefit of taking such an approach would be;

- It would help create a single 'gateway' for those parties interesting in accessing capital funding in Liverpool City Region
- It would create a strong on-line presence, enabling calls for proposals, details of the application processes, timetables and contact details to be put in one place
- Developed correctly it could have on-line checklists that quickly establish the likely eligibility of a project, as well as details on what will be required to complete a successful appraisal. This, if done properly, should cut-down the need for a large staffing infrastructure

- It could also provide a useful means to connect those parties interested in development activity to be connected to the right people in Local Authorities through the provision of key contact information

- It would provide to potential investors across the UK and beyond a simple synopsis of how they might be assisted in planning an investment

- It would provide a 'resource' for information on wider funding opportunities such as ERDF, the Chrysalis Fund, as well as links to information on issues such as State Aid.

The 'brand' and the 'core-team' would both be operated through the Accountable Body, as a 'stand-alone' unit within Merseytravel.

By creating a simple brand it means that potential applicants don't have to navigate through links on the main Merseytravel web-site, or the Combined Authority or LEP websites, each site could provide a clear link to the main 'Funding Solutions' web site.

Over time the 'Funding Solutions' site could be expanded to cover a wider range of public funding, especially once the range of programmes devolved to the city-region expands.

3.3 Basic Requirements for Projects

Whilst the need for a Investment Manager to actively negotiate development agreements on behalf of the city-region partners is important, and will require a degree of flexibility, other parts of the process require and benefit from a consistent approach.

All projects seeking funding from the City Region Capital Fund must meet a number of basic level criteria.

The first is that a clear 'need' for public funding must be established and evidenced. This is best achieved through the submission of a full development appraisal.

Where a 'need' has been established it can only be due to market failure. Examples of this include;

- Low Land Values

- Abnormal Costs

- Availability and pricing of credit

All public funding must be state aid compliant and not distort private sector roles:

- GBER – Article 45 – brownfield land

- Regional Aid
- De-Minimis
- Notification
- Direct development – (non distortive)
- Market Economy Investor Principle

It will always be the responsibility of an applicant to ensure that what they are proposing is state-aid compliant. The full details of the administrative resources required to manage the approval and appraisal process are included in the Management and Administration Plan.

It is strongly recommended that the information included in this section is included on the proposed web-site. This will help applicants determine whether a scheme might be eligible for support, and help them understand the level of information required in order to complete a development appraisal.

Specific Requirements

The specific requirements an applicant must comply with are detailed in the individual 'call' documents. These are provided as an annex to the Business Plan.

In all circumstances applicants must be clear that they are working at risk, and all costs associated with submitting a bid are also being undertaken at risk.

It will be recommended that it most cases that the applicant should pay for the completion of an independent development appraisal. It would then be for the Investment Manager to challenge and check the details in that appraisal as a part of a funding negotiation. The Investment Manager can use a procured panel of experts to challenge particular aspects of the appraisal as a part of this process.

It is recommended that a set of quality operating standards are adopted. These should help ensure that applicants benefit from a clear process with a commitment by the public sector partners to make timely decisions.

Whilst a commitment to a professional approach by the City-Region is essential, equally Applicants must understand that they cannot 'reserve' allocations of funding for projects not worked-up. Applicants must accept that the *'clock only starts ticking'* once a full development appraisal has been submitted with all requests for information met. If information is not forthcoming within a defined time-period the Investment Manager may decide to remove any provisional approvals the project has.

In a similar vein applicants that enter into a contract will be given a clear commencement date, should they miss this commencement date it could be

considered an act of contractual default, and the project funding could be re-allocated.

3.4 Recycling Finance

As a base policy position the city-region remains committed to the principle of re-cycling resources to deliver economic development activity.

It is recognised that in certain prescribed circumstances, such as in the case of the Preliminary Development Fund' that there is no practical or sensible way of recycling the funds.

In the case of the use of grant-funding as a mechanism to deliver certain schemes, it is recommended that it is always the intention of the city-region to share in the risk of private sector led schemes. If a scheme generates profits, then the city-region should have a fair share of those profits in return for its investment.

The starting position, therefore,is that any grant issued as a part of a funding agreement will be subject to both claw-back and overage (profit sharing) clauses. The city-region should remain committed to recovering investment made through the City Region Capital Fund, and recycling these funds for future deployment.

Each Funding Agreement issued by the Accountable Body will lay out the conditions under which a 'claw-back' of funds will be sought. These will include the ability to re-appraise projects at a later point and take a share of value uplift.

Two of the commissioning areas are earmarked for the use of ERDF resources. It will be for the European team at DCLG to determine whether to put a 'claw-back' mechanism into any funding agreements that they issue.

3.5 Alignment with Chrysalis

It is expected that the Chrysalis Fund will continue to operate as a Fund with access to debt and equity finance, and those applicants who require either of those products would continue to directly approach the Fund.

There are three other scenarios;

- An applicant seeks funding from Chrysalis, but even with a 'subsidised' loan (using the Chrysalis State Aid notice) there remains a funding gap. In these circumstances, and should the project meet the specification of a 'call for proposals' a full development appraisal could be requested. This could potentially identify how a grant could be used alongside Chrysalis Funding.

- An applicant seeks funding from the LCRCF via a 'call for proposals' but has not sought a Chrysalis loan. The LCRCF Investment Manager may challenge

the Applicant as to why they have not sought loan finance, and may require that the project formally applies for a Chrysalis loan.

- An Applicant presents a Development Appraisal which suggest a loan could be used instead of grant, but Chrysalis either has insufficient funds remaining or the activity is ineligible. In these circumstances the LCRCF Investment Manager could offer a commercial loan (there is no State Aid notice to enable subsidised loans) alongside a grant.

To ensure proper alignment is realised, the Chrysalis Fund Manager should be asked to join a 'Technical Panel' (explained in more detail in Section 3.1)

In circumstances where the Chrysalis Fund has utilised it's state aid notification and lent at a subsidy level, any grant-aid awarded alongside may have to be commensurately adjusted to ensure state-aid compliance.

3.6 Preliminary Project Development Fund

Whilst there is recognition that because of the timescales associated with the Government capital funding it will be necessary to prioritise those projects that can demonstrate 'deliverability' in the shorter term.

However, this business planning process also recognises the importance of enabling a small number of much larger and potentially strategically significant projects to emerge.

Many of these projects will be at a very early stage in the planning and development process and will not be able to spend large capital allocations. That said, it is of great importance that these projects continue to be worked up and that they make progress towards implementation.

To support this objective it is proposed that an allocation be put aside to support a small number of strategically important projects. These projects must be agreed as a portfolio of projects by the Combined Authority and once agreed should have access to funding to support their development. It is proposed that the support could include;

- Market testing and commercial feasibility
- Costing of infrastructure and other enabling works
- Costs associated with assembling planning or other statutory requirements for development

To maximise the value of this approach it is strongly recommended that external market reports, and other feasibility/market assessment type documents generated for a particular site, should be commissioned in such a way that the information gathered can be effectively pooled. So, for example, in the case of a site being earmarked for distribution uses, the demand assessment should review city-region demand, and this information should be collected and managed by the 'Core-Team'

This Business Plan makes an allocation for a 'PreliminaryDevelopment Fund'. The Fund should be managed as a part of the overall management arrangements for the 'Commissioning Framework' and Applicants should be subject to a shortened application process.

The funding can be sourced from remaining Growing Places funding. This type of activity aligns closely with the original purpose of the Fund, namely to move forward stalled development sites which require up-front funding to make them investable.

4. Financial Profiling

The financial profiling is based on a number of assumptions.

There is a baseline position. This is the minimum level of resources this Business Plan will have attached to it. The baseline is a combination of the Local Growth Fund resources and the remaining un-allocated and recycled Growing Places resources.

The ERDF 'Place' resources are included in this Business Plan for the purpose of both strategically influencing the deployment of the ERDF funds and having over-sight of their delivery performance. The decision making related to individual projects is taken nationally by CLG (with only a degree of local input).

The baseline financial position could be further expanded in the future, depending upon the availability of capital funds and the willingness of city-region partners to use this business planning mechanism.

4.1 Income

The following resources have been identified as available to allocate and are in scope of this Business Plan.

- Local Growth Fund 2 allocation to the city-region for 'gap-funding' type activities'
- Re-cycled 'Growing Places' resources. The loan funds which have been lent to projects recycled with residual interest payments (subject to the agreement of the LEP and the Combined Authority)
- Unallocated 'Growing Places Money'
- ERDF 'Place' resources of £6m (strategic influence only)

The following resources could become in scope of a future iteration of this Business Plan;

- Recycled Chrysalis Funds (c£20.8m of original £34m allocation has been approved)
- Other city-region capital funds (such as the devolved FE College Capital Budget)
- Other discretionary capital funds (such as Housing) which may form a part of future devolution negotiations

Income Sources

Fund (£m)	2015/16	2016/17	2017/18	Total
Baseline				
LGF (2)	£0	£15.6m		£15.6m
Reallocated Growing Places	£300k		£8.67m	£8.670m
Unallocated Growing Places				£0.743m
Monitoring Only				
ERDF 'Place' Programme				£6m

4.2 Expenditure

There are a number of different expenditure categories.

They can be defined as;

- Funds made available for a 'Preliminary Project Development Fund'
- Funding made available to support the 'Commissioning Priorities'
- Funds available to support the Management and Administration of the City-Region Capital Fund (the full details of the M&A Budget are contained in a separate Plan)

The allocation of resources into specific financial year profiles can cause particular challenges, especially with capital programmes. Delays with projects commencing are common-place as wide number of potential issues can occur. It will be the responsibility of the lead 'Investment Manager' to attempt to manage financial profiles across a range of contracts, and to seek to negotiate with Government changes to the financial profiles.

The expenditure related to ERDF projects should be subject to monitoring through the regular reporting of progress in implementing this Business Plan to the Combined Authority.

5. Risk Assessment

This Risk Assessment takes account of a number of risks associated with the implementation of the Business Plan

RISK	IMPACT	MITIGATION
1. Failure to Deliver Business Plan		
Insufficient projects to deliver spend and output targets	- Targets Missed - Reputation - Economic losses	- It should be assumed that at least 6 projects will be required in the process to end up funding three projects. Should allow more projects to proceed than resource envelope allows for. - Some up-front resource should be dedicated to working with Developers to establish as wider pool of projects as possible
The new State Aid regulations (which reduces intervention levels) is inadequate to attract Developers to apply for the Funds	- ERDF underspend - Potential for resources to be reallocated to other thematic areas or even other transitional regions	- Early dialogue with Developers to informally assess the likely response to a Call - Potential alignment with Chrysalis Fund to utilise its State Aid notification
City Region partners are unable to agree on project funding decisions		
2. Failure to Deliver spending on time		
Key projects are slow to commence and spend slips beyond years in which resources are available	- Resources Lost - Disputes with Applicants	- Realistic profiling which builds in delay assumptions - Identifying projects which could bring forward spend - Using innovative methods of profiling, such as escrow accounts - Effective Programme Management would highlight risks at an early enough stage to mitigate
Projects which are awarded funding are slow to commence (often because of external factor such as Bank funding, contractor problems or signing up tenants)	- Resources Lost - Failure to deliver outputs and spend targets - Resources tied up with projects not proceeding	- Set clear timelines for a start on site (act of default if not on site by a certain date) - Active Programme Management to enable effective and accurate re-profiling - Strong and clear appraisal processes that avoid awarding funds to undeliverable projects
The allocation for Local Growth Fund is all in 2016/17, causing a spike in the spending profile, this could prove difficult to manage	- Slippage of projects could lead to loss of resource	- The Growing Places Funding can be used to flatten the profile somewhat
3. Failure to Administer the Funds Effectively		
Projects which are shortlisted for detailed appraisal don't reach final appraisal stage	- Funds don't get deployed - Reputational Impact - Projects stuck in the development pipeline	- Retaining expertise to advise on all information required for a full development appraisal - Have external appraisal specialists available and retained to undertake detailed appraisal once all information has been provided
Projects which have been appraised are stuck at a legal stage for too long causing spend slippage	- Failure to deploy resources - Reputational	- Ensure the Accountable Body has in-house legal capacity to issue contracts - Ensure the lead appraiser is available to support the drafting of contracts - Design a template of a standard contract to be made available to applicant ahead of final appraisal to speed legal stage up - Ensure that the Accountable Body has adequate administrative resource to manage the legal and contracting process

		- Ensure the Accountable Body has access to external State Aid legal advice and an appropriate budget
Projects which submit claims are not receiving payments in time	- Reputational - Delays spending - Potential contractual breaches	- Skills in place in the 'core-team' to effectively manage the payments process - Clear working relationship with Accountable Body to ensure an effective process is in place.
A failure to capture overage and claw-back from project	- Loss of future income - Developers see the Fund as a soft touch	- High quality legal agreements - Commitment to actively manage contracts to seek information from Developers on sales/disposals; etc - Skill-sets required to calculate and negotiate claw-back and overage payments
The Investment Manager is insufficiently skilled to negotiate optimum funding agreements	- Poor quality funding agreements - The Fund is under-leveraged - Opportunities for overage and claw-back are missed	- The process of appointing a Investment Manager must hone in on the technical skills of the Manager - The appointment process must avoid selecting those with generic project management experience - The Investment Manager must demonstrate outstanding stakeholder relationship skills, and be able to proactively manage relations with six Authorities
The Investment Manager is technically proficient but lacks an ability to communicate with stakeholders	- Limits buy-in to the Business Plan from key stakeholders - Reduces the potential to tap-in to Local Authority officers skills and knowledge - Reduces the impact of what is being planned with Developers/Applicants	- The Investment Manager must demonstrate a strong track-record in effective stakeholder management - Must demonstrate a willingness to work in partnership with Developers and Local Authorities, and not seek to use the platform to build alternative power-bases
4. Economic Impact is lower than expected		
The total level of economic return is much lower than projected from investments	- Reputational - Opportunity cost of using resources ineffectively	- Commitment to independent and external evaluation
A failure to effectively monitor outputs and outcomes	- Loss of external credibility - Failure to quantify impact of funds	- Ensure proper resource and skills are applied to the task of performance monitoring - Ensure robust counting and quantifying systems are in place
Too much grant has been issued to schemes which did not require it	- Reputational - Ineffective use of public funds - Opportunity cost of not supporting schemes which require grant	- Clear commitment to resource the project appraisal process with the right skill-sets - In-house negotiating skills to ensure the Fund only pays what is necessary to secure a development agreement

Annex 1:

Economic Impact Assessment

	Full Fund Scenario	**Projected Outcomes**
1. Implement Super Port Strategy (Assume £10m allocation) - For £8m allocation economic impact lessened by 25% - For £6m allocation economic impact increased by 25%	**3 large projects** (total of 80 acres of development land) - 10,000sqm building per 6 acres of gross development land - 1,666m2 (per acre) x 80 acres =133,280sqm total development B8 (Large Scale and High Bay warehousing) - 1 jobs (FTE) per 80m2 of development 133,280/80 = 1,666 FTE Jobs Construction Cost: (Large Warehouse/Distribution) £940psm 133,280sqm x £940psm = £125.2m ----------	■ 80 acres of land reclaimed ■ 133,280sqm of floor-space ■ 1,666 new jobs created (non-office) ■ £125m of private sector investment
	5 smaller projects (total of 40 acres of development land) - 8,000sqm of building per 6 acres of gross development land - 1,333m2 (per acre) x 40 acres = 53,333sqm total development B8 (General Distribution) - 1 job (FTE) per 70m2 of development 53,333/70 = 761.9 Construction Cost: (Warehouse Units/Factory Basic) £840psm 53,333 x £840psm =	■ 40 acres of development land reclaimed ■ 53,333msq of new floor-space ■ 762 new jobs created (non-office) ■ £44.79m of private sector investment

2. Drive Forward Enterprise Zones (Assume £8m allocation) - For £10m allocation increase outcomes by 20% - For £6m allocation reduce outcomes by 20%	Assume 3 projects - Development of 20,000sqm of new office space <u>B1(a) General Office</u> - 1 (FTE) Job per 12sqm of development 20,000/12 = 1,667 new FTE jobs Construction Cost: (Offices Business Park 10,000sqm) £1,450psm 10,000 x £1,450psm = £14.5m (less 20% pub intervention = £11.6m) Construction Cost (Offices CBD Offices A-Grade 10,000sqm) £2,100 psm 10,000 x 2,100 = £21m (less 20% pub intervention = £16.8m) - 2 acres of new public realm - Environmental improvements	■ 20,000sqm of new office space developed ■ 1,667 new jobs created ■ 2 acres of new public realm ■ £28.4 private sector investment
3. Driving Commercial Development (ERDF) Assume £3m ERDF investment	Assume 2-3 projects <u>- Development of 6,000sqm Light Industry at City-Region Business Parks</u> B1(c) Light Industry (Business Park) 1 (FTE) job per 47sqm of development 6,000/47 = 128 jobs Construction Cost (Warehouse/Factory Units £840psm) 6,000sqm x £840psm = £5.040m (less 20% pub intervention = £4.032m - <u>Development of 2,000sqm</u>	■ 6,000sqm of new light industrial space ■ 2,000sqm of new Office Space ■ 328 new jobs ■ £6.35m private sector investment

	of General Office (Business Park) B1(a) General Office (Business Park) 1 (FTE) job per 10sqm of development 2,000/10 = 200 new jobs Construction Cost (Offices Business Parks £1,450psm) 2,000sqm x £1,450 psm = £2.9m (less 20% pub intervention = £2.32m)	
4. SME Property Fund Assume £3m ERDF investment	Assume 25 funding awards to growing SME's Average 50sqm new SME floor-space per award Total floor-space fitted out for occupation 50sqm x 25 projects = 1,250sqm total space improved Prepared workspace in a B1(a) type environment - serviced workspace 1 FTE job per 10sqm 1,250/10 = 125 new jobs Average £100k bank finance per applicant (£100k x 25 applicants = £2.5m)	■ 1,250sqm of improved workspace ■ 125 new jobs ■ £2.5m of private leverage

Summary of Outputs and Outcomes

	Public Investment	Private Leverage	Jobs	Commercial Floor-space	Land Reclaimed

1.Super Port	**£10m**	**£169.79**	**2,428**	**186,613sqm**	**120 acres**
2.Enterprise Zones	**£8m**	**£28.4m**	**1,667**	**20,000sqm**	**0**
3. Commercial Development	**£3m**	**£6.35m**	**328**	**8,000sqm**	**0**
4.SME Property Fund	**£3m**	**£2.5m**	**125**	**(1,250sqm refurbed)**	**0**
5. Preliminary Development Fund	**£1.7m**	**£0**	**0**	**0**	**0**
TOTALS	**£25.7m**	**£207,040,000**	**4,548**	**214,613sqm**	**120 acres**

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Liverpool City Region
Local Enterprise Partnership

Business Investment Fund: Business Case and Draft Investment Strategy

Strategic Board Meeting
10 September 2015

Author:
Mark Basnett
Liverpool City Region LEP

1. BACKGROUND

1.1 In the 2015/16 Liverpool City Region Growth Deal £15.6m of capital funding was allocated by Government to a Business Investment Fund to be spent in 2016/17 and 2017/18 subject to approval of the Business case by BIS.

1.2 Working with colleagues from Liverpool City Council the attached Business Case Proposal has been produced and was considered by the Local Authority Regeneration Directors Group, chaired by Ged Fitzgerald on 30 July 2015.

1.3 With minor amendments the attached Business Case and Investment Strategy was sent to Sam Evans at BIS for their approval on 5 August 2015.

1.4 On 2 September, BIS responded to advise that the LEP is responsible for approving and signing off business cases through its assurance framework without sign off required by Government. On that basis the LEP Board is asked to endorse the Business Case and Investment Strategy and authorise the LEP Executive to work with LA Regeneration Directors and Combined Authority to develop the detailed investment policy and management arrangements.

2. PROPOSAL SUMMARY

2.1 This Paper sets out the business case for intervention based on Green Book appraisal principles and proposes a number of interventions to generate sustainable growth that would otherwise not take place.

2.2 The need for intervention to address economic underperformance in the City Region remains pressing across a range of factors. These require interventions with existing businesses to support growth and productivity and in attracting more businesses to the City Region to generate output and employment in our economy.

2.3 There is significant market failure in <u>funding for business growth</u> in that commercial finance does not meet all of the requirements of businesses in the City Region for their growth potential. On <u>inward investment</u>, the market failure occurs in both information and finance. The City Region Business Investment Fund presents an opportunity to address these imbalances.

2.4 The core inputs are funding to address the particular areas of market failure identified above:

<u>Stimulating Business Growth</u>

- Seed / Start up Capital Fund (Co-investment, Equity or Repayable Grant)
- Innovation Fund (Co-investment or Repayable Grant)
- Productivity Fund (Co-investment or Repayable Grant)

<u>Attracting Inward Investment/Major Projects</u>

- Investment Fund (Co-investment or Grant)

2.5 The allocation of the Business Investment Fund to each of these areas should have some flexibility but it is proposed broadly that the split be 50:50 between stimulating business growth and attracting inward investment, subject to demand.

2.6 Promotion of the Business Investment Fund would be undertaken through the Growth Hub partners across the City Region alongside other sources of finance and support.

2.7 Administration of the Business Investment Fund would be delivered by the Combined Authority or a suitably FCA compliant organisation appointed and managed by it with agreed governance arrangements. It is proposed that an arrangement fee of 3-5% be applied to all funds, including grants. This would generate revenue to resource the administration and associated functions.

3. NEXT STEPS AND RECOMMENDATION

3.1 LEP Board is asked to endorse the Business Case and Investment Strategy and authorise the LEP Executive to work with LA Regeneration Directors and Combined Authority to develop the detailed investment policy and management arrangements.

3.2 The detailed investment policy and management arrangements will be presented to the LEP Board and CA for approval once finalised.

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Liverpool City Region
Growth Deal

Business Investment Fund

Business Case and Options Analysis

Liverpool City Region – Growth Deal
Business Investment Fund

Executive Summary

Liverpool City Region has been allocated £15.6m through its Local Growth Deal to stimulate economic growth through business investment. The original case for this funding was made on the basis of the impact of the RGF backed Business Growth Grant which in the last 2 years has supported 100 businesses across the City Region, leveraging £75m in other investment creating 2,000 jobs.

It is now for the City Region to determine the most effective application of this funding to generate economic growth in the current economic environment, based on the needs of business, opportunities and the availability of other sources of funding for business.

This Paper sets out the business case for intervention based on Green Book appraisal principles and proposes a number of interventions to generate sustainable growth that would otherwise not take place. In summary this is as follows:

1. **Evidenced Demand/Need for Intervention**
   The need for intervention to address economic underperformance in the City Region remains pressing across a range of factors. These require interventions with existing businesses to support growth and productivity and in attracting more businesses to the City Region to generate output and employment in our economy.

2. **Market Failure**
   There is significant market failure in funding for business growth in that commercial finance does not meet all of the requirements of businesses in the City Region for their growth potential. This is recognised by the City Region's financial community and is evidenced extensively in the EKOS Finance for Growth Report 2014 and more recently by EIB Access to Finance Block 2 Final Assessment for the NW completed in July 2015.

   There are several other funds currently or coming available to business, including MSIF, NW Fund, RGF6 Funds and the Mayoral Fund, but there remain significant gaps that the Business Investment Fund can usefully address.

   On inward investment, the market failure occurs in both information and finance. Other locations have a greater level of awareness for business, such as London and the South East, whilst others invest more in attracting business and providing grant funds to support investment – such as Wales and Northern Ireland. The City Region Business Investment Fund presents an opportunity to address these imbalances.

3. **Aims & Objectives**
   The aims and objectives of the project are to attract new inward investment and stimulate local business investment and growth through the use of these funds in order to:
   - Increase business density
   - Increase business productivity
   - Create jobs

4. **Inputs**

The core input is funding to address the particular areas of market failure identified above, broadly defined as stimulating business growth and attracting inward investment.

Stimulating Business Growth

- Seed / Start up Capital Fund (Co-investment, Equity or Repayable Grant)
- Innovation Fund (Co-investment or Repayable Grant)
- Productivity Fund (Co-investment or Repayable Grant)

Attracting Inward Investment/Major Projects

- Investment Fund (Co-investment or Grant)

5. **Activities**

Promotion of the Business Investment Fund would be undertaken through the Growth Hub partners across the City Region alongside other sources of finance and support. This would involve active business engagement, including initial dialogue with business to identify business need and brokerage into most appropriate services and post investment support. Assistance could be given to help businesses apply for funds where appropriate. Integrating promotion into the Growth Hub would minimise promotion costs which could be absorbed through broader Growth Hub promotion. With Growth Hub partner approval there would be no direct charge to the Investment Fund for this.

Administration of the Business Investment Fund would be delivered by the Combined Authority or a suitably FCA compliant organisation appointed and managed by it with agreed governance arrangements. Administration would include the following functions:

- Application Appraisal / Due Diligence /Investment Board
- Funding Agreements / Payments and Collections /Monitoring and Evaluation

It is proposed that an arrangement fee of 3-5% be applied to all funds, including grants. This would generate revenue to resource the administration and associated functions.
The returns made on investments could be used to support future revenue based business growth and inward investment support and to reinvest in businesses in accordance with the Combined Authority's Investment Strategy.

6. **Outputs**

The outputs from the Business Investment Fund are anticipated to be as follows:

- No of Business assisted (c100)
- Value of Funds invested and leveraged (£60m+)
- No of Inward Investments secured (10)
- Funds returned for reinvestment (c£7m)

7. **Outcomes**

The following beneficial outcomes should be realised over an extended period:

- Increased employment (1000+Jobs created)
- Increased productivity (50+ businesses with increased productivity)
- Increased business density (20 additional high growth businesses)

8. **Impact**

The long term impact of the investment would be a more vibrant and high growth business economy in the City Region, generated by new and overseas businesses investing in the City Region, and high growth business being stimulated through investment in R&D and productive capacity.

Summary Business Case

Introduction

The Liverpool City Region has an opportunity, through the allocation of £15.6m Local Growth Fund for Business Investment, to stimulate significant economic growth through the tactical application of these funds to attract new inward investment and support local businesses with high growth potential.

In determining the most appropriate and effective use of these funds, analysis of the current and emerging availability of finance for business growth has been drawn upon and is set out below. In parallel, the performance of regional economies in attracting inward investment and the disparities in their funding for such investment are also considered drawing upon the latest available resources.

There is an emerging consensus within the City Region that we should move away from a default "grant culture" for supporting business investment, to a smarter, more tactical approach. That approach should look to fill gaps in the availability of commercial finance with co-finance, repayable funding and equity products, reserving grant to those exceptional situations where it is necessary for a project to proceed or to be secured in the City Region in the face of competition from within and outside the UK.

The conclusion drawn from this analysis is that a balanced portfolio, providing funding across a range of business and investment types, be provided to address market failures and stimulate investment and with it, increase business density, employment and productivity in the City Region.

Economic Case

Economic Underperformance

The need for intervention to address economic underperformance in the City Region remains pressing across a range of factors:

- Low Business density (18,500 below UK average)
- Low business output and productivity (£8.2bn below UK average)
- Shortfall in employment (90,000 below UK average)

These economic indicators require interventions with business to stimulate investment, both in existing businesses to stimulate growth and productivity and in attracting businesses to the City Region to generate output and employment in our economy.

Market Failure

Commercial finance does not meet all of the requirements of businesses in the City Region for their growth potential. This is recognised by the City Region's financial community and is evidenced extensively in the EKOS Finance for Growth Report 2014 and more recently by EIB Access to Finance Block 2 Final Assessment for the NW completed in July 2015 as summarised below.

EKOS: Liverpool City Region Finance for Growth Report 2014

Key findings of the report are that there has been an overall downturn in both supply of, and demand for, finance. The market for finance has decreased in size over the recent past and has not yet returned to pre-recession levels. While conventional debt finance is still available, there have been readjustments in risk profiles, pricing, security requirements and credit terms which make it more difficult to obtain funding particularly for firms with limited or no security/ track record/ revenue streams etc;.

Market gaps were identified in: early stage equity funding; restricted lending to smaller and less established firms; and longer term finance and unsecured lending.

Market failures were identified in: lack of competition or diversity of supply; investor readiness; and information awareness and understanding of funding requirements. The conclusion of the report was that a Finance Hub for the City Region was required to address these multiple issues.

European Investment Bank: SME Access to Finance Block 2 Final Assessment: Investment Strategy for NW England 2015

Key findings of this report are that there are significant structural market failures affecting parts of the finance market for SMEs; Whilst these market failures vary across England to some extent (for example, access to private venture capital can be better for some classes of SMEs in London and the South East for example), they nevertheless exist and restrict access to finance for start-ups and growing SMEs across England as a whole.

The financial crisis has exacerbated these issues facing SMEs, especially in terms of the behaviour of the high street banks which have both reduced their lending overall and concentrated on lending larger amounts to less risky SMEs as part of their strategy of rebuilding their balance sheets.

Survey evidence points to SMEs in England experiencing more difficulties in securing the finance they need for working capital and new investment over the past 3-4 years. As the economy recovers, the evidence points to an improvement in the level of business start-up, the growth of existing SMEs and indeed an upswing in business confidence, which is feeding into a greater demand for external finance.

As a consequence there is a substantial finance gap affecting SMEs even allowing for the range and scale of public sector backed initiatives that are operating in this space (although many of the existing ERDF backed schemes have now or will cease investing in 2015).

This study includes more detailed analysis of the NW funding market and forms the business case for the establishment of a new round of JEREMIE funds for the NW from 2016-2022 using ERDF and EIB funds.

Opportunity

The UK continues to perform strongly in attracting Foreign Direct Investment (FDI) and there is an opportunity to attract an increased proportion of UK inward investment into the City Region. Equally, there is significant demand for and impact resulting from the application of funding to stimulate investment which is not being fully met by other provision. Both of these key factors can be evidenced from a number of sources:

(1) EY: Foreign Direct Investment – UK Attractiveness Survey 2015

The UK attracted 884 FDI projects in 2014 – an 11% increase on 2013 and these created 31,000 new jobs across the UK, making it the top location for Investment in Europe and fourth globally. The areas that performed best, with a 145% increase in investment were Northern Ireland, Yorkshire and Wales. Businesses surveyed consider that conditions for investment in the UK are very positive for investment and considered devolution of economic development powers to regions as positive for regional investment.

(2) RGF: Liverpool City Region Business Growth Grant Programme 2013/15

This programme, which has been operated by the LEP and 6 LAs of the City Region from 2013-2015 has provided grant support to inward investing businesses and expanding local businesses that required funding to secure their investment. Just over £14m has been invested in over 100 businesses over the 2 years through a direct grant of between £10k and £1.0m.

This has levered £75m in additional investment to these businesses and is projected to create over 2,000 jobs over the next 3 years. Job creation and leverage were the key targets for this programme. It is considered an exemplar by DCLG who oversaw its delivery for BIS. The programme closed for new business several months ago and is now fully invested.

The Programme supported a range of projects including large inward investment projects which would not otherwise have taken place or have come to the City Region. There is no longer funding of this type available as new RGF 6 funds are focussed wholly at SMEs.

Strategic Case and Fit with Existing Funds

Collectively the reports referenced above identified significant gaps and market failures that could be addressed through the provision of appropriate financial instruments. There are a number of Investment Funds in the City Region that address some of these requirements.

MSIF: MSIF operates a range of funds from micro finance to medium sized equity that invests £7m-£9m per annum in City Region SMEs from revolving funds and new contracted sources. These funds are currently geared to generate a commercial return from projects that do not quite fit commercial debt and equity criteria.
NW Fund: The NW Fund through its Fund Managers - primarily EV, FW and Spark – has circa £10m in funds available to July 2016 in the City Region for SMEs for debt and equity investment including a specialist Life Sciences Fund. NW Fund is seeking to secure new JEREMIE funds co funded from EIB and ERDF for SME debt and equity funds for the NW for 2016-2022 with an indicative £25m allocation for the City Region.
MSIF RGF: With support from the LEP, MSIF has secured £5m RGF 6 funds for grant and loans for SMEs from £75k to £1m to support employment growth. The investment strategy for these funds is currently being finalised. These funds must be fully spent by March 2017. This fund has a high job output target.
Chambers RGF: The City Region's Chambers of Commerce led by St Helens Chamber have secured £6m in RGF 6 for grant support for SMEs up to £75k. This recently launched scheme is available until March 2017. This project also has a high job target.

In spite of these funds, there remain some significant gaps in funding for businesses and projects that could generate significant growth for the City Region economy. These can be summarised as:

- Lack of seed capital for start up and early stage technology/high growth business
- Debt finance to share risk on certain businesses/ projects
- Debt Finance for SME projects involving productivity/R&D (ie low job growth)
- Grant for inward investment/major projects to drive economic growth and compete with other locations eg devolved administrations

Investment Strategy

The outline Investment Strategy for funding to address the particular areas of market failure and gaps identified is set out below. This is broadly defined as (1) stimulating business growth in high growth business sectors which does not specifically lead to substantial job creation and (2) attracting/supporting inward investment and other major projects that will create significant employment and have a catalytic effect on the City Region economy.

(1) Stimulating Business Growth

- SME Seed Capital / Start up Fund (Co-investment/Equity/Repayable Grant)
  Seed Capital is particularly required in start up, early stage and high potential growth businesses. The key sectors where this could have major impact are in digital and creative and life sciences, though it is proposed the fund is not limited to these sectors. There are some limited funds operating in this sector along with private investors, but the demand for this type of funding is always well in excess of its supply. This fund could be used as a co-investment fund alongside other funding sources to help generate greater leverage and impact from those funds and reduce

the operating risk. Typical funding levels of £10k-£100k per business proposed subject to demand to a maximum of 50% of the overall investment required.

- Innovation Fund (Co-investment/Repayable Grant)
  A key priority for the City Region is to stimulate innovation and an increase in the level of R&D undertaken by business in the City Region, in order to generate growth and productivity. This funding, eligible for high levels of intervention under GBER, typically does not lead to job and business growth in the short term and as a result can fall outside existing funding schemes. Typical funding levels of £10k to £100k per business proposed subject to demand to a maximum of 50% of funding required.

- Productivity Fund (Co-investment/Repayable Grant)
  A key priority for the City Region economy is an uplift in productivity. Many such projects can however have a minimal impact on job growth. As the Chamber of Commerce and MSIF schemes have significant job targets for their schemes, such productivity led projects would fall outside these schemes. It is proposed therefore to make available funding, focussed on key growth sectors such as advanced manufacturing but not exclusive to them, for projects that deliver significant uplift in productivity. Typical funding levels of £25k to £250k per business proposed subject to demand.

(2) Attracting Inward Investment/Major Projects

- Investment Fund (Co-investment/Loan Guarantee/Grant)
  The Investment fund would be geared to support those projects that generate a significant economic impact through increased employment or other catalytic effect. It would support non SMEs subject to GBER and State Aid restrictions (typically 10%) It would be used creatively and tactically to agreed protocols where it was considered necessary to secure the target investment. Indicative funding levels of £75k to £1m per business.

The indicative funding levels are provided as a guide but flexibility would be retained to ensure the City Region could by exception exceed these where it was considered economically beneficial to do so within State Aid rules. The allocation of the Business Investment Fund to each of these areas should have some flexibility but it is proposed broadly that the split be 50:50 between stimulating business growth and attracting inward investment, subject to demand.

It is anticipated that this approach would generate the following outputs and outcomes:

Outputs

- No of Business assisted (c100)
- Value of Funds invested and leveraged (£60m+)
- No of Inward Investments secured (10)
- Funds returned for reinvestment (c£7m)

Outcomes

- Increased employment (1000+Jobs created)
- Increased productivity (50+ businesses with increased productivity)
- Increased business density (20 additional high growth businesses)

Fund Application and Operation

The agreement of the City Region Combined Authority to a detailed Investment Strategy for the funds as outlined above would be tackled first. This would establish the criteria for each component of the Fund and the basis on which funding could be awarded. This would include GBER and De-minimus options, in agreement with BIS and DCLG. It would set out the limits of funding within each fund.

Once the Investment Strategy was agreed, Administration of the Business Investment Fund would be delivered by the Combined Authority or a suitably FCA compliant organisation appointed and managed by it (eg MSIF) with agreed governance arrangements as set out below.

Administration would include the following functions:

- Application Appraisal
- Due Diligence
- Investment Board
- Funding Agreements
- Payments and Collections
- Monitoring and Evaluation

Given the nature of these funds - working in areas of market failure – it will be critical to their performance that the right expertise is available to advise on investments. This is particularly acute in the case of seed capital where both incidence and risk of commercial failure is high. Ideally these funds would work as co-investment with other investors who have appropriate specialist sector knowledge or should be appraised by people with such expertise. Consideration should also be given to provision of additional specialist support (inc non Exec Directors) to help steer the business during its early phases of growth and commercialisation.

It is proposed that an arrangement fee of 3-5% be applied to all funds, including grants. This would generate revenue to resource the administration function, contribute to specialist advisory fees and other capacity where required.

The returns made on investments could be used to support future revenue based activity to support business growth and inward investment and used to reinvest in businesses in accordance with the Combined Authority's Investment Strategy.

Promotion of the Business Investment Fund and first point of contact for businesses seeking funding would be undertaken through the Growth Hub partners across the City Region alongside other sources of finance and support.

This would involve active business engagement, including initial dialogue with business to identify business need and brokerage into most appropriate services, including the Business Investment Fund. Assistance could be given to help businesses apply for funds where appropriate including investment readiness support. It would also include post investment support as this is proven to increase the performance of businesses supported and with it the funds themselves.

Integrating promotion into the Growth Hub would minimise promotion costs which could be absorbed through broader Growth Hub promotion. With Growth Hub partner approval there would be no direct charge to the Investment Fund for this.

Management and Governance

Approval of the Investment Strategy and its application will be though the Combined Authority and LEP Boards. These Boards will not directly intervene in individual projects, these will be determined by an Investment Board appointed with the approval of the CA and LEP Boards.

Management of funds is typically undertaken through an Investment Board. It is proposed that the composition of this Board is developed by the Regeneration Directors Group to include each Local Authority, the LEP, Merseytravel and some private business/financial expertise.

The Investment Board will consider projects put forward by the administrators as meeting with the criteria agreed and further to appraisal and due diligence. It would also consider and propose variance from the agreed Investment Strategy where it felt economically beneficial to do so, subject to approval through CA and LEP Boards.

Once agreed by the Investment Board, the appointed administrator (or CA directly), would then execute the funding.

The administrator would monitor performance of the fund, including meeting commitment and expenditure deadlines, output and repayment performance, reporting to the Combined Authority.

Liverpool City Region
Local Enterprise Partnership

LCR Enterprise Zone Programme Update Report

Strategic Board Meeting
10th September 2015

Author:
Heather Jago
Liverpool City Region LEP

Presented by:
Alan Welby
Liverpool City Region LEP

1. PURPOSE OF REPORT

1.1 This report provides an update to the Strategic Board on LCR Enterprise Zones.

2. RECOMMENDATION

2.1 The LEP Board **note** the progress being made on Mersey Waters and Sci-tech Daresbury Enterprise Zones in the City Region.

2.2 The LEP Board **note** the emerging Investment Fund model being developed for Mersey Waters Enterprise Zone.

2.3 The LEP Board **note** the continued role of the LEP in current and future zone programmes.

3. MERSEY WATERS

3.1 Mersey Water Enterprise Zone has focused much of its activity this year on putting in place programme support and management structures in order to improve performance. This has included more regular MWEZ Board and EZ Working Group arrangements. So far this year the Board have:

- developed the MWEZ Business Plan (2015-2020). This sets out the vision for MWEZ; a 5 year pipeline of projects to be delivered within this 5 years and the outputs and outcomes it will achieved. This was considered by Board in May 2015.
- reported on key risks for the programme.
- established regular monitoring and evaluation of the programme at key stages throughout the year.
- established a Risk Management Framework for the programme and reported this to Board/working group.
- received regular updates on key project delivery.
- developed a financial investment model based upon the business rate uplift, within the Wirral part of the MWEZ.

3.2 In addition to the above, the EZ Board have also identified the following work elements to be progressed:

- agree an approach to marketing and communication for the MWEZ based on an audit of current activity, protocols in place and anticipated events in the future eg IFB 2016
- scope out the approach to capturing employment opportunities and skills generated within the MWEZ through looking at specific sectors it wishes to target

3.3 A recent visit by James Wharton MP on 18th August noted the progress made at Mersey Waters Enterprise Zone and the Minister was impressed by the partnership working and delivery on the ground between the LCR LEP, Liverpool and Wirral Council, Peel and other partners.

3.4 The Liverpool LEP is continuing to work with DCLG, to improve the MWEZ performance and delivery. DCLG have also provided support through coordinating BIS/UKTI/HCA and other strategic input into the delivery for the EZ Programme.

3.5 The proposed EZ Investment Fund model that Wirral are developing includes within its governance arrangements a provision of and Investment Fund Panel. It is anticipated that this could include a representative from the LCR LEP, the Wirral Investment Board and Wirral Council. Wirral are anticipated to approve the fund structure in September with a view to it being operational by October 2015.

3.6 <u>Key Issues for the LEP Board</u>: Reviewing delivery against the five-year Business Plan will Remain a focus for the EZ Board. This will include:

- Skills development to align with business investment demand
- Marketing and Promotion of the EZ programme as part of the City Region offer

- Developing sector related investment approach to ensure adds to the existing City Region offer

4. DARESBURY ENTERPRISE ZONE

4.1 Current position & performance: In the last 12 months, the focus at Sci-Tech Daresbury has been on the implementation of the first phase of the masterplan. The first phase has been partly-funded by RGF, ERDF and EZ Capital Grant and sees almost £30m of investment, delivering the following:

- Tech Space 1: 46,000 sq ft office and laboratory space
- Tech Space 2: 10,000 sq ft high quality office space
- Power Upgrade: new substation and increase to 20MVA for STFC on campus plus reinforcement of the network to provide increased capacity for the wider area
- Site Connectivity works – improved access, dual carriage way, linear park, and new public square to provide a strong sense of arrival and branding for the Enterprise Zone and promote and encourage collaboration between companies within the wider Campus
- Land acquisition and preparation of key development site adjacent to the A56
- Transport improvements including a new bus service and car sharing scheme
- Initial enhancements in data infrastructure

4.2 Alongside the EZ, STFC have invested in a Campus Technology Hub that will be launched this year. This provides access for businesses on-site and across the wider region to specialised rapid prototyping and 3D printing/additive manufacturing equipment.

4.3 In conjunction with the physical development of the campus, the Joint Venture partners continue to deliver a range of activities supporting the growth and creation of businesses on campus, employment and skills initiatives and public engagement. To date, this activity has seen the creation and safeguarding of over 220 jobs in the Enterprise Zone area.

4.4 The EZ Board have continued to meet on a regular basis and have focussed on:

- developing an Implementation Plan detailing the key projects required to take the Masterplan forward
- a Funding Route Map which identifies possible sources of funding for key priorities
- promoting Sci-Tech Daresbury's contribution to a cohesive approach to Science across the region including the NW Business Leadership Team 'Discovery to Delivery' document

4.5 Key Issues for the LEP Board:

- Infrastructure: The JV is promoting a number of future initiatives to support the ongoing development of employment space; in particular key infrastructure is required to open up the next phase of the scheme across the canal, including a loop road and bridge crossings.
- Hartree Centre: Significant government investment has gone into the Hartree Centre most recently through the new research partnership with IBM. However this has not supported the creation of a flagship building for this world-leading facility that would act as an important attractor to businesses from across the UK and overseas.
- Skills Factory: Skills are regarded as a critical element to the success of the campus and there is a need to ensure that the necessary skills are available locally, to support the growth of Daresbury. The JV Board are being asked to consider is the formal establishment of a Skills Factory for Sci-Tech Daresbury and a dedicated resource.

5. NATIONAL ENTERPRISE ZONE PROGRAMME

5.1 It is clear Government is very supportive of the Enterprise Zone programme nationally and that they see the zones as having a major role to play in helping to drive the economy and deliver economic growth. The designated review of the existing 24 enterprise zones reports that they have attracted £2.2bn of private investment and more than 540 new businesses across a range of key industries including the automotive, aerospace, pharmaceutical and renewable

energy industry sectors. Following the Summer Budget 2015 the Government has invited further bids for a new round of Enterprise Zones [see separate report on LEP Board Agenda which refers].

5.2 DCLG are closely monitoring delivery across the programme and propose improving monitoring quality and arrangements as well as reporting on successes as the programme proceeds. It will be particularly crucial to demonstrate delivery across all the existing and new zones. In addition DCLG/BIS and UKTI are continuing to provide support to the programme and Government is also stressing the need for the LEPs generally to be involved in existing and new zone development in their regions.

6. CONCLUSIONS

6.1 It is clear that progress is being made on the Mersey Waters and Sci-Tech Daresbury Enterprise Zones. These form a key component of the City Region's Growth Plan as well as assisting the wider UK economic objectives of rebalancing the economy, and, development of the Northern Powerhouse.

6.2 The Government's support for the EZ programme and the role of LEP in leading and owning the zones as they go forward is seen as a major factor in their success and forms a central part of government advice for successful delivery. The LEP Board should note the continued expectation of LEP involvement in the existing programme and also the LEP's role features as a key component of the new bidding round.

Liverpool City Region
Local Enterprise Partnership

New Enterprise Zone Bidding Round September 2015

Strategic Board Meeting
10 September 2015

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1. EXECUTIVE SUMMARY

1.1 In July 2015 DCLG announced that it was inviting bids for a new round of Enterprise Zones. The new round is focusing on ensuring all places in England can benefit, including rural areas, and the Government is looking to encourage towns and districts to work with LEPs to develop bids.

1.2 Local Authority Regeneration Directors discussed the opportunity at their most recent meeting With St Helens Council and KNowsley Council indicating an interest. LCR LEP was then approached by St Helen's and Knowsley Council initially to submit a bid focusing for the Freight and Logistics sector within the City Regionfocusing on Knowsley Industrial and Business Park(Knowsley) and Parkside: Newton–le-Willows(St Helens).St Helens and Knowsley submitted an Expression of Interest to Government on 14th August.

1.3 There is a proposal in the LCR Devolution Submission to the Comprehensive Spending Review which points to the potential of establishing "Development Zones" for the City Region. Discussions are ongoing and could also capture an emerging approach focussed on GPark (Halton) and Dunnings Bridge Road Area (Sefton) or other areas of the City Region.

1.4 The LEP Board is asked to support the bid and submit it to DCLG by its closing date of 18th September 2015.

2. RECOMMENDATION

2.1 The LEP Board **endorse and submit a bid** for the new Enterprise Zone Programme focusing on the Freight and Logistic's sector within the City Region, focusing initially upon Parkside: Newton le Willows in St Helen's; Knowsley Industrial/Business Park, Knowsley in line with the EOI submitted by the LEP.

2.2. The LEP Board **authorise** the Chair (or Vice Chair) to sign-off the actual final bid submission to DCLG, along with the other required Local Authority signatories, on behalf of LCR LEP by 18th September 2015.

2.3 LEP Board **authorise** LEP officers to report further to the LEP Board on the detailed business case for the bid components, governance and management arrangements and monitoring arrangements for the proposed Enterprise Zone, should the bid be successful.

3. NEW ENTERPRISE ZONE BIDDING ROUND

3.1 Background: Following the Summer Budget 2015 the Government announce in July 2015 that it is inviting bids for a new round of Enterprise Zones.

3.2 This is following the success of the existing programme of 24 Enterprise Zones approved in 2012 including Mersey Waters, Liverpool City and Sci-tech Daresbury Enterprise Zones. The existing programme has created over 19,000 jobs throughout England. The new round is focusing on ensuring all places in England can benefit, including rural areas, and the Government has been encouraging towns and districts to work with their local LEPs to develop bids.

3.3 Criteria: In this application round preference will be given to proposals which:-

- involve smaller towns, places and districts.
- have been clearly identified as the Local Enterprise Partnership's top priority for local growth

3.4 Applications for new Enterprise Zones also need to demonstrate a strategic fit with their local areas' plans including clear alignment with the LEP economic priorities and growth plans as well as clarifying governance arrangements including Enterprise Zone interface with devolved powers and (where appropriate) devolution 'deals'.

3.5 Assessment will focus on the extent to which proposals:

- will deliver sustainable growth
- offer value for money
- can be implemented and delivered, with sites brought to the market in a planned way

Each bid will be individually assessed to determine whether it meets minimum standards on these criteria – in particular the cost /benefit ration to prove that every bid funded is value for money.

3.6 Multi-site applications with a strong commercial propositions are particularly welcome as this will allows smaller places to create an EZ which is large enough scale to deliver real growth and demonstrate value for money.
There is no limit on size (within reason). This will be a competitive process and DCLG will set a high bar.

4. LEP ROLE IN BIDDING PROCESS AND EZ GOVERNANCE

4.1 Guidance from DCLG in the bid documentation and at briefing sessions make it clear that any bid going forward must have the support of the LEP. Each bid is required to have LEP support to go forward and the LEP is one of the authorised signatories in the application form. The bid must fit with the LEP's top economic priorities and align with the Strategic Economic Plan. The bid must also explain how the proposed zone will be prioritised by the LEP in the future for example in any future economic strategies or growth deal negotiations.

4.2 In addition the bid documents asks for clarification of the LEPs role in leading and owning the Enterprise Zone, the expectation being that they report back to the LEP Board through their governance structures.

5. TIMETABLE & BIDDING PROCESS

5.1 The bidding process and LCR LEP interface is tight and a summary is set out below:-

16th JULY	Launch of new round of Enterprise Zones
14th AUGUST	Expression of Interest submission to DCLG
10th SEPT	Consideration by LCR LEP Board for endorsement of bid submission.
18th SEPT	Bid Submission via LEP to DCLG

5.2 Due to the submission deadline of 18th September, this report is seeking authority from the LEP Board to give permission to the Chair or appropriate LEP Board member to sign-off the final bid on the LEP Board's behalf and in order to meet the Government deadline. The bid will need to be signed by both the LEP Chair (or Vice Chair) and relevant Local Authority Leaders and Chief Executives.

5.3 The timeline for approval of the submitted bids is as follows:-

SEPT 2015	Bid submission to DCLG
SEPT/OCT 2015	Consideration of bids & assessment period (7 weeks)
NOV 2015	Announcement of new EZs

DEC 2015	Successful EZs to submit Business rate baseline and site.
APRIL 2016	New EZs come into force and regulations for Business rate incentives come into force.

6. BID DETAIL

6.1 In August the LCR LEP submitted an expression of interest to DCLG for a bid for Enterprise Zone status for the Freight and Logistics sector within the City Region. This initially centred around Parkside:Newton le Willows and Knowsley Industrial/ Business Park.

6.2 Whilst drafting this report other sites have also come forward within Sefton and Halton for consideration although were not brought forward before the EOI submission and hence, will be subject of ongoing discussions.

6.3 The bid aims to focus on the collective advantage these areas have to offer the City Region in terms of supporting the Freight and Logistics sector through their strategic infrastructure and site development opportunities and the contribution these can make to the Liverpool City Region Economic Strategy and Growth Plan.

7. BID SUMMARY

7.1 The bid is predicated on there being a number of Freight and Logistics assets across the City Region which would benefit from Enterprise Zone status to help unlock barriers to their development and address constraints to bringing sites forward for development and investment.

7.2 The bid initially focuses upon two main areas in the City Region:

a) Parkside:Newton -le-Willows, St Helens.
b) Knowsley Business and Industrial Park, Knowsley.

Further discussion is needed on incorporation of the additional sites in Halton and Sefton which may be better submitted as part of a 'Devolution Ask' around Development Zones, the sites that have come forward bnow after the Eo
I stage are:

- G Park , Widnes, Halton.
- Dunnings Bridge Road Area, Sefton.

7.3 **PARKSIDE:NEWTON-LE-WILOWS (see Appendix A)**
Parkside:Netwon-le-Willows represents a strategically important site that supports small town regeneration, the Liverpool City Region Growth Plan, devolution discussions for the Liverpool City Region, the development of SuperPort and Atlantic Gateway aspirations, and the Northern Powerhouse concept to rebalance the UK economy.

7.4 Parkside itself is a former colliery site located within the small town of Newton-le-Willows. The town of Newton-le-Willows sits equidistant between Manchester and Liverpool, and between Warrington, Wigan and St. Helens at the heart of the North West element of the Northern Powerhouse. As a small town Newton-le-Willows sits in a semi-rural location with international class connectivity; the M62 (East/West), M6 (North/South), West Coast Mainline (North/South) and Manchester/Liverpool rail-lines (East/West) all run adjacent to the Parkside:Newton-le-Willows site. In short, it is an Enterprise Zone with outstanding strategic significance.

7.5 The Parkside site was identified as a strategically important site within the Liverpool City Region Growth Plan as part of the 'Liverpool City Region Freight and Logistics Hub' – one of the five key City Region projects and can play a significant role in delivery of Government objectives for rebalancing of the economy, increasing Northern growth, and linking town level opportunity to a national industrial strategy.

7.6 Already, Government has committed up to £700m of investments within the North-West which helps enable the Parkside:Newton-le-Willows location – the next stage requires Government to designate an Enterprise Zone to actually create, and not just enable, job creation and growth in the North. St. Helens Council and the Joint Venture Company established to deliver the site wants to be a partner with Government on this basis and are committed to bringing forward Parkside:Newton-le-Willows. St Helens have invested heavily in a Joint Venture with the private sector to take forward the opportunity presented. The site is clear without any business occupation currently – hence, the tools of an Enterprise Zone are of particular use in bringing forward development.

7.7 **KNOWSLEY INDUSTRIAL & BUSINESS PARK (see Appendix B)**
Knowsley Business Park (KBP) is one of the largest in England with an area of circa 520 ha located to the north and south of the A580. Overall KBP is home to 800 businesses which employ c.15, 100 people and is estimated to contribute £214m per annum to the economy. Key sectors include manufacturing, retail and distribution and transport and communication.

7.8 KBP is extremely well connected by road and rail. Access to the East Lancashire Road (A580) and the M57 motorway is available and a rail line to the north of the site provides KIP with direct rail freight connections. This transport network provides rapid access to a number of key LCR assets including Superport and Atlantic Gateway.

7.9 The Enterprize Zone status will enable Knowsley to focus on a number of key areas:-

- Park Wide Infrastructure Improvements
- De-risking of Development Opportunities
- Supporting Business Growth and Investment

7.10 Economic Case: The exact details of the approach to delivery and economic case are still being worked on. However, there is a clear correlation between these sites and the City Region Growth Deal and Economic Strategy in terms of its vision:

A globally connected City Region delivering sustainable growth, opportunity and prosperity for people and businesses.

and in terms of the City Region economic priorities and investment in Superport, Liverpool 2 and HS2. These require the City Region to have suitable infrastructure and sufficient capacity to take advantage of the opportunities they present to maximise economic investment and support sustainable growth. In particular the economic strategy emphasises the need to :-

- Maximise the benefits from the £340m of private sector investment in "Liverpool 2" by improving Port Access and freight connectivity and ensuring that the City Region has the sites and premises available to capitalise on the jobs and business expansion potential that will result. The City Region has an outstanding opportunity to be a Freight and Logistics Hub generating jobs and wealth.
- Capitalising on Government investment in High Speed 2 as an engine for growth and renewal in the City Region; improving our business and tourism connectivity, allowing for an increase in freight capacity, and supporting a renewal and economic expansion of Liverpool City Centre.

7.11 The focus of this Enterprise Zone bid on freight and logistics mean it will strengthen the strategic infrastructure to support growth and help to address barriers to growth.

- Parkside is a key element of 'Freight & Logistics Hub' – one of the 5 strategic projects in the Growth Plan
- Significant fit with SuperPort – the connectivity of freight/logistics sites across the Liverpool City Region
- Freight & Logistics key sites are part of the Atlantic Gateway approach spanning Liverpool City Region, Cheshire & Warrington and Greater Manchester. Parkside is one of those key sites.
- £14.4m allocated from LGF to support the creation of a rail interchange at Newton-le-Willows station improving public transport connectivity access to the Parkside site as a key employment location.
- This is a Year 1 Local Growth Fund (LGF) investment by Government and St Helens Council with MerseyTravel and on behalf of the Combined Authority are in the early stages of project delivery already.
- In addition, the Growth Plan of the Liverpool City Region sought further investment in adjacent infrastructure to Parkside:Newton-le-Willows (see below).

8. GOVERNANCE AND MANAGEMENT ARRANGEMENTS (INCLUDING LEP INTERFACE)

8.1 Government policy on Enterprise Zones requires their governance to be integrated into broader City Region/ LEP structures to ensure their contribution and fit with meeting economic growth priorities. As with arrangements for the Daresbury and Mersey Waters EZs, a named individual on the LEP Board will have a responsibility to providing a direct link with the Freight and Logistics Sector EZ for Parkside: Newton-le-Willows and Knowsley Industrial Park delivery structures and possibly Halton /Sefton.

8.2 The capacity of the St Helen's Joint Venture with Langtree will ensure that the Enterprise Zone has sufficient capacity to operate the Governance arrangements. Within Knowsley there is an internal governance structure to manage the KIP regeneration project and good relationships have been developed with key developers/site owners. Should the bid be successful Knowsley will establish a KIP EZ Board which would be a partnership between the Council, key private sector reps and the LEP.

8.3 Although not finalised it is proposed that the LEP Board will receive regular progress reports and monitoring information from the zone if the bid is approved.

9. CONCLUSIONS

9.1 In light of the above it is clear that the next round of Enterprise Zones is very competitive and that a strong business case is needed to secure approval, particularly bearing in mind LCR already had three enterprise zones within its boundary. Notwithstanding this, the economic contribution of these site areas to the LCR economic strategy and broader aspirations of Government to create a Northern Powerhouse, building on the strategic benefits of Liverpool 2 and the Superport as well as HS2, need to be recognised. In addition the strategic contribution these sites could make to the NW economy, particularly within the freight and logistics sector and recognised through the LCR Economic Strategy, would be further enhanced by achieving Enterprise Zone status. This designation could help to provide the additional support and necessary financial toolkit to help remove barriers to development and

investment and help to accelerate economic growth and productivity for the benefit of the City Region.

9.2 Due to the timescale for preparing the bid the full business case has not been finalised. Work is ongoing including liaison with the LCR LEP to finalise the bid content for submission.

9.3 For this reason the LEP Board is recommended to support this bid going forward on the basis of the above recommendation.

Parkside:Newton-le-Willows Enterprise Zone

Strategic Case

Parkside:Newton-le-Willows Enterprise Zone Strategic Case

Executive Summary

1. **Evidenced Demand/Need for Intervention**

- Known market demand – independent report showing requirement for 800hectares of logistics and associated manufacturing space throughout wider Liverpool City Region area
- Unique strategic location – immediately adjacent to North/South and East/West Rail and North/South and East/West motorways – equidistant between Manchester and Liverpool
- Uniquely timed opportunity – to meet market demand but also in terms of planning and the establishment already of a Joint Venture delivery vehicle

2. **Market Failure**

- Market Failure logic perfectly aligned with those of Enterprise Zones
- Tools will allow prohibitive costs of infrastructure to be better enabled which are caused by institutional failures while simultaneously allowing the negative externality of remediation and infrastructure investment to be met
- Zone designation also acts to resolve information failures in terms of market promotion

3. **Aims & Objectives**

- Bringing forward of 3,500,000 sq. ft. of new development
- Significant uplift in market value of the site
- Creation of circa 4,000 jobs

4. **Inputs**

- Joint Venture with experience JV partner already established – capacity already committed
- Land already acquired by JV and majority of potential EZ area under single ownership already
- Willingness of JV partners including LA to operate potential TIF-type model including borrowing to enable and hasten delivery –minimising any possible gap-funding requirement as well as cost to exchequer
- Core strategy allocation already in place alongside master-planning

5. **Activities**

- Bringing forward of land for development primarily in logistics and associated industrial space – clear site with what is in effect, a zero baseline in terms of current business rates (so no negative impact on current Treasury receipt)

6. **Outputs**

- Guaranteed land-value uplift
- New developed floor-space and business locations
- New job-creation

7. Outcomes

- Increased employment rates in adjacent areas of under-employment due to the physical accessibility of employment opportunity but also, the type of employment being more readily accessible to those requiring employment
- Spill-over benefits in terms of social outcomes (responding to historic inter-generational conditions common in former coal-mining areas)
- Increased business activity

8. Impact

- Economic growth with jobs
- Strong contribution to Government rebalancing and Northern Powerhouse objectives

Summary Case

Strategic Case

Parkside:Netwon-le-Willows represents a strategically important site that supports small town regeneration, the Liverpool City Region Growth Plan, devolution discussions for the Liverpool City Region, the development of SuperPort and Atlantic Gateway aspirations, and the Northern Powerhouse concept to rebalance the UK economy.

Parkside itself is a former colliery site located within the small town of Newton-le-Willows. The town of Newton-le-Willows sits equidistant between Manchester and Liverpool, and between Warrington, Wigan and St. Helens at the heart of the North West element of the Northern Powerhouse. As a small town Newton-le-Willows sits in a semi-rural location with international class connectivity; the M62 (East/West), M6 (North/South), West Coast Mainline (North/South) and Manchester/Liverpool rail-lines (East/West) all run adjacent to the Parkside:Newton-le-Willows site. In short, it is an Enterprise Zone with outstanding strategic significance.

The Parkside site was identified as a strategically important site within the Liverpool City Region Growth Plan as part of the 'Liverpool City Region Freight and Logistics Hub' – one of the five key City Region Projects. Table 1 below identifies the strategic significance of Parkside:Newton-le-Willows – few locations can play such a significant role to the delivery of Government objectives for delivering a rebalancing of the economy, increasing Northern growth, and linking town level opportunity to a national industrial strategy. Already, Government has committed up to £700m of investments within the North-West which helps enable the Parkside:Newton-le-Willows location – the next stage requires Government to designate an Enterprise Zone to actually create, and not just enable, job creation and growth in the North. St. Helens Council and the Joint Venture Company established to deliver the site wants to be a partner with Government on this basis – we are committed to bringing forward Parkside:Newton-le-Willows and have already invested heavily in a Joint Venture with the private sector to take the opportunity presented.

Table 1 – Strategic Significance of Parkside:Newton-le-Willows

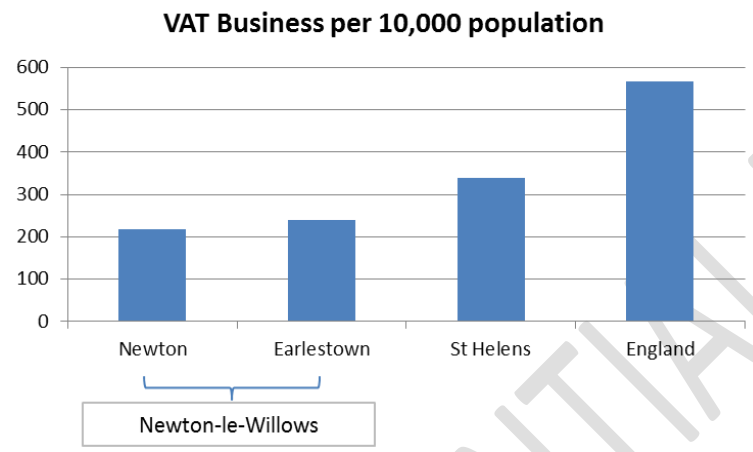
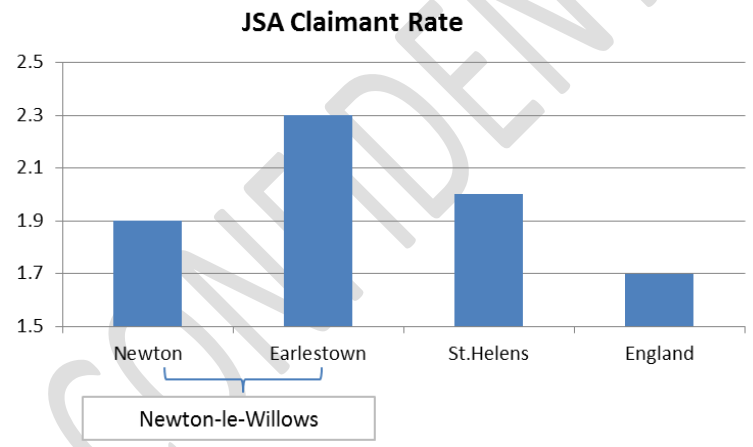
Strategic Importance Recognised	Justification
Liverpool City Region Growth Plan	Parkside a key element of 'Freight & Logistics Hub' – one of the 5 strategic projects in the Growth Plan Significant fit with SuperPort – the connectivity of freight/logistics sites across the Liverpool City Region
'Supra-LEP' Strategic work	Freight & Logistics key sites are part of the Atlantic Gateway approach spanning Liverpool City Region, Cheshire & Warrington and Greater Manchester. Parkside is one of those key sites.

Strategic Importance Recognised	Justification
Government Growth Deal Investment	£14.4m allocated from LGF to support the creation of a rail interchange at Netwon-le-Willows station improving public transport connectivity access to the Parkside site as a key employment location. **This is a Year 1 Local Growth Fund (LGF) investment by Government and St Helens Council with MerseyTravel and on behalf of the Combined Authority are in the early stages of project delivery already.** In addition, the Growth Plan of the Liverpool City Region sought further investment in adjacent infrastructure to Parkside:Newton-le-Willows (see below).
Government Strategic Investment (Road)	The City Region Growth Deal sought Government investment in Junction 22 of the M6 to relieve congestion and support accessibility to Parkside. Government has committed £25m to £50m into improving Junction 22 in the next road investment period in recognition of the sites strategic importance. This is in <u>addition</u> to the £100m+ investment in Smart Motorway Improvements on the M6 through this section of the North West. Government therefore, is already investing in the *enabling* infrastructure for this Enterprise Zone site.
Government Strategic Transport (Pan-North Rail) Investment	The Local Growth Fund investment in Newton-le-Willows Station is complementary to the £200+m investment by Government on the electrification of the Liverpool to Manchester rail-line. Newton-le-Willows is at the exact mid-point of Manchester and Liverpool – less than 20 miles from each and an ideal location for capturing and supporting 'agglomeration' benefits in those Cities. The Parkside side is enabled in-part by the up-to £500m investment in the Access to the Port of Liverpool project which was part of the Growth Deal 'ask' of Government. It was an important project because it enabled freight to get from the Port to sites like Parkside:Newton-le-Willows.
Northern Powerhouse	Newton-le-Willows is situated in a semi-rural area between Warrington, St Helens and Wigan – a central point within the North West element of the Northern Powerhouse and is exactly equidistant between Manchester and Liverpool (14 miles each way). 'Agglomeration' stimulating economic growth is often miss-conceived as the movement of economic activity to Cities. The reality is that agglomeration is about increased productivity from 'proximity' of economic activity. Parkside:Newton-le-Willows contributes to agglomeration across the Northern Powerhouse because of its 'heart of the North West' location.
St Helens Council Strategic Commitment	**St. Helens Council has investment £4.5m in acquiring the Parkside site via entering a Joint Venture with private sector Langtree. The JV is called Parkside Regeneration. Langtree is the successful private sector JV partner at SciTech Daresbury Enterprise Zone in Halton and an experienced and highly capable deliverer of major economic growth developments.**
Small-town strategic significance	Newton-le-Willows is a small town – the Ward of Newton-le-Willows has c. 11.000 residents and the adjacent coterminous Ward of Earlestown has c. 10,500 residents. These two Wards contain the 'town' of Newton-le-Willows and are separated from St. Helens 'Town' by a rural corridor that is undeveloped. Newton-le-Willows retains its historic 'small town' identity.
Rural town strategic significance	Despite being part of the Liverpool City Region and at the heart of the North West, St Helens as a Borough is 55% rural with Newton-le-Willows a self-contained town within the rural corridor that sits between the urban-most areas of Greater Manchester and the Liverpool City Region.

Economic Case

Economic Situation of Newton-le-Willows

The Parside:Newton-le-Willows site was a former coal-mine which closed is 1996. At its peak, 2000 people worked at the colliery with the majority of the workforce coming from Newton-le-Willows/Earlestown. The area continues to under-perform economically as shown below. Incomes are 12% below the national average and there are indications that the district centres have suffered from reduced spend in local retail. Both Newton-le-Willows and Earlestown have district centres which are still well used and would benefit from increased local income and spend to increase their long-term sustainability.

	The Borough of St Helens, but more particularly the town of Newton-le-Willows has significant less business density than the national average. The towns include small retail areas that would benefit from increased economic activity and local income.
	JSA claimant rates are higher in Newton and Earlestown Wards than in England. Similarly, economic activity rates fare poorly against national comparators with older male unemployment a particular concern (as a possible relic of losing coal-mining jobs from the area).

Parkside colliery closed in the early 1990s – 2000 people had been employed on the site in its peak of operation. Coalfields suffered significantly from the decline of the coal industry. The Government 'National Evaluation of Coalfield Regeneration' found that 170,000 people lost their jobs from the demise of coal industry representing ¼ of all those employed in those areas. The impact of losing such significant employment was devastating in those communities and continues to impact upon long-term inter-generational challenges around unemployment, land in need of remediation, housing market dysfunction, and a low level of enterprise. Unlike other colliery sites, Parkside was

not transferred to any of the Government regeneration agencies (English Partnerships, Regional Development Agencies etc.) but was transferred by Government instead to Network Rail. Network Rail did not pursue its intended WCML use for the site and instead eventually sold the site to the private sector. As a result, the site did not benefit from any of the £650million National Coalfield Programme invested in former coalfield sites to bring them back into economic use. As a result, Newton-le-Willows has not benefited from the regeneration or economic growth benefits available to other coalfield areas of England (throughout Lancashire, Yorkshire, the Midlands, and also Kent) and has been a 'missed opportunity' for supporting economic growth. Enterprise Zone status is intended to repair that missed opportunity.

Economic Opportunity

The site will meet genuine market demand for growth and employment opportunities. Independent research by international consultants, NIA Heywards, and undertaken on behalf of the Liverpool City Region LEP has identified that there is a requirement for over 800 hectares of land for logistics and associated manufacturing operations within the wider Liverpool City Region area (extending into Cheshire and also West Lancashire) over upcoming years. Since the recession latent demand has built-up over a period of under-supply (due to rentals being insufficient to support development) and this exists to be captured by the bringing forward of sites. In terms of jobs, this market demand could deliver potentially 20,000 jobs in the wider City Region area. This justification was recognised by Government as a justification for the £260m Growth Deal allocation to the City Region where over £50m was allocated to transport schemes enabling job-creation in logistics sites throughout the City Region LEP area.

The demand for such sites is also being seen in rental prices for developed space (and land values) with rents having risen to being comfortably over £5 per sq. ft. for prime new build space. At this price – site development can be viable without public 'gap-funding' IF associated infrastructure and connectivity requirements are in place. The designation of Parkside:Newton-le-Willows as an Enterprise Zone would enable the market opportunity to be grasped by enabling investment in the infrastructure needs of the site. To act as a rail-freight terminal, the site would need significant investment in the road and rail infrastructure and like any site being brought forward to market, even without rail-freight terminal costs, the site would need the prohibitive costs of infrastructure to be met. The site is also previously developed land and would need significant remediation. This is why the site would represent an ideal opportunity as an Enterprise Zone.

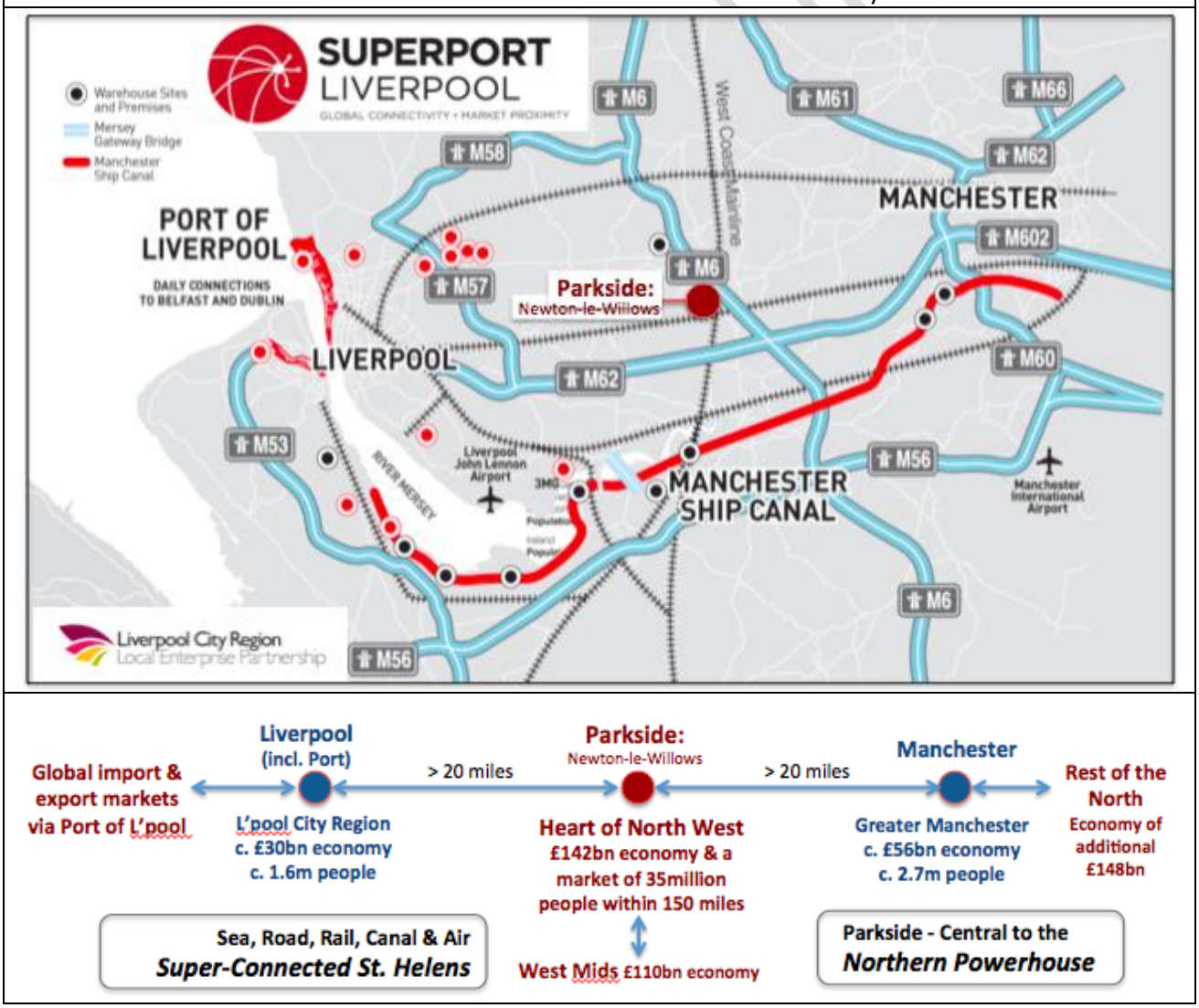
The site does include one huge benefit that other Enterprise Zone locations does not in that it does already have significant energy infrastructure in-place from when acting as a colliery site. This has been a significant cost inhibiting development at many EZs (and is an obvious business need) but is already in-place within the Parkside complex.

The most significant opportunity point for Parkside:Newton-le-Willows is that it is uniquely placed to support the rebalancing of the UK economy; located at the heart of the North West, equidistant between Manchester and Liverpool, and at the centre of one of the best transport infrastructure

systems in Europe the site complements Northern Powerhouse aspirations especially through the enabling of connectivity and growth through infrastructure investment. The Parkside site sits immediately adjacent to the M6, M62 and both North/South and East/West rail-lines – all of which are benefiting, or will benefit from, Government infrastructure investment. Government has already part-enabled this Enterprise Zone site through its road and rail connectivity programme between Cities and Region – Parkside:Newton-le-Willows represents an opportunity to fill a 'gap' in-between the major conurbations of the North.

Those connectivity investments allow access to markets. Within a 150 miles of Parkside:Newton-le-Willows is a market of 35 million people who are all accessible within a 4.5hr drive. Proximity to the Port of Liverpool, Liverpool John Lennon Airport and Manchester Airport within c. 20 miles provides access to international markets while the road (M6, M62, M56, M60) and rail (east/west with possible connectivity to HS3, and north/south including connectivity to HS2) provide a means of achieving lower cost, lower carbon distribution within the UK context.

Location of Parkside:Newton-le-Willows within SUPERPORT & Atlantic Gateway infrastructure



Delivery operation and Management

The Parkside site is to be delivered via a Joint Venture Partnership between Langtree and St. Helens Council. The Joint Venture was formed in early 2014 with St Helens Council making a significant financial commitment to the JV to allow for the acquisition of the site and to provide working capital capacity for the JV to bring the site forward.

Langtree is a highly experienced and capable Joint Venture partner. They currently operate a Joint Venture with Halton Borough Council for the delivery of the SciTech Daresbury Science and Innovation Campus which is also an Enterprise Zone. As a result, the JV arrangement has considerable experience in undertaking such strategic regeneration projects while utilising the Enterprise Zone status and tools to deliver transformation. The JV will be highly capable at using Enterprise Zone tools to deliver economic benefits.

The JV already owns the majority of the potential Enterprise Zone site which would be deliverable without any need for complicated negotiation with other land-owners. The site has been identified for employment land in the core strategy and master-planning of the site has been completed by the JV. The site is already attracting market interest with end-users premised on the requirement for infrastructure being met. The Council, through it's investment in the JV to date has shown a willingness to invest in cash terms and would be willing to utilise the Enterprise Zone tools to potentially borrow using a TIF-type model (as has been successfully done by EZs in other areas of England but also at Daresbury) to support infrastructure investment[1].

Governance

Government policy on Enterprise Zones requires their Governance to be integrated into broader City Region/LEP structures to ensure their contribution and fit with meeting economic growth priorities. As with arrangements for the Daresbury and Mersey Waters EZs, a named individual on the LEP Board will have a responsibility to providing a direct link with the Parkside:newton-le-Willows delivery structures. The capacity of the JV, with St Helens Council, will ensure that the Enterprise Zone has sufficient capacity to operate the Governance arrangements.

[1] Subject to the Authority undertaking the necessary due-diligence and obtaining formal approvals.

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APPENDIX B:

KNOWSLEY BUSINESS PARK – ENTERPRISE ZONE BUSINESS CASE LEP BOARD

OUTLINE BUSINESS CASE

Executive Summary

- Known market demand – requirement for 800 hectares of logistics and associated space required through LCR area
- Strategically located – immediately adjacent to M57/A580 corridor with rail freight access available
- KBP already a development priority for City Region Growth Plan and local authority investment with infrastructure improvements underway and Local Development Order already in place
- Potential to bring forward 52.6ha of development land
- Uplift in market value of sites
- Creation of up to 2,000 jobs
- Local authority has established relationships with key developers located at KBP
- Increased employment rates in adjacent areas of under employment (Kirkby) due to the accessibility of employment sites
- Increased business activity
- Economic growth with jobs
- Contribution to Government rebalancing and Northern Powerhouse objectives

Background

Knowsley Business Park (KBP) is one of the largest in England with an area of circa 520 ha located to the north and south of the A580. Overall KBP is home to 800 businesses which employ c.15, 100 people and is estimated to contribute £214m per annum to the economy. Key sectors include manufacturing, retail and distribution and transport and communication. KBP is extremely well connected by road and rail. Access to the East Lancashire Road (A580) and the M57 motorway is available and a rail line to the north of the site provides KIP with direct rail freight connections. This transport network provides rapid access to a number of key LCR assets including Superport and Atlantic Gateway.

The Council has already invested £400k in A580 improvements to date and a further £5.6m has been allocated as part of the Growth Plan for the Liverpool City Region to make improvements to road access and infrastructure including major gateways, junction improvements, Wayfinding, access routes & signage improvements across the park.

KBP also possess large sites which are capable of redevelopment, including some Greenfield sites which are planned to be released as part of the Local Plan process and which would deliver the type of development that would deliver the Governments aspirations for Enterprise Zones.

The regeneration of KBP is a key priority of the Council and as such resources were aligned to the programme. The aim of the KBP programme is to drive and encourage private sector investment in the park so as to grow the borough's business rate base, create employment opportunities for local residents and help raise the profile of the borough. As a consequence the vision for the park was set as:

> **"Knowsley Business Park will be the largest and most successful Business Park in the Liverpool City Region".**

With the following outcomes envisaged:

- 2,000 net additional jobs created;
- 1,057,000 ft^2 of additional floor space created, equating to 25 hectares of additional employment and business land created;
- Additional Gross Value Added to the Knowsley economy of £30m per year on top of the Park's existing contribution of £214m per year; and,
- A reduction in CO_2 emissions across the Park.

To achieve the vision and deliver the desired outcomes the programme has focussed activities around 3 concurrent themes.

- Park Wide Infrastructure Improvements

  By driving improvements to the physical environment of the park the intention is that it will result in increased investor confidence in the area as a modern desirable business location.

- De-risking of Development Opportunities

  The prevailing economic climate is such that whilst developer confidence is improving, access to development finance is limited. Across the City Region there has been little new development in the last 6 years and as a consequence there is very little business accommodation readily available. The programme's focus has therefore been to support the development of 'shovel ready schemes' to enable developers to not only access funding opportunities as and when they present themselves but to also enable developers to take such schemes forward to the end user market.

- Supporting Business Growth and Investment

  As the economic recovery continues businesses are once again exploring growth opportunities, a key part of the KIP Regeneration programme has been to support investment through access to funding streams to support growth and job creation

Local Development Order
The LDO applies to all of the land within Knowsley Industrial and Business Parks. The overall purpose of the LDO is to support the regeneration of the Parks and to maximise the contribution they make to the local and sub-regional economy. Specifically, by simplifying the planning permission requirements for the area, it is considered that the LDO can support existing businesses, stimulate additional investment and help to deliver improvements to the public realm and image of the area.

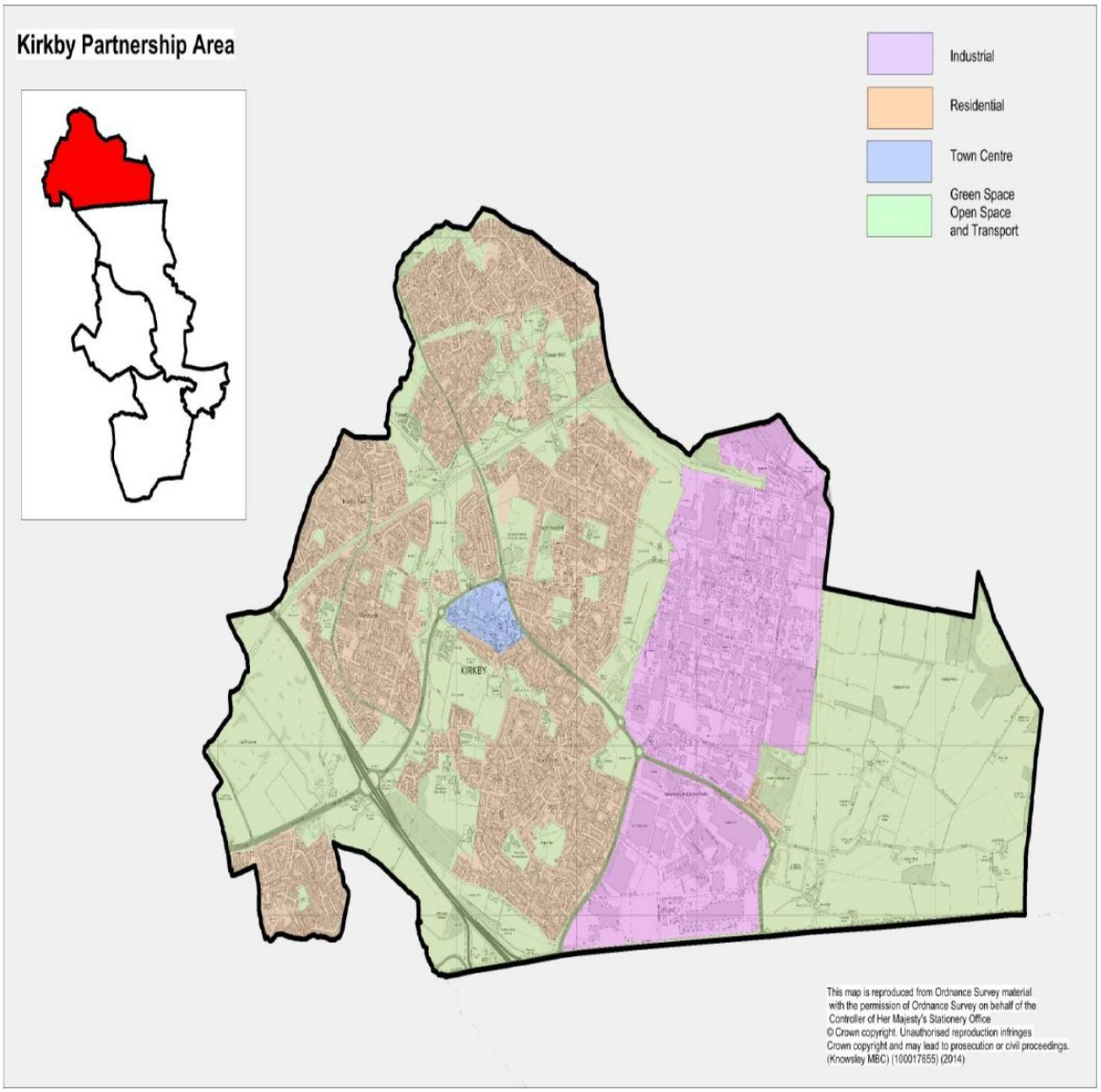
The LDO has two elements. The first element grants planning permission for the extension of existing office, industrial and warehouse buildings in the Parks. Permission is also granted for a number of physical alterations to existing buildings, including the insertion of new windows and doors, the re-cladding of building exteriors and the installation of external plant and machinery. In addition, it also permits certain changes of use and grants planning permission for specific minor operations including the erection of fences, cycle stores and smoking shelters. The second element of the LDO supports the development of a district heat network in Parks. Specifically, it grants permission for the installation of below ground pipelines to facilitate connection to this network

Occupier Demand

The Knowsley Growth Plan 2015 and a subsequent independent report undertaken by Inner City Solutions notes that in terms of demand this has translated into take up figures of approximately 500,000 sqft per annum over the period since 2010. Notable investments in recent years include B&M Bargains and Matalan with large requirements for premises.
The report highlights that the logistics sector, a field were Knowsley Business Park has been strong traditionally, could come under pressure, where the undoubted growth in port related business should be a key target.

Kirkby
KBP is located alongside the town of Kirkby and provides a significant employment opportunity in the immediate vicinity of the town. The area has a population of 41,163, living in approximately 18,711 households.

Employment
The Kirkby Area has lower % proportions of Economically Active people (all categories) than the Borough and national averages. The proportion of its unemployed residents exceeds that of the Liverpool City region as a whole. The town has an unemployment rate of 7.4% compared to the national rate of 5.6%.



G-PARK - WIDNES

This project focuses on the remediation and development of the former Bayer Crop Science site in Widnes, Halton. The site will provide a logistics facility to include large distribution warehousing of varying sizes depending on market demand. Halton Borough Council owns the whole site.

Widnes is a prime location for advanced logistics with the 3MG intermodal rail terminal facility only 2.5 miles away. International markets are within easy reach, with Liverpool John Lennon airport just 8 miles from the site, Runcorn Docks 3 miles away and Liverpool Port 15 miles away.

The main aims of the project are:

- To bring back into employment use a 40 acre brownfield site on Gorsey Lane, Widnes;
- To provide employment opportunities for Halton residents;
- To contribute to the objectives set out in the Widnes Waterfront Masterplan and policy context;
- To facilitate the remediation of a brownfield former chemical industry site.

There are a number of environmental issues on the site relating to previous use as part of the manufacturing business Bayer Crop Science. The site is allocated for employment uses.

Further ground investigations since purchase have provided an increased estimate of dealing with the ground contamination of £1.6M. This is approximately £1.0m for groundwater remediation and £0.6m for asbestos contaminated soils and 'hotspots'. Remediation can be phased, enabling the programme to be accelerated for any plot to facilitate the earliest possible development.

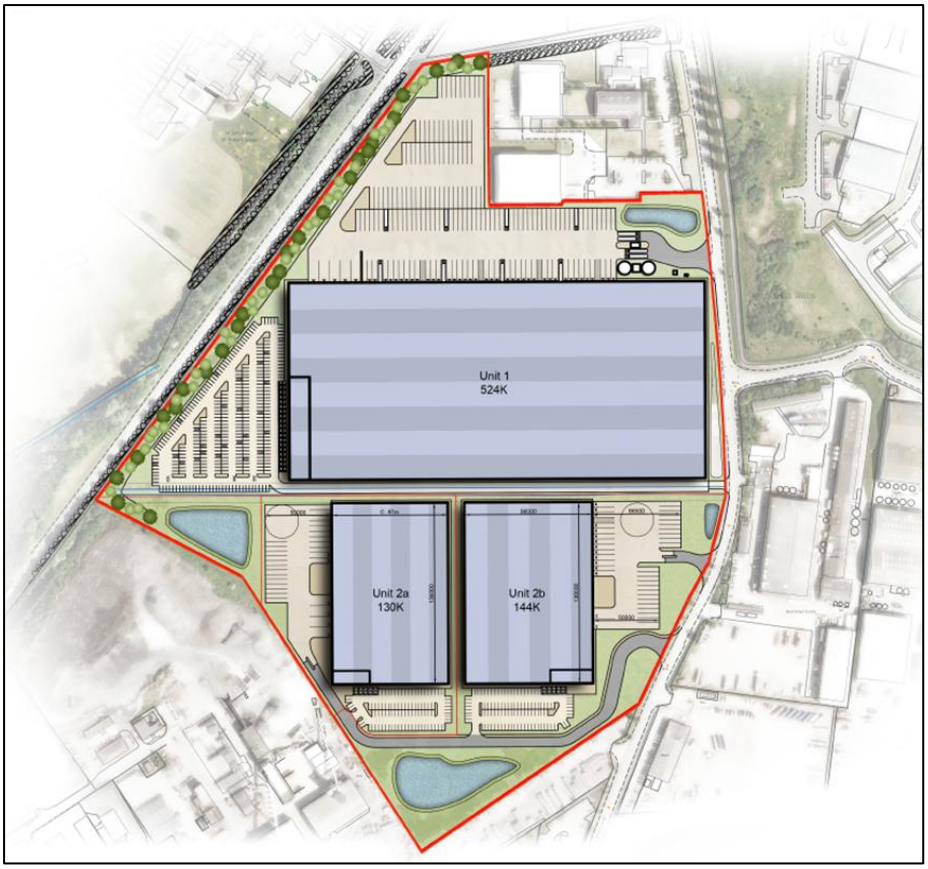
In applying TIF principles through the future uplift in business rates Prudential Borrowing would be used to undertake the necessary remediation works to ensure that the site meets the requirements of an end user. The perceived costs of treatment act as a significant barrier to successful redevelopment.

The financial investment market would not wish to take a risk on an un-remediated site. This remediation work removes any uncertainty associated with bringing forward the site, not just in terms of identifying remediation solutions, but because it also allows the Council and its developer partner to provide a timeframe for completion of the remediation works.

Halton Borough Council is entering into a development agreement with IDI Gazeley, part of the International Brookfield Properties Group.

IDI Gazeley is providing knowledge of the sector, in-house planning expertise, technical and commercial expertise.

LOCATION G Park


Unit 1
524K
Unit 2a
130K
Unit 2b
144K

Liverpool City Region
Local Enterprise Partnership

Enterprise Board:
Governance

Strategic Board Meeting
10 September 2015

Author:
Mark Basnett
Liverpool City Region LEP

Presented by:
Alan Welby
Liverpool City Region LEP

1. BACKGROUND

1.1 It was agreed at the LEP Board Meeting in March 2015 that the LEP should establish an Enterprise Board to help inform and drive forward the City Region's Enterprise Strategy.

1.2 An initial draft Terms of Reference was presented to the Board in April 2015 with recommendations for revision to be based on a primarily SME business basis.

1.3 This revision has now taken place and a revised Terms of Reference for this Board including proposals for selecting its membership in a competitive and transparent manner are attached to this paper at Appendix A. This was

1.4 The proposal includes establishing an Enterprise Executive Group comprising LEP, LAs and Chambers to take forward and implement the Enterprise Strategy – informed by input from the Enterprise Board

2. INAUGURAL (SHADOW) ENTERPRISE BOARD

2.1 Prior to formal approval by the LEP Board an inaugural Enterprise Board meeting took place on 1 September 2015.

2.2 The Meeting was well attended by 17 SME businesses, 2 LAs, 2 Chambers of Commerce, IOD, FSB, 2 LEP Board Members and the Executive Director of the LEP. Invitations were through business support organisations across the City Region and SMEs that had previously engaged with the LEP to inform business priorities.

2.3 The Meeting considered the Enterprise Strategy and the challenges facing the City Region in increasing business density and accelerating business growth. All participants agreed that the format, purpose and composition of the group was very good and expressed an interest in continuing to engage in quarterly meetings.

2.4 Several key actions were identified which will be followed up by the LEP Executive working with LA and Chamber colleagues through the Enterprise Executive Group.

3. RECOMMENDATIONS

3.1 Recommendations to the Board are as follows:-

(i) Approve the Terms of Reference of the Enterprise Board so that it can be formally established in September 2015 as set out in the attached document

APPENDIX A
Liverpool City Region Enterprise Strategy Board
Proposed Terms of Reference

Purpose
In order to drive forward the Liverpool City Region Enterprise Strategy, the LEP Board has agreed to establish a business led Enterprise Board as part of its governance structure, reporting to the LEP Board. The establishment of this Board will be led by LEP Deputy Chair, Asif Hamid.

Scope
As set out in the Liverpool City Region Enterprise Strategy Framework, agreed by the LEP Board and Combined Authority, subject to detailed development, the factors affecting the enterprise performance of the City Region are as wide ranging as they are substantial. Unless these are tackled in a coherent manner, to clearly set out objectives, over an extended period of time, the enterprise deficiencies of the City Region will not be effectively addressed and the economic potential of the City Region will not be realised.

These deficiencies include one of the lowest levels of business density and the lowest level of female entrepreneurship of any City Region in the UK. The key factors identified to address this and their respective objectives are set out in the Enterprise Strategy Framework, set out at Appendix A and summarised below:

<u>Enterprise Culture</u>
- 20,000 more businesses in 20 years
- All school leavers have an inspiring enterprise experience by 2020
- Improved business environment recognised through survey

<u>Business Start</u>
- 5,000 additional business in City Region by 2020
- 2,000 additional women running businesses by 2020
- New business survival rates at Northern UK average by 2020

<u>Business Survival and Growth</u>
- 1000 more SMEs exporting out of the region by 2020
- 500 more SMEs investing in R&D by 2030
- 500 more SMEs involved in local supply chains by 2020

<u>Workforce Development</u>
- Workforce Development aligned to Enterprise Development
- Businesses recognise improvement in workforce skills by 2020

Given the breadth of this scope it is proposed that an Enterprise Executive Group is established comprising the LEP and LA executives whose role is to develop and manage appropriate interventions to deliver the enterprise strategy. This group would take guidance from the Enterprise Board and ensure LEP and CA Boards were suitably consulted to form a consensus on strategy and be briefed on progress and strategic interventions.

Terms of Reference

The Enterprise Board will fulfil the following functions:

- A consultative business group, representative of the SME community, to inform the LEP, CA and partners on the issues, needs and opportunities facing the City Region's SME community.
- To consider and review the City Region Enterprise Strategy and provide practical business feedback and guidance to the LEP/LA/Chamber executive group on its prioritisation, development and effective implementation.

- To provide input to the LEP and CA Boards on Enterprise Strategy

The Enterprise Executive Group will fulfil the following functions:

1. Support and work alongside the Enterprise Board to implement the Enterprise Strategy receiving guidance and input from the Board and feeding back progress
2. Engage / Secure support from LEP / CA Management (eg Management Board/Regeneration Directors Group) for interventions through regular briefings as required
3. Develop and agree workstreams to deliver the Enterprise Strategy
4. Agree and prioritise a portfolio of actions and interventions to deliver the Strategy objectives in each workstream including ownership/timing of those interventions by organisations/individuals
5. Identify and where possible secure and allocate resources (organisations, people and funding) to enable this portfolio of actions and interventions to be delivered
6. Agree KPIs to be reported upon to monitor the performance of each workstream towards the agreed objectives – both project and economy based
7. Receive reports from each workstream on progress towards objectives including opportunities and challenges to be realised/overcome in achieving them
8. To inform, guide and support executives in their delivery activity and to champion enterprise across the City Region.
9. Report progress to LEP and CA/LA Management as required but typically a summary report quarterly and fuller performance review annually.

Proposed Membership and Composition

Enterprise Board

The membership of the Enterprise Board should be representative of the City Region's business community in all its facets, primarily business owners rather than employees. It should be a consultative group with a core of members who attend all meetings complemented by members who attend when available and where they have something to contribute to the particular subject matter tabled. It should include business members of important business groups in the City Region including Chambers, FSB, IOD, Professional Liverpool and Downtown. As many as 30 participants are envisaged at meetings to provide a healthy diversity of expertise and perspective. Membership of the Enterprise Board will be agreed by the LEP Board and may be changed periodically according to the views of the Enterprise Board and endorsement of the LEP Board. Board Membership is proposed as follows:

- Asif Hamid (Chair – and LEP Board Representative)
- Early Stage Businesses
- High Growth Businesses
- Social Enterprise Business
- FSB members
- IOD Members
- Chamber Members
- Downtown Members
- Professional Liverpool Members
- University & College Representatives

Enterprise Executive Group

It is proposed that the Enterprise Executive Group is formed from the existing LA/LEP/Chamber executive group that meets monthly, comprising LA ED and Chamber executives and the LEP. This would report into the Regeneration Directors Group chaired by Ged Fitzgerald. 2/3 Members of the Executive Group would attend Enterprise Board Meetings to provide executive guidance, support Board and take away actions to develop with RDG input.

Board Meetings

Board meetings will take place quarterly with dates set at the start of each year. Meetings will typically last for 2-3 hours given the breadth of issues to be considered. The format will typically be a presentation on one or two key topic areas and discussion followed by agreed follow up actions. Where appropriate, briefing papers will be provided 5 days in advance of meetings to allow members to gain an understanding of the issues to be debated.

Board Member Appointment

The LEP will advertise the opportunities to join the Enterprise Board via the LEP website and through partner organisations. Business organisations will be asked to identify and agree the individuals they wish to put forward to be Board members. Board Members will be formally approved by the LEP Board.

Improve Enterprise Culture

20,000 more businesses in 20 years
All school leavers have an inspiring enterprise experience by 2020
Improved business environment recognised through survey

Schools & Colleges
Business and Enterprise Programmes to be embedded into Schools, Colleges and Universities and linked into local businesses

Better Places
Create attractive environments for business through property, transport schools, parks, events, reduced crime etc

Business Facilities
Develop a portfolio of business premises and facilities to foster business start up and growth right across the City Region

Commercialisation
Encourage /enable the increased use of paid professional services to support business growth . Market / Demand driven with focus on high quality and value added

Inspiration
Engage business owners & managers, large and small Celebrate / Inspire them and their role
Challenge and raise confidence and aspirations to grow

More New Businesses

5,000 additional business in City Region by 2020
2,000 additional women running businesses by 2020
New business survival rates at Northern UK average by 2020

Business Start
Business Start Programmes developed to be more bespoke to target client groups incl. women, 40+, social enterprises underpinned with basic support for all

High Growth Starts
More intensive & bespoke support for business with high growth potential. Develop business networks & support high growth activity with sales, finance & product development

Survival
1. 3 year survival support for start-up with finance coaches & mentors
2. Commercial triage service to help viable businesses in difficulty to survive

Procurement
Secure a significant increase in the local content of public, corporate, NHS etc. procurement with a City Region wide procurement programme

Inward Investment
Develop a coherent and properly resourced Inward Investment Strategy and delivery programme with LAs, LEP, UKTI and private sector

Businesses Survival and Growth

1000 more SMEs exporting out of the region by 2020
500 more SMEs investing in R&D by 2030
500 more SMEs involved in local supply chains by 2020

New Markets
Support for business to access new geographic markets outside the region and internationally. Stimulate good businesses to grow

Finance for Growth
Create a rich finance environment for business growth from regional & national sources, stimulate demand provide support for investment readiness/ access

Product & Service Development
Extensive support for business to invest in R&D and innovation to improve the competitiveness of their products and services

Supply Chains
Extensive support for local businesses to enter supply chains across all sectors incl. the public sector and assist them to complete tenders accreditations etc.

Growth Hub
Establish a Federal Growth Hub for LCR that simplifies the business support environment for business and makes it coherent – providing broker to skills/advice

Workforce Development

Workforce Development aligned to Enterprise Development
Businesses recognise improvement in workforce skills by 2020

Inspiring Leaders
Develop leadership and management skills amongst business owners and their senior management

Finance Training
Embed good financial management and understanding in all businesses esp. start ups and young SMEs

Sales Training
Extensive programme of sales training for businesses to ensure staff can realise the potential of their business products and services

Tender Training
Develop skills in responding to tenders and developing partnering approaches with other suppliers

Systems Training
Ensure business processes and efficiencies are improved through training in QA and business processes inc benchmarking

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Liverpool City Region
Local Enterprise Partnership

Health Enterprise Board:
Governance, Accountability and Constitution

Strategic Board Meeting
10th September 2015

Author:
Andrew Rose
Liverpool City Region LEP

Presented by:
Alan Welby
Liverpool City Region LEP

1. PURPOSE

1.1 This paper provides the Strategic Board with an overview of the new Health Enterprise Board.

2. RECOMMENDATIONS

2.1 The Board is requested to note this paper and **endorse** the recommendation that the Health Enterprise Board report to the Strategic Board and liaise with the LCR Innovation Board.

3. REMIT OF THE HEALTH ENTERPRISE BOARD

3.1 The Health Enterprise Board has a remit to stimulate and support growth across the Liverpool City Region (LCR) Health and Life Sciences Sectors, providing expertise and leadership that will direct and support co-ordinated action and investment decisions to achieve strategic goals. The Health Enterprise Board will form part of, and feed into, wider LCR and Local Enterprise Partnership (LEP) governance structures, reporting into the LCR Local Enterprise Partnership (LEP) Strategic Board and LCR Innovation Board.

3.2 The Health Enterprise Board will directly contribute to the delivery of the LCR Innovation Plan, the commissioning framework for the Innovation Portfolio of the 2014-20 European Structural & Investment Funds (ESIF) programme, and central to future Growth Deal negotiations. Health and Life Sciences is one of 4 designated priority sectors within the LCR Innovation Plan. It is also intended that the collaborative working stimulated by the Health Enterprise Board will in itself lead to new learning, insight and joint initiatives, and provide a useful platform for future action in its own right.

4. OBJECTIVES

4.1 Agree the priorities and develop the long-term strategy for the LCR Health and Life Sciences sector to maximise LCR economic growth and competitiveness aligned to improvements in health, wellbeing/productivity and service improvement. Develop LCR Health and Life Sciences industry, including supporting the growth of the SME base and commercialisation of intellectual property. Make recommendations to the LEP Strategic, LCR Innovation and other Boards for endorsement, ensuring proposals are in line with sector priorities.

4.2 Support the delivery of the LCR Innovation Plan, the commissioning framework for the Innovation Portfolio of the 2014-20 ESIF programme, and central to future Growth Deal negotiations. Monitor/support the delivery of LCR priority programmes as appropriate. Support the development of a specific LCR Health and Life Sciences Innovation Plan.

4.3 Identify and where possible secure and allocate resources (organisations, people and funding) to enable this portfolio of actions and interventions to be delivered.

4.4 Develop and monitor key performance indicators (KPIs) to assess performance towards the agreed objectives – both project and economy based. Develop initiatives if KPIs are not being met.

4.5 Report regularly to the LCR Innovation Board and the LEP Strategic Board.

4.6 Co-ordinate, and facilitate delivery and investment to support strategy and priorities. Identify solutions or innovative ways to deliver objectives.

4.7 Facilitate collaboration and networking between specialist, sectoral, patients and public and other focused groups, facilitating links across the health economy and wider life science sector, supporting Health North, Northern Powerhouse and devolution developments. Where relevant, support the principles of co-production in research and innovation, ensuring that patients/public, health sector, industry and universities are represented in initiatives.

4.8 Develop strong connections and influential relationships at the national and international level. Work to champion/showcase the LCR Health and Life Sciences sector strengths and opportunities.

4.9 Identify gaps in sector provision or underperformance, including consideration of skills development.

4.10 Develop new activities and programmes to accelerate sector activity, using new approaches such as big data analysis and the Internet of Things, as appropriate.

4.11 Capture and disseminate local, national and international best practise, in particular via Health Enterprise Hub resources.

4.12 Serve as the designated advisory body to the LCR Innovation Board and LEP Boards on all matters relating to the Health and Life Sciences sector.

4.13 Share relevant information, intelligence and ideas across the Board and the wider -sector in an ongoing basis.

5. ACCOUNTABILITY

5.1 The Health Enterprise Board will develop and approve a specific LCR Health and Life Sciences Innovation Plan and make recommendations to the LEP Strategic and LCR Innovation Boards for endorsement. It will monitor progress against agreed actions and targets and report regularly to the LEP Strategic Board on its delivery.

5.2 Partner organisation boards (Academic Health Science Network, Health and Wellbeing boards, Clinical Commissioning Groups, NHS Trust, University, Liverpool Health Partners and others will be kept appraised through the circulation of meeting minutes, with Board membership also being drawn from these organisations (see below)

6. MEMBERSHIP

6.1 The Board will draw its membership from senior level representatives across the Health and Life Sciences sector. All partners selected should be representative of their sector and/or organisation types and be able to demonstrate accountability to their constituencies, disseminating information within their own respective organisations and cross-sector networks, as appropriate. Membership will reflect the LCR geography and involve national/international expertise, as appropriate.

6.2 Board membership will be initially composed of:
1 Large pharmaceutical representative
2 SME representatives
1 Bio/health trade organisation representative
1 Academic Health Sciences Network (providing NHS England representation)
1 Liverpool Health Partnership representative
1 CCG representative
1 NHS Trust representatives
1 University representatives
1 Incubator representative
1 Health North representative
1 Training and education representative
1 Health and Wellbeing Board representative
2 Local/Combined Authority representatives (social care/public health)
Support from 2 Senior LEP representatives (and LEP Secretariat)

6.3 Membership will be agreed by the LEP Executive, with the LEP Strategic Board endorsing appointments.

6.4 All members should have an understanding of the economic context of Liverpool City Region. They should understand local investment priorities and have knowledge of the local conditions, needs and opportunities to bring forward proposals that meet the priorities set out in the Growth Plan and Strategic Economic Plan.

6.5 Members must be willing, committed and prepared to positively collaborate, and bring their own experience, expertise and insight to bear (as opposed to pursuing individual and/or organisational interests) to ensure actions are delivered for the City Region.
Board appointments are for individuals and no alternates will be allowed unless approved by the Chair of the Board.

6.6 Minimum attendance at Board Meetings is 50% in each financial year. If attendance is below these levels, the Board will determine whether Membership should be continued.
Board Members will serve for an initial 2 year period with a view to extension to a further 2 year term subject to approval of the LCR Innovation Board and LEP Strategic Board. Only those members with 50% or above attendance will be considered for 2 year extension.

6.7 Key expertise required to facilitate the work of the Health Enterprise Board will be agreed periodically reflecting the strategic priorities of the sector, with membership being refreshed as appropriate.

6.8 The LEP will advertise the opportunities to join the Health Enterprise Board via the LEP website setting out the criteria for selection.

6.9 The LEP Strategic Board will appoint the Board Chair.

6.10 The Chair will agree meeting content/agendas, chair proceedings in an inclusive and effective way that maintains a focus on delivery and maximises intended action plan outcomes, and liaise with other key local and external stakeholders as required, including government and the media. He/she will also sit on and report to and from the LCR Innovation Board.

6.11 Neither the Chair nor other Members will be remunerated for their involvement with the Board.

7. BOARD MEETINGS

7.1 Meetings will take place quarterly with dates set at the start of each year and should be planned to accommodate the LEP Strategic Board and LCR Innovation Board cycles to facilitate interaction and in bringing forward recommendations and decisions. Typically, meetings will last for 2-3 hours given the breadth of issues to be considered.

7.2 Papers will be provided at least 5 working days in advance of meetings to allow members to review activity, performance and recommendations.

7.3 The LEP will act as the Secretariat for the Board. This will involve organising meetings, preparing performance and progress monitoring reports, taking minutes, following up on agreed actions, and acting as the day-to-day point of contact and liaison, providing close regular advice and support to the Chair in particular.

8. EXECUTIVE SUPPORT

8.1 The LEP will provide executive support for the Health Enterprise Board.

9. DECLARATION OF INTERESTS

9.1 Members will be required to complete a register of relevant interests.

9.2 Members will be required to declare an interest in any agenda items where a decision is required and the decision may cause a direct material impact.

9.3 Conflicts of interest should be identified to the Chair and minuted.

9.4 The Board will determine whether a member may need to be excluded from certain decisions and debates relating to these interests.

10. TRANSPARENCY ARRANGEMENTS

10.1 The LEP Assurance Framework requires that decision making is taken in a transparent manner and in that regard much of the business of LEP Boards will be published, this will include the membership of the Boards.

10.2 However, in order that commercially sensitive or other information is not disclosed in advertently the business conducted by Board will be a matter of report to the Strategic Board and not the full minutes.

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Liverpool City Region
Local Enterprise Partnership

Motorways of the Sea

Strategic Board Meeting
10 September 2015

Author:
Claire Delahunty
Liverpool City Region LEP

Presented by:
Alan Welby
Liverpool City Region LEP

1. PURPOSE

1.1 This report provides an overview of the recently-funded ATLANTIS Motorways of the Sea (MoS) project and recommends that the LEP Strategic Board endorse Merseytravel as the signatory to the mandate with Brest and as the Accountable Body on the project.

2. RECOMMENDATION

2.1 In order for the ATLANTIS project agreement to be signed and funds to be transferred from the project's lead partner, Brest, it is recommended that the LEP Strategic Board **endorse** Merseytravel as the signatory to the mandate with Brest and Accountable Body on the project.

3. MOTORWAYS OF THE SEA

3.1 Motorways of the Sea (MoS) is a strand of the trans-European transport network (TEN-T), the transport fund under the Connecting Europe Facility (CEF).

3.2 The "Motorways of the Sea" concept aims at introducing new intermodal maritime-based logistics chains in Europe. These chains will be more sustainable, and should be commercially more efficient, than road-only transport. Motorways of the Sea will thus improve access to markets throughout Europe, and bring relief to the over-stretched European road system. For this purpose, fuller use will have to be made not only of maritime transport resources, but also of potential in rail and inland waterway, as part of an integrated transport chain.

3.3. This offers Liverpool City Region an opportunity to access investment in our transport network – primarily linking the port to the hinterland and improving East-West links.

4. THE ATLANTIS PROJECT

4.1 The ATLANTIS project will undertake the necessary preparations with a range of stakeholders for the successful launch of new RORO and LOLO MoS services along the Atlantic coast of Europe. It will include studies into the need for multimodal hinterland connections to improve freight links between the ports and other regions such as between Brest and the Paris and Lyons areas and between Liverpool and the rest of Great Britain.

4.2 The project will include the following preparations in advance of the intended launch of new MoS RORO and LOLO services along the Atlantic coast:

- Developing a formal network, governance structure, and innovative financial tools to accompany the development of the MoS services, and development of a wider stakeholder network in the port regions.
- Prototyping the ATLANTIS ICT LSW (Logistic Single Window) collaborative network of platforms and studying the adaptation to each of the ports' information systems. The ATLANTIS service platform will allow customers of the MoS services to reserve and book capacity on a door-to-door basis.
- Ensuring that there is a detailed operational plan for all stakeholders leading up to the launch of the services.
- Carrying out the necessary technical feasibility work for relevant infrastructure required in the ports and their hinterlands.
- Ensuring dissemination of the results of the activities to promote the project, the MoS concept and its initiatives and allow the take-up of the results in other EU maritime regions.

4.3 The intended RORO and LOLO services developed by ATLANTIS will assist towards the removal of trucks from congested road networks through the Iberian Peninsula, across the natural barriers of the Pyrenees and the English Channel and through congested road networks in France and Great Britain.

4.4 The LCR LEP has partnered with Brest in France (lead partner) and Leixoes in Portugal on the project. We will also be engaging with local stakeholders including Merseytravel, Peel Ports Group, Network Rail, Highways England, Department for Transport, Transport for the North, Rail Freight Group, Road Haulage Association, Stobart Group, Unilever, MDS Transmodal and other private sector stakeholders to prepare for a new short sea service and deliver the project actions including studies.

4.5 The project timescale is from 1 January 2014 – 31 December 2016. This period covers work already undertaken and ongoing pilot work to prepare for the launch of an intended RORO/ LOLO service along the Atlantic from 2017 including: network development; mobilising partners and stakeholders; piloting the ICT system; and a major international maritime conference for 250 people on 24 June in Liverpool as part of IFB.

4.6 Longer term, the project will pave the way to bid for capital funds in December 2016, which is significant in terms of the Northern Powerhouse agenda. Once the Transport for the North Freight and Logistics Strategy Study is completed in March 2016, we will be able to submit a further bid to realise some of the ambitions of the completed strategy. This will help deliver infrastructure investments to improve East-West links from Liverpool (onward to Ireland, North America, South America and beyond); and to Hull (onward to the Baltics, Scandinavia, Russia and beyond). The Commission recognises the network is over-centralised (Rotterdam) and over-concentrated (Calais/ Channel Tunnel) and supports the expansion of a northern East-West transport corridor (E20).

4.7 Importantly, the intended RORO and LOLO MoS services, when combined with complementary enhancements to the strategic road and rail East-West transport links, will enhance the comparative advantage of the Northern Powerhouse and help to boost productivity. It must also be seen as an opportunity to collaborate and learn from partners as well as a promotional opportunity to position Liverpool City Region as the gateway to North America for the Atlantic coast.

4.8 Financially, the funders (CEF) will provide cash at 50% of the total project budget (€1.157m) – so €578.5k. This will provide immediate (October 2015) cash into the City Region to support the project at 50%. Match funding of a further 50% is required from the LEP, local authorities and port authorities to enable the project to progress. This will be provided by either partners funding the initial cost of studies (designed to develop the evidence base and feasibility of investment options) etc., in expectation of 50% recovery from MoS, or the LEP's own funding for staff already employed.

5. PROJECT DELIVERY

5.1 The agreement for the ATLANTIS project is due to be signed on 15th September by Brest, on behalf of the partners.

5.2 The LCR must sign a mandate authorising Brest to act on our behalf as project lead before 15th September.

5.3 In order to receive funds, partners must identify the signatory and Accountable Body.

5.4 As a matter of some urgency, the LCR therefore needs to agree on the most efficient method of executing the signing of the mandate and confirming the legal entity/ Accountable Body for the transfer of project funds.

5.5 The LEP is not an intermediary body and UK Government funds that may be under the direction of the LEP are administered and accounted for by a nominated public sector body in the LEP's geographic area. In the case of LCR LEP the nominated body is the LCR Combined Authority (CA) which comprises of 6 Local Authorities, Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral together with the LEP. The executive functions of the CA are distributed across these members rather than it having a central executive. Administration of public funds,

as the Accountable Body for LCR, is provided by Merseytravel which is the Public Transport Executive for Merseyside.

5.6 It is therefore recommended that the CA (Merseytravel) sign the mandate and act as Accountable Body for the ATLANTIS project; the Board is asked to endorse this.

5.7 The LEP will provide the project management for the project.

Liverpool City Region
Local Enterprise Partnership

Innovate UK 'Internet of Things'

Strategic Board Meeting
10 September 2015

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1. PURPOSE

1.1 The purpose of this paper is to make the LCR LEP Strategic Board aware of the developing bid for this significant national competition and seek endorsement for associated forward activities.

2. INTERNET OF THINGS (IOT) NATIONAL COMPETITION: OVERVIEW

2.1 Innovate UK is running a £10m national "winner takes all" competition for a single collaborative R&D project to demonstrate the IoT's capability in a given City Region (https://interact.innovateuk.org/-/internet-of-things-cities-demonstrator) as part of a wider £40million government investment in IoT announced in March 2015.

2.2 The aim is to show how the large-scale deployment of innovation via IoT technology can benefit citizens and save public funds by yielding environmental improvements, economic opportunities, and more efficient/effective delivery of transport, healthcare and energy services.

2.3 Scalability and the capacity to be deployed in other towns/cities is an important factor, while close liaison with the Future Cities Catapult, Transport Systems Catapult and Digital Catapult is also vital, whereby the winning City Region will become the national exemplar of IoT.

2.4 Projects are expected to run for up to 2 years, and must be led by a Local Authority or LEP, with the direct involvement of an incubator and businesses.

2.5 Local authorities, LEPs, public bodies, 3rd sector organisations and academic institutions can receive up to 100% of eligible project costs (up to a maximum of 30% of total project costs), small businesses 70%, medium- sized businesses 60%, large businesses 50%.

2.6 Rather than the need for a single accountable body to draw down and distribute all funding, Innovate UK will separately contract with all individual entities expending eligible costs.

2.7 The scale of funding, explicit potential to lever further funding (e.g. through Horizon 2020 bidding), profile for the winning City Region, and close involvement with Innovate UK and Catapults mean that competition is likely to be fierce; 20+ bids are anticipated from across the UK.

2.8 The respective deadlines for registration and applications are **noon on 23rd and 30th September 2015.**

3. LCR BID STATUS

3.1 A consortium-based LCR bid is in development, co-led in line with the criteria by the Mayor's Office and LEP, together with nationally well-connected local SMEs (Red Ninja and DOES Liverpool), SciTech Daresbury as the required incubator, Merseytravel (from both a transport and Combined Authority perspective) and LCR Integrated (Adult Social Care) Commissioning.

3.2 The process to date has involved 2 publicly promoted workshops on 10 and 29 August, of which all LCR Local Authorities were made aware. These were well attended by a wide range of 70+ actors in the public and private spheres from across the City Region (and further afield), with a third and final event held on 1st September 2015.

3.3 The aim of these has been to plot technological capabilities/solutions against evidence-based strategic challenges, as a precursor to basing the bid on where these match up. The emergent focus is on health and adult social care, plus transport and traffic management, "blue light" services and emergency planning, air quality, energy efficiency, open data, procurement and citizen engagement.

3.4 Following the final workshop, the challenge is now to write the actual bid, illustrating optimal fit to the stated criteria, collating clearly evidenced metrics re. the challenges, and detailing the proposed IoT-based solutions to these; in view of acknowledged LEP/LA capacity constraints, LJMU has offered to help author the bid.

4. RECOMMENDATION

4.1 The Board is asked to **endorse** the development activities to date and proposed direction of travel, plus **approve** delegated authority to the LEP Chair to sign off the bid on the LEP's behalf prior to submission by 30 September.

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