



**MEETING OF LIVERPOOL CITY REGION
LOCAL ENTERPRISE PARTNERSHIP
BOARD**

AGENDA

DATE: Thursday, 17th March, 2016

TIME: 8.30 am

VENUE: LEP Boardroom 12 Princes Parade Liverpool L3 1BG

**LIVERPOOL CITY REGION
LOCAL ENTERPRISE PARTNERSHIP
BOARD**

AGENDA

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

- 2. MINUTES OF THE PREVIOUS MEETING**
To consider the minutes of the last meeting held on 4th February 2016.

(Pages 1 - 10)

- 3. LOCAL GROWTH DEAL IMPLEMENTATION**
 - (a) MAJOR TRANSPORT SCHEMES**

(Pages 11 - 36)
 - (b) HALTON CURVE SCHEME UPDATE**

(Pages 37 - 42)

- 4. LEP SUB-BOARD UPDATES**
 - (a) VISITOR ECONOMY - INVESTMENT STRATEGY
(PRESENTATION)**

- 5. INTERNATIONAL FESTIVAL FOR BUSINESS 2016**

(Pages 43 - 52)

- 6. CHAIRMAN'S VERBAL REPORT AND UPDATES FROM LEP BOARD
REPRESENTATIVES ON EXTRERNAI BODIES**
 - (a) UPDATE ON ATLANTIC GATEWAY**

(Pages 53 - 54)

- 7. LEP BOARD APPOINTMENTS COMMITTEE - BOARD APPOINTMENTS**

(Pages 55 - 64)

8. POLICY UPDATE

(Pages 65 - 70)

9. CAPITAL COMMISSIONING FRAMEWORK AND OUTLINE BUSINESS CASE FOR LITTLEWOODS STUDIOS LIVERPOOL

(Pages 71 - 114)

10. NORTHERN POWERHOUSE INVESTMENT FUND ESIF JEREMIE UPDATE

(Pages 115 - 118)

11. SINGLE GROWTH STRATEGY UPDATE (PRESENTATION)

12. ANY OTHER BUSINESS

The next meeting of the Board is to be held on 21st April 2016 at 8.30am.

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LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP BOARD

At a meeting of the Liverpool City Region Local Enterprise Partnership Board held in the LEP Boardroom 12 Princes Parade Liverpool L3 1BG on Thursday, 4th February, 2016 the following Members were

PRESENT:

Robert Hough CBE (Chairman)
Mayor Joe Anderson OBE
Chris Bliss
Councillor Phil Davies
Richard Else
Amanda Lyne
Councillor Andy Moorhead
Neil Sturme
Professor Nigel Weatherill
Kate Willard

APOLOGIES:

Kath Boullen MBE
Asif Hamid
Councillor Barrie Grunewald
Councillor Rob Polhill
Councillor Ian Maher

IN ATTENDANCE:

Ged Fitzgerald	Liverpool City Council
Mark Basnett	Liverpool City Region LEP
Tony Wade	Liverpool City Region LEP
Gillian Bishop	Liverpool City Region LEP
Sue Jarvis	Knowsley MBC
Andrew Bilsborrow	Knowsley MBC

183. DECLARATIONS OF INTEREST

A member of the Board declared the following situational conflict in the item(s) that the following minute numbers relate to:-

Director	Minute No. (s)	Nature and Extent of Interest
Robert Hough CBE	189(a)	Director of Peel Holdings (Management) Limited.

184. MINUTES OF THE LAST MEETING

Subject to the following amendment, the minutes of the meeting of the LEP Board held on 3rd December 2015 were received as a correct record and signed by the Chairman:-

Minute 176(b) – sixth paragraph – first line the addition of the words “John Moores” after the word “Liverpool”.

A further update was given in respect of :-

Minute 174 – Minutes – relating to Minute 171 - Professor Weatherill sought an update on the progress made on the appointment of staff with the expertise and capacity to take forward the work of the LEP. It was reported that additional arrangements were being put in place to support the Chairman of the Board and the wider staff resource issue was a very high priority for the LEP Company Board to address. In addition, a report on the wider City Region capacity was to be considered by the Combined Authority in March.

185. CHAIRMAN'S REPORT

The Board considered the report of the Chairman who also gave an update in respect on the two recent events in Leeds on 14th January, the Northern Summit, and 29th January, at which the establishment of Council for the North was discussed. He also reported that the Advisory Council of the LEP, held on 26th January was well attended and the work undertaken to date, and the future proposals, were well received.

During its consideration of the report, the following comments were made by Board members:-

Amanda Lyne referred to a recent survey undertaken by the Federation of Small Businesses (FSB) which, whilst highlighting the uncertainty amongst SME's regarding the Northern Powerhouse plan, had indicated that the focus should be on improved transport links, digital infrastructure and workforce skills. In this respect, a copy of the FSB press release would be circulated by her to Board members.

Board members referred to proposals by 'the Group of 12' to form a body to provide a united voice on key economic growth issues in the City Region. In welcoming such an approach, in terms of feedback mechanisms, the need for an appropriate engagement/communication process between the LEP and individual interested parties was highlighted in view of the particular nature and responsibilities of the LEP.

Discussion also took place around the activities of the LEP Company and its examination of the LEP's future resource needs and functions, on which Neil Sturmeay provided a progress report. The Chairman commented that to the extent to which such discussions might have an impact upon the future strategic role of the LEP within the city region, then it was important that this LEP Board was made aware of and fully participated in such discussions.

It was **agreed** – that the report be noted.

(a) Update on Sci-Tech Daresbury Enterprise Zone

The Board considered a report that gave an update on the progress of the Sci-Tech Daresbury Enterprise Zone since the last update that was considered by the Board in September 2015. The report also provided details of the outputs and achievements at Sci-Tech Daresbury in 2015.

It was **agreed** – that the update report be noted.

(b) Update on Atlantic Gateway

The Board considered a report that provided an update on the activities of the Atlantic Gateway (AG) team and the key developments since November 2015. In addition, the report also contained an extract from the Atlantic Gateway Update Report in relation to the work undertaken by AG to identify the area's infrastructure priorities.

Kate Willard pointed out that the Atlantic Gateway Board's agreed list of priorities would be driven by those projects in which AG could add value and that issues to be addressed included resilience and energy.

It was **agreed** – that the update report be noted.

(c) LEP Core Funding 2016-17

The Board considered a report that indicated that the Government's Cities and Local Growth Unit had confirmed that LEPs could continue to apply for Core Funding of up to a maximum of £250k per annum. In this respect, the report indicated that the funding application must be submitted by 1st March. As this was before the next scheduled meeting of the Board, to be held on 17th March, the report set out a proposed course of action in order to satisfy the expectations and requirements of government, local stakeholders and relevant local authority officers with regard to the application process. In this respect, the report proposed:-

1. the creation of a Task and Finish group with delegated authority to consider, and review, the proposed funding application and make recommendations to the full Board, through written procedures, prior to the formal submission of the final application; and
2. the membership of the Task and Finish group be comprised of the Chairman of the LEP Board, Councillor Phil Davies, as the Combined Authority Lead for Economic Development, and two non-local authority Board members.

It was **agreed** –

- (i) That the LEP Core Funding application for 2016 -17 be submitted for the £250K maximum amount available;
- (ii) that, having taken in to account the points made in sections 4.3 and 4.4 of the report now submitted, the establishment of a sub-set of the LEP Board to act as a Task and Finish group to determine the use of the funds, following the submission of the application when approved by the LEP Chair and the Section 31 Officer at Mersey travel, be approved; ,
- (iii) that the membership of the Task and Finish group be as follows:-

Robert Hough CBE
Kath Boullen MBE
Councillor Phil Davies
Amanda Lyne; and

- (iv) that the Senior Executive team of the LEP Company, in consultation with the Chairman of the LEP Board, be mandated to develop the funding application in consultation with the partner leads detailed in section 4.5 of the report now submitted.

186. LEP BOARD CONSTITUTION AND APPOINTMENTS COMMITTEE

The Board considered a report that addressed a number of related issues resulting from the governance partition between the 'Strategic LEP' and the 'Delivery Company' and :-

- (i) set out a draft Constitution for the LEP that described its aims, objectives and priorities, composition and how its business should be conducted; and
- (ii) proposed the establishment of an Appointments Committee in order to provide further reassurance to government, stakeholders and the public that a fair and rigorous process is followed with regard to appointments to the LEP Board and any of its sub-boards.

The Board's views were sought on the appropriate process to be undertaken, through the Appointments Committee, to enable the two private sector vacancies on the Board to be filled.

The Chairman suggested that initially expressions of interest should be sought through appropriate channels such as the LEP website and from suggestions from Board members. Alongside this, the Appointments Committee should consider the skill sets required and undertake a sectoral analysis to identify any gaps in expertise and sectors that candidates could fill. A candidate's passion, commitment and availability were also extremely important.

Kate Willard felt that the LEP seemed to follow a reactive approach to filling such vacancies which did not address diversity issues and a more proactive, strategic plan was required for the longer term evolution of the Board.

It was **agreed** –

- (i) That the draft Constitution, as set out at Appendix 2 of the report now submitted, be endorsed and the Executive Director of Operations, in consultation with the LEP Chair, be authorised to make any minor amendments to the document, to be approved by written procedure for immediate publication;
- (ii) that the Terms of Reference for the Appointments Committee, as set out at Appendix 1 to the report now submitted, be approved;
- (iii) that the membership for the Appointments Committee, as referenced in paragraph 4.5 of the report now submitted and set out below, be approved:-

Robert Hough CBE
Councillor Andy Moorhead
Professor Nigel Weatherill

and that the same would meet before the next meeting of the LEP Board.

- (iv) that, with regard to the process for the filling of vacancies on the LEP Board, expressions of interest be sought and the Appointments Committee consider, and make recommendations to the Board, on the skills set required from potential candidates together with a sectoral consideration of the required areas of expertise to be met by the appointments to the two current vacancies and beyond.

187. POLICY UPDATE

The Board considered a report that provided an update on recent policy developments across the UK, the North and the City Region including Devolution and the Northern Powerhouse.

Updates were given in respect of:-

Devolution – Positive feedback had been received from the Department of Business, Innovation and Skills (BIS) following the ‘Annual Conversation’ with the Cities and Local Growth Unit and the formal response was awaited.

Northern Powerhouse Investment Fund – Discussions had been held between the LEP Executive/Liverpool Vision and the four City Region LEP’s in order to draw up a model to be presented to the Task Force in April.

With regard to the LCR Devolution deal, Professor Weatherill sought an update on how the Culture and Creativity elements would be taken forward. In response, Ged Fitzgerald indicated that the issue fell within his remit as Lead Officer – Economic Development and discussions were ongoing regarding the Devolution of Arts Council funding.

Neil Sturmev highlighted the ongoing discussions at the North West Economic Ambition Board on the input of the North Wales collaborative into the Northern Powerhouse. With regard to transport, Frank Rogers indicated that a Memorandum of Understanding had been recently signed off with the Welsh Government .

Amanda Lyne referred to the Department of Business, Innovation and Skills (BIS)’ decision to wind down the Business Growth Service and highlighted the need for the LEP to have a proactive response to provide support and advice to those businesses affected.

It was **agreed** – that the report be noted.

188. LEP SUB BOARD UPDATES

(a) Transport - Linking Liverpool - Presentation

The Board considered a presentation by Frank Rogers, Acting Chief Executive of Merseytravel, on ‘Linking Liverpool Connectivity for Growth – A Once in a Lifetime Opportunity’ which set out information on:-

- The progress made on the following key highlights:-
 - the provision of a single consolidated transport pot;

- Merseyrail rolling stock replacement;
- The Bus Alliance;
- Airport connectivity review;
- North Wales connectivity; and
- The Wapping Tunnel survey
- Rail North and key franchise headlines
- Transport for the North (TfN)
- Key messages, campaign objectives and the next steps.

Frank Rogers indicated that the presentation slides would be e-mailed to Board members to allow them to access more detailed information through the hyperlinks contained in the document.

Mayor Anderson acknowledged the significant amount of work undertaken to convince government of the importance of connectivity but, whilst the region was winning the argument, further work was required to fully make its case.

Councillor Davies sought further information on the timescales involved. In response, Frank Rogers indicated that an update on the TfN strategy was expected from government in March as part of the Budget proposals.

It was **agreed** – that Frank Rogers be thanked for his informative presentation.

(b) BIS Science and Innovation Audit (SIA) - LCR Submission(s) Update Briefing

The Board considered an update report on the progress and recent developments with regard to the BIS Science and Innovation Audit (SIA) initiative.

The Chairman referred to the process undertaken to appoint a new Chairman of the Making-It Board following the recent resignation of Alistair Poole. He indicated that Michael Houghton, Managing Director of Process Industries and Drives – Siemens had accepted an invitation to become Chairman of the Making-It Board

It was **agreed** –

- (i) That the extensive development activities undertaken to date, and the proposed direction of travel, be endorsed; and
- (ii) that the appointment of Michael Houghton as Chairman of the Making-It Board be welcomed.

(c) Digital and Creative Interim Board - Verbal Update

The Board considered a verbal update from Kate Willard on the Digital and Creative Interim Board which indicated that the Interim Board had met on 26th January 2016 and the meeting was positive and constructive with clear links to the emerging Single Growth Strategy evidenced. The Interim Board had identified the need to get the right balance between the Digital and Creative sectors and that the Skills agenda was an essential element to be progressed.

Professor Weatherill referred to the imminent Government White Paper that is to set out a vision and agenda for the future of arts, culture and heritage sector with a focus on 'place making'. He felt that this could inform the Interim Board's future discussions.

Sue Jarvis indicated that with regard to the Skills agenda, the Interim Board's discussions could also be informed by the Skills for Growth Agreement and the appropriate action plan.

It was **agreed** – that the content of the verbal update be noted.

189. LOCAL GROWTH FUND IMPLEMENTATION UPDATE

(a) Skills Capital Investment Fund Sites and Premises

The Board considered a report which presented the outcomes of the latest appraisal process for Skills Capital applications received under the Sites and Premises Strand for comment and provided an update on Strand 3 (Equipment). The report further set out a proposal to pause future calls for Skills Capital investment projects until the outcome of the City Region's Post 16 Area Review, scheduled to start in April 2016, was known. This would maintain the flexibility to align Skills Capital Investment with the outcomes of the review.

It was **agreed** –

- (i) That the Sites and Premises Strand (Round 2) applications received, as set out in paragraph 4.2 of section 4 of the report now submitted, be noted;
- (ii) that the appraisal outcomes and recommendations made by the Skills Capital Investment Panel, as set out in paragraph 5.7 of section 5 of the report now submitted, be approved;
- (iii) that the Panel's recommendation to factor the timing and outcomes of Post-16 Area Based Review process into the planning cycle for the launch of further rounds, as set out in paragraph 7.4 of section 7 of the report now submitted, be approved; and
- (iv) that the programme risks and proposed mitigating actions as set out in section 8 of the report now submitted, be noted.

(b) Major Transport Schemes

The Board considered a report that provided an update on the progress made on the shortlisted Liverpool City Region Transport Schemes and sought approval of the Full Business Cases for two schemes to commence delivery in the 2016/17 financial year.

Appendix A to the report contained a report on the issue that was considered by the Combined Authority at its meeting held on 18th December 2015.

It was **agreed** –

- (i) That the details of the progress made on the development of 14 Full Business Cases which address the most urgent transport and highway issues in the Liverpool City Region, as set out in the Appendix A to the report, be noted;
- (ii) that the Full Business Case for Windle Island, St Helens, be approved; and
- (iii) that the Full Business Case for the Silver Jubilee Bridge Maintenance scheme, Halton, be approved.

190. STATE OF THE LIVERPOOL CITY REGION REPORT: MAKING THE MOST OF DEVOLUTION

The Board considered a report that provided a summary of “The State of the Liverpool City Region Report: Making the Most of Devolution” – the Liverpool John Moores and Liverpool Universities independent contribution to the debate about the future of the Liverpool City Region.

In particular, the report gave a summary of the content of the document in respect of:-

- Where are we now?
- Headline Performance
- LCR Requirements
- Devolution
- LCR Strategic Decision-Making Capacity
- Key Messages for Liverpool City Region Leaders
- Next Steps

It was reported that a formal response would be sent to the report’s authors recognising the value of the piece of work and setting out how the information contained therein would be utilised during the development of the Single Growth Strategy.

It was **agreed** – That the content of the report be commended and that, in particular the “Key messages for the Leaders of the Liverpool City Region” and the potential implications for the LEP, be noted.

191. SINGLE GROWTH STRATEGY UPDATE

The Board considered :-

- (i) a report that provided an update on the development of the Single Growth Strategy for the Liverpool City Region; and
- (ii) the presentation on the Single Growth Strategy that was to be considered by the Combined Authority at its meeting on 5th February 2016.

Councillor Phil Davies recognised the significance of the Single Growth Strategy but stressed the importance of outcomes and actions. In this

respect, Kate Willard pointed out that a business planning programme would run alongside the strategy

It was **agreed** –

- (i) That the report be noted and the current position and the suggested next steps outlined, be endorsed; and
- (ii) that it be noted that the date of the Strategy launch had been changed from April to June 2016 in order to accommodate the election period and also provide an opportunity to coincide with the Combined Authority Annual Meeting and the International Festival for Business.

Minutes 183 to 191 received as a correct record the 17th day of March 2016

Chairperson of the Board

(The meeting closed at 10.45am)

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Local Growth Deal Implementation Major Transport Schemes

LEP Board Meeting 17 March 2016

Author:
John Smith
Merseytravel

Presented by:
Frank Rogers
Merseytravel

1. **Purpose of report**

- 1.1 The report provides the detailed independent assessment for two shortlisted Liverpool City Region Transport Schemes and requests approval of the Full Business Cases for those two schemes to commence delivery in the financial year 2016/17.
- 1.2 Appended is a detailed report from the LCR Combined Authority Lead Officer for Transport that provides detailed feedback on an assessment undertaken by the Transport Advisory Groups independent assessor for two major schemes that are developed to Full Business Case status and now require formal approval to progress to allow delivery to commence in 2016/17.

2 **Recommendations**

- 2.1 To note the appended report by the CA's Lead Officer for Transport that details the results of the independent assessment of two major scheme business cases;
- 2.2 To approve the Full Business Case for A565 North Liverpool Key Corridors; and
- 2.3 To approve the Full Business Case for the Halton Curve.

3 **Background**

- 3.1 The announcement by Government in July 2014 of the award of £232.2m in Local Growth Funds (LGF) was reported to the LEP Board that month.
- 3.2 A significant element of the award (£183.2m) related to transport schemes with the funds originating from the Department for Transport (DfT).
- 3.3 Whilst these funds were earmarked for LCR and in many cases against specific schemes it is necessary for the LCR to develop business cases, as detailed in the Assurance Framework, for those schemes that were prioritised.
- 3.4 The strand of the Assurance Framework dealing with transport major schemes was well developed from pre-existing DfT frameworks that were operated by the LCR Local Transport Body (LTB).
- 3.5 In December 2014, the LEP Board received a presentation on how this would operate which was through the 'Major Schemes Business Case Process'. The process has 5 stages as follows;
 - a. Problem identification.
 - b. Scheme design.
 - c. Strategic Outline Case.
 - d. Outline Business Case.
 - e. Major Scheme Business Case.
- 3.6 In the same presentation the status of the individual schemes was given and which showed schemes were at various stages of progress. Three schemes were at an advanced stage and the Board approved them as meeting the City Region's strategic objectives. Subsequent to this, the Board has approved a further three schemes.
- 3.7 Two further schemes are now brought forward for approval of their Full Business Cases, the final stage of approval prior to commencement. These schemes are;
 - a. A565 North Liverpool Key Corridors; and

b. Halton Curve.

The detail of each and the results of their assessment at outline and full business case stages are included in the appended papers.

4 Conclusions

- 4.1 The process of business case development and assessment for transport schemes is well established through predecessor processes develop by the LTB following DfT guidelines. Consequently reliance can be placed on the outcomes of these processes.
- 4.2 The LEP Board should satisfy itself that the outcomes of the assessment process deliver outcomes that meet its strategic expectations and if content endorse the recommendations to approve the two schemes.

Appendices:

Report to the LCR CA from the Lead Officer for transport including the Major Business Scheme Assessment for each scheme.

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Liverpool City Region Major Schemes Full Business Case Assessment

A565 North Liverpool Key Corridors

Introduction

The purpose of this report is to present to the Transport Advisory Group (TAG) the findings of the Major Scheme Business Case assessments carried out for the Outline Business Cases and Full Business Cases by Waterman's for the North Liverpool Key Corridors (NLKC) major scheme.

This report further set out recommendations, based on the formal assessment for TAG to consider before making any final recommendations to the Combined Authority (CA).

Background

Headline Description

The North Liverpool Corridor (NLKC) improvement scheme is a package of measures aimed at facilitating proposed development and unlocking aspirational development in the north Liverpool area. At the same time the scheme seeks to address the causes of vehicle based congestion along the A565 corridor and improve east-west linkages for non-motorised users reducing the existing severance caused by the A565 to allow better access to the proposed regeneration and development areas.

The A565 is the key route through the north of Liverpool, the Port of Liverpool and into Sefton and its upgrade has been a long standing aspiration for the Liverpool City Region. North Liverpool holds the most potential to create considerable employment. The corridor is a fundamental link to a stream of proposed development and investment plans.

The 'Atlantic Avenue' initiative which began in 1994 intended to upgrade the corridor from a single carriageway to a dual carriageway. The essential and integrated improvements would unlock the potential of the strategically important corridor. Acting as a catalyst and enabler for economic growth, the scheme would also improve pedestrian facilities, reduce congestion, improve local access and east-west movements, and strengthen connections between Liverpool and Sefton. The scheme is also required to facilitate the Liverpool Waters, North Liverpool Regeneration and SuperPort developments. The first four stages of the 'Atlantic Avenue' initiative have been built and this North Liverpool Key Corridor Improvement Scheme seeks to complete the dual carriageway route.

The Scheme

The NLKC scheme comprises five main elements, these are as follows:

- A565 Great Howard Street highway improvements (Phase 5 of Atlantic Avenue) – converting the current sections of single carriageway to dual carriageway with associated junction improvements and changes to right turns to facilitate improved traffic flow;
- A565 Derby Road highway improvements (Phase 6 of Atlantic Avenue) – applying the same improvements mentioned above, to create a complete dual carriageway along the A565 between Sefton and Liverpool;
- King Edward Street junction improvement - Upgrade of the King Edward Street / Leeds Street junction to better accommodate both motorised and non-motorised users;
- Upgrade and improvement of Regent Road to include north-south segregated cycleway and the southern section of Regent Road to be converted from a through route to a local access road; and
- Upgrade of connections between A565 and Regent Road to include cycle facilities on Paisley Street, Oil Street, Saltney Street, Walter Street and Blackstone Street.

Table 1: North Liverpool Key Corridors Cost Profile

	2015/16	2016/17	2017/18	2018/19	Total
Major scheme funding required	£0	£5,944,529	£6,847,333	£508,137	£13,300,000
Local contribution	£508,137	£0	£1,653,451	£6,183,625	£8,345,211
Annual Totals	£508,137	£5,944,529	£8,500,783	£6,691,761	£21,645,211

Business Case Assessment – Summary Headlines

Set out below is a summary of the key headlines from the assessment of the Outline Business Case (OBC) and Full Business Case (FBC) for the NLKC scheme. A more detailed breakdown of identified issues for the OBC's is set out in Appendix 1 and the detailed assessment of the FBC's is set out in Appendix 2.

In assessing business cases, Waterman's are required to consider the following:

- Business Cases accord with DfT requirements and are therefore webTAG compliant;
- Business Cases are proportionate to the size of the scheme; and
- Business Cases are sufficiently robust and offer the best value for money to help meet the ambitions of the CA.

Outline Business Case

Following submission of the Options Appraisal Report, the OBC focusses on a detailed assessment of the options presented to find the best solution. Full economic and financial appraisals take place during the OBC (building up the economic and financial cases), a preferred option is selected and where relevant, preparations are made for the potential contract through the development of the commercial case. The arrangements required to ensure successful delivery of the scheme are set out in the management case. In summary, the OBC is used to:

- Align the progress of the project towards achieving city region objectives;
- Confirm the strategic fit and the case for change;
- Set out a detailed assessment of the options to find the preferred solution;
- Refine the investment/intervention proposal; and
- Provide details of the schemes overall balance of benefits and costs against objectives.

The assessment of the OBC by Waterman's did highlight some issues primarily with the Commercial and Management cases. However, these issues were resolved following discussion between Waterman's and the scheme promoters which will be fully reflected at the Full Business Case stage. Appendix 1 highlights those areas that required further information to be addressed during the development of the Full Business Case.

Full Business Case

Using the feedback from the assessment of the OBC, scheme promoters are required to complete a FBC for each of their schemes. The FBC's will be assessed by Waterman's and TAG will consider each FBC assessment and make recommendations to the Combined Authority as to whether business cases should be approved and a scheme therefore proceeds to implementation. The FBC should:

- Provide details of the schemes overall balance of benefits and costs against objectives and set out plans for monitoring and evaluating these benefits when required;
- Confirm the strategic fit and the case for change;
- Provide the business and financial rationale for the scheme;
- Detail the proposed contract management resourcing, processes and benefits realisation plans;
- Show how the return would justify the overall investment of time and money; and
- Continue to be used to align the progress of the scheme towards achieving Combined Authority objectives.

The detailed feedback from the assessment by Waterman's of the FBC is set out in Appendix 2. The BCR for the scheme shows that the NLKC scheme offers very high value for money with a BCR of 4.36.

There are no major deficiencies with the FBC. This has been shared with the scheme promoter.

	Topic	Commentary	What is included in Full Business Case	Justification
Strategic Case			No issues identified	
Economic Case			No issues identified	
Financial Case			No issues identified	
Commercial Case			No issues identified	
Management Case			No issues identified	

Conclusions

Following the assessment of the FBC's, It is the view of the appointed independent assessor, that the business cases for NLKC is generally well laid out, easy to review and in line with the requirements of WebTAG. Waterman's consider therefore that the scheme can be recommended by TAG to the CA for approval.

Appendix 1 - Outline Business Case Assessment

Any issues identified in the assessment of the Outline Business Case for NLKC to be addressed in the Full Business Case are summarised below.

The Strategic Case

Element	Commentary
Business Strategy	Strategic aims and responsibilities have been identified in the OBC
Problem Identification	Lack of analysis in relation to current behaviour and attitudes of the population and environmental issues Lack of information on future problems and justification of how the scheme will help overcome the problems provided.
Impact of not changing	The consequences of failure to progress the A565 scheme have been identified but not discussed in detail. No reference has been made to environmental and longer term impacts.
Objectives	The primary objective is clearly identified and with measurable definitions of success. The first secondary objective is defined however it is not clear how the objective was derived and how success will be defined. The objective lacks detail. The 2nd secondary objective is defined however it is not clear how the objective was derived and how success will be defined. The objective lacks detail. The 3rd secondary objective is defined and links to relevant LTP objectives however it is not clear how the objective was derived and how success will be defined and measured. The objective lacks detail.
Measures for Success	Linkages between identified problems, outputs, outcomes, wider impacts and measures of success are evident but lacks detail.
Scope	Scope of scheme and relevant parameters clearly identified including what is outside of the scope.
Constraints	Scheme constraints have been discussed however more detail could be provided.
Interdependencies	Interdependencies are referenced in Table 2.1 however no further details are provided. Reference is only made to synergy with other schemes in 2.16
Stakeholders	Consultation to date is limited and no evidence of support for the scheme is provided. No reference to Management Case provided Lack of detail on sifting and EAST

Element	Commentary
Options/Scenarios	options for do nothing, do minimum and two do something options are provided.

The Economic Case

Element	Commentary
Introduction	Introduction has been updated outlining the work carried out in developing the Economic Case for the scheme.
Options Appraised	Economic Appraisal Report contains details of the options considered.
Assumptions	Traffic modelling appraisal period, modelled years & traffic growth assumptions are reliable and consistent with the Mersey Travel guidelines. No annualisation factors.
Sensitivity and Risk profile	Section 4.5 of the OBC document provides details of the Quantified Risk Assessment (QRA)
Appraisal Summary Table	Relevant economic impacts have been assessed as indicated in Appendix C (Economic Impact Assessment Report) and the completed Transport Economic Efficiency (TEE) table included in Appendix E to the OBC and demonstrate an acceptable VfM. The OBC includes detailed assessments for noise, air quality, landscape, townscape, historic resources or biodiversity. It is stated that the scheme will have the greatest beneficial impact on physical activity levels, journey quality, security levels, access to services and severance, accidents, However impacts on commuting and reliability impact on commuting and other users have not been detailed. BCR has been calculated for preferred scheme and low cost alternative. Additional information on any modifications to improve BCR would be beneficial
Value for Money Statement	BCR has been calculated for preferred scheme and low cost alternative. Additional information on any modifications to improve BCR would be beneficial

The Financial Case

Element	Commentary
Introduction	OBC sets out methodology and assumptions underlying the Financial Case
Costs	Base costs are set for highway works, land, preparation and supervision. Maintenance costs may not be applicable Likelihood of the 4 identified key risks occurring are very high & potential % cost risk figure of 7% has been applied Optimism bias correctly calculated for stage of Scheme.

Element	Commentary
Budgets/ Funding Cover	Split of funding between Local Growth Fund and Highways Investment Fund. Lack of breakdown of costs by year No alternative funding sources proposed. Letter from Section 151 Officer for Liverpool City Council included in Appendix K.

The Commercial Case

Element	Commentary
Introduction	Introduction to Commercial Case included in Table 5.1 pg 78
Output based specification	No specification of outputs and outcomes is provided
Procurement Strategy	The scheme construction will be procured using one of a number of proven options available to the scheme promoters. Options are discussed with decision to be made in the future
Sourcing Options	Sourcing options for the provision of services are outlined but decision on preferred option still to be taken.
Payment Mechanisms	Payment mechanisms are outlined however details on possible performance incentives are missing
Pricing framework and charging mechanisms	No description of incentives, deductions or performance targets
Risk allocation and transfer	Lack of detail on risk allocation and potential for transfer
Contract length	Few details on contract length & key contractual clauses are outlined. The OBC states 'Contract length will marry the construction period and will be revised accordingly'
Contract management	Almost no information on contract management is provided. 'Develop the procurement timeline through to contract closure' is identified as one of the next steps

The Management Case

Element	Commentary
Introduction	The Management Case introduction is included.
Evidence of similar projects	Projects listed however links to the current project could be more clearly demonstrated.
Programme/Project dependencies	No mention of any dependencies (or not) for external projects
Governance, organisational and structural roles	LCR Strategic Transport Governance together with Roles & Responsibilities are fully covered. LCR governance & roles & responsibilities are covered. LHA Governance is included, roles & responsibilities are not covered in detail .
Programme/project plan	Scheme delivery programme included in Appendix M - no critical path included
Assurance and approvals plan	Assurance Plan and Review process outlined but not detailed, particularly in relation to goals.

Element	Commentary
Communications and stakeholder management	OBC indicates consultation for the scheme and details of those to be consulted are provided however future consultation strategy and schedule need to be further defined. No details of consultation for general public
Programme/project reporting	Elements of reporting arrangements described
Risk management strategy	Risk Management Strategy lacks some detail of risk allocation and risk reporting procedure.
Benefits realisation plan	Benefits realisation plan is fully outlined
Monitoring and Evaluation	Monitoring and evaluation methodology has been described. Monitoring and evaluation process will include traffic surveys and route user surveys, however no details on costs have been provided.
Options	Summary of the overall approach for project management is adequate but lacks detail

Appendix 2 - Full Business Case Assessment

Strategic Case

Element	Commentary
Business strategy	Strategic aims and responsibilities have been identified in the FBC
Problem identification	Existing problems are identified and details provided however some lack of analysis in relation to current behaviour and attitudes of the population issues.
	Details regarding future problems are included however a greater level of detail could be provided.
Impact of not changing	Details for the impact of not changing and the longer term strategy are provided.
Scheme objectives	The primary objective is clearly identified and with measurable definitions of success.
	The secondary objective is defined however it is not clear how the objective was derived and how success will be defined. The objective lacks detail no additional information has been provided in the FBC.
	The secondary objective is defined however it is not clear how the objective was derived and how success will be defined. The objective lacks detail no additional information has been provided in the FBC.
Measures for success	Linkages between identified problems, outputs, outcomes, wider impacts and measures of success are evident but lacks detail.
Scope	Scope of scheme and relevant parameters clearly identified including what is outside of the scope.
Constraints	Constraints are discussed however more details could be provided especially on managerial constraints.
Interdependencies	Details of interdependencies have been provided.
Stakeholders	Evidence of consultation to date and evidence of support for the scheme is provided.
	Methods for future consultation are outlined. Reference to management case not included
Options/scenarios	Derivation and assessment of 'schemes partially discussed and evidenced
	Detailed OAR provided

Economic Case

Element	Commentary
Introduction	Introduction has been updated from the OBC outlining the work carried out in developing the Economic Case for the scheme.
Options	A list of options is included and has not changed from the OBC

appraised	
Assumptions	Traffic modelling appraisal period, modelled years & traffic growth assumptions are reliable and consistent with the Mersey Travel guidelines. No annualisation factors.
Sensitivity and risk profile	Section 9.4 of the FBC document provides details of the Quantified Risk Assessment (QRA). Relevant economic impacts have been assessed as indicated in Appendix C (Economic Impact Assessment Report) and the completed Transport Economic Efficiency (TEE) table included in Appendix E to the OBC and demonstrate an acceptable VfM & the appraisal summary table Appendix H.
Appraisal summary table	The OBC includes detailed assessments for noise, air quality, greenhouse gases, landscape, townscape, historic resources, biodiversity and the water environment. It is stated that the scheme will have the greatest beneficial impact on physical activity levels, journey quality, security levels, access to services and severance/accidents. However impacts on commuting and reliability impact on commuting and other users have not been detailed. Optimism bias of 15% applied and small decrease in indirect tax benefits.
Value for Money statement	BCR has been calculated for preferred scheme and low cost alternative.

Financial Case

Element	Commentary
Introduction	FBC sets out methodology and assumptions underlying the Financial Case
Scheme costs	Costs were previously £18.8m now costs listed as £18.3m however maintenance costs are still missing. Likelihood of the 4 identified key risks occurring are very high & potential % cost risk figure of 7% has been applied. Optimism bias correctly calculated for stage of Scheme.
Budgets/ funding cover	Split of funding between Local Growth Fund and Highways Investment Fund. Breakdown of costs by year has been provided. No alternative funding sources proposed. Letter from Section 151 Officer for Liverpool City Council included in Appendix K. Does not include details for funding overspends, but text of FBC includes confirmation of Memorandum of Understanding.

Commercial Case

Element	Commentary
Introduction	Introduction to Commercial Case included
Output based specification	The document refers to 'Outputs and Outcomes of the scheme are presented in Section 10.8.2. These outputs and outcomes will be reviewed as part of the planned Business Case Review to be held prior to the full business case submission.' as per the OBC. No additional information has been provided.
Procurement strategy	Options for the scheme procurement are discussed and decision methodology is outlined for choosing the preferred option.
Sourcing options	Sourcing options for the provision of services are outlined & the decision on preferred option is provided.
Payment mechanisms	Payment mechanisms are outlined and stated that performance incentives are not applicable due to relationship.
Pricing framework and charging mechanisms	Procurement and payment mechanisms have been identified. Performance targets not applicable. However no deductions have been identified or confirmed.
Risk allocation and transfer	Appendix M provides comprehensive details for risk allocation and transfer.
Contract length	Details of contract length and contractual clauses are limited.
Contract management	Details are provided regarding the timescales and management of the project. However lack of detail of additional support during the roll-out/closure is provided.

Management Case

Element	Commentary
Introduction	An introduction to the Management Case is provided.
Evidence of similar projects	Projects listed however links to the current project could be more clearly demonstrated.
Programme/ project dependencies	The North Liverpool Key Corridor (NLKC) scheme has a direct link and dependency on the Challenge Bridge Fund scheme which will modify a key Highway Structure over which the A565 passes and which will need to be undertaken to allow the NLKC scheme to be delivered.
Governance, organisational and structural roles	LCR Strategic Transport Governance together with Roles & Responsibilities are fully covered.
	LHA Governance together with roles and responsibilities are covered.
Programme/ project plan	A detailed scheme delivery programme is included in Appendix L.
Assurance and approvals plan	Assurance Plan and Review process outlined .
Communications and stakeholder management	Details of methods of consultation are outlined however almost no details of attitudes from consultation to date have been provided.
	FBC indicates consultation for the scheme and details of those to

	be consulted including the strategy and schedule.
Programme/ project reporting	References to reporting are partially made, however details are lacking.
Key issues for implementation	Partial coverage of delivery issues Partial coverage of implementation issues
Contract management	Contract arrangements have been confirmed.
Risk management strategy	Risk management strategy lacks detail of who has authority to allocate resources.
Benefits realisation plan	Benefits realisation plan is fully outlined
Monitoring and evaluation	Monitoring and evaluation methodology has been described in detail, additional information has been added since the OBC. Monitoring and evaluation process will include journey time and traffic surveys, collision data analysis, non motorised user surveys, air quality and noise surveys however no details on costs have been provided but the FBC states 'all costs associated with future monitoring will be covered by Liverpool City Council and Sefton Borough Council'
Options	Summary of the overall approach for project management is adequate but lacks detail

Halton Curve

Introduction

The purpose of this report is to present to the Transport Advisory Group (TAG) the findings of the Major Scheme Business Case assessments carried out for the Outline Business Cases and Full Business Cases by Waterman's for the Halton Curve major scheme.

This report further sets out recommendations, based on the formal assessment for TAG to consider before making any final recommendations to the Combined Authority (CA).

Background

Headline Description

The proposed scheme to reopen the curve to trains operating in each direction involves the installation of new crossovers at Halton and Frodsham junctions with some upgrade to the track. This will allow the delivery of a regular passenger rail service operating between Liverpool, Liverpool South Parkway, Runcorn and Chester with the potential to extend the service through to North Wales. The project would have the benefit of providing improved links for the region into Liverpool Airport and also permitting the operation of services through to North Wales.

The Scheme

The development of the link would significantly improve connectivity between the Liverpool City Region, North Wales, Chester and Warrington. It would directly address the following issues:

- Lack of public transport connectivity between the Liverpool City Region, Chester, Warrington and North Wales;
- Current poor links from the region into Liverpool John Lennon Airport;
- Growing demand for rail services within the region;
- Improved freight access into the Liverpool City Region;
- Maximise the potential for development of employment opportunities within the region;
- Support the development of tourism opportunities;
- Support the reduction in carbon emissions through increased use of public transport.

The upgrade of the Curve would allow the development of a number of potential service options including:

- Improved Liverpool to Chester services, hourly and half-hourly;
- Liverpool through to Runcorn, Frodsham, Chester, Llandudno and Bangor, hourly;
- Liverpool through to Runcorn, Chester and Wrexham, hourly;

Table 1: Halton Curve Cost Profile

(£m)	2016/17	2017/18	2018/19	Total
Major scheme funding required	£1.784m	£12.842m	£1.444m	£16.07m
Local contribution	-	-	£1.790m	£1.79m
Annual Totals	£1.784m	£12.842m	£3.234m	£17.86m

Business Case Assessment – Summary Headlines

Set out below is a summary of the key headlines from the assessment of the Outline Business Case (OBC) and Full Business Case (FBC) for the Halton Curve scheme. A more detailed breakdown of identified issues for the OBC's is set out in Appendix 3 and the detailed assessment of the FBC's is set out in Appendix 4.

In assessing business cases, Waterman's are required to consider the following:

- Business Cases accord with DfT requirements and are therefore webTAG compliant;
- Business Cases are proportionate to the size of the scheme; and
- Business Cases are sufficiently robust and offer the best value for money to help meet the ambitions of the CA.

Outline Business Case

Following submission of the Options Appraisal Report, the OBC focusses on a detailed assessment of the options presented to find the best solution. Full economic and financial appraisals take place during the OBC (building up the economic and financial cases), a preferred option is selected and where relevant, preparations are made for the potential contract through the development of the commercial case. The arrangements required to ensure successful delivery of the scheme are set out in the management case. In summary, the OBC is used to:

- Align the progress of the project towards achieving city region objectives;
- Confirm the strategic fit and the case for change;
- Set out a detailed assessment of the options to find the preferred solution;
- Refine the investment/intervention proposal; and
- Provide details of the schemes overall balance of benefits and costs against objectives.

The assessment of the OBC by Waterman's concluded that the business case for Halton Curve is generally well laid out, easy to review and in line with the requirements of WebTAG. Some of the shortfalls within specific elements of the Outline Business Case are identified within the report itself. However, the scheme promoter may be able to answer some of the other sections where we have identified missing or insufficient information that needed to be addressed in the Full Business Case.

Full Business Case

Using the feedback from the assessment of the OBC, scheme promoters are required to complete a FBC for each of their schemes. The FBC's will be assessed by Waterman's and TAG will consider each FBC assessment and make recommendations to the Combined Authority as to whether business cases should be approved and a scheme therefore proceeds to implementation. The FBC should:

- Provide details of the schemes overall balance of benefits and costs against objectives and set out plans for monitoring and evaluating these benefits when required;
- Confirm the strategic fit and the case for change;
- Provide the business and financial rationale for the scheme;
- Detail the proposed contract management resourcing, processes and benefits realisation plans;
- Show how the return would justify the overall investment of time and money; and
- Continue to be used to align the progress of the scheme towards achieving Combined Authority objectives.

The detailed feedback from the assessment by Waterman's of the FBC is set out in appendix 4. The BCR for the scheme is 1.9 and shows that the chosen option for this scheme demonstrates medium value for money.

The assessment from Waterman's has indicated that there are no major issues with the FBC

	Comments
Strategic Case	No issues identified
Economic Case	No issues identified
Financial Case	No issues identified
Commercial Case	No issues identified
Management Case	No issues identified

Conclusions

Following the assessment of the FBC, It is the view of the appointed independent assessor that the business cases for Halton Curve can be recommended to the CA for approval.

Appendix 3 - Outline Business Case Assessment

Any issues identified in the assessment of the Outline Business Case for Halton Curve to be addressed in the Full Business Case are summarised below.

The Strategic Case

Element	Commentary
Business Strategy	The relevant aims and objectives of the organisation are set out in Merseytravel's Corporate Plan (2014-15) and the Local Transport Plan 3
Problem Identification	Existing problems and scheme solutions generally covered in detail. Lack of clarity on environmental issues Limited specific information provided on future problems and trends
Impact of not changing	Consideration given to economic consequences should the scheme not progress, however, limited consideration given to social or environmental issues
Objectives	The objective aims to enhance direct public transport connectivity between Liverpool and North Wales Coast / Wrexham and between Liverpool and Frodsham/Helsby The objective aims to increase the development of improved cross border public transport connections to / from the North Wales Coast including Denbighshire, Flintshire and Wrexham and Cheshire West and Chester. The objective aims to improve direct public transport links between the Airport and Chester and Frodsham/Helsby and North Wales Coast / Wrexham for both business and tourism purposes. The objective aims to improve the provision of direct public transport connections and capacity to help in mitigating the impact of forecast trip growth on the highway network.
Measures for Success	A logic model has been developed, evaluating the scheme's objectives, inputs, outcomes, rail benefit framework and strategic impacts
Scope	Scope clearly set out and detailed
Constraints	Limited substantive evidence of constraints or mitigation strategies
Interdependencies	A comparison showing the interdependencies with the Weaver to Wavertree Resignalling has been included
Stakeholders	Consultation events outlined and evidence of stakeholder support provided No evidence of future consultation methods

Element	Commentary
Options/Scenarios	Derivation and assessment of 'long list' of schemes discussed and evidenced Details of options considered is provided and reference to other supporting analysis

The Economic Case

Element	Commentary
Introduction	Introduction has been updated outlining the work carried out in developing the Economic Case
Options Appraised	Preferred Option and Alternative Options detailed in Chapter 3.2
Assumptions	Traffic modelling assumptions are reliable and consistent
Sensitivity and Risk profile	No formal QRA has been undertaken. An optimum bias factor of 50% has been applied
Appraisal Summary Table	Relevant economic impacts have been assessed, as indicated in Appendix H Detailed assessments with largely neutral impacts, as indicated in Chapter 3.7 and Appendix H Detailed assessments with largely beneficial impacts, as indicated in Chapter 3.8 and Appendix H BCR is calculated at 1.8 and represents Medium Value for Money.
Value for Money Statement	The scheme represents medium VfM

The Financial Case

Element	Commentary
Introduction	OBC sets out methodology and assumptions underlying the Financial Case
Costs	Base Costs provided but not broken down into various topic elements No formal QRA exercise has been undertaken The level of optimism bias which has been applied is in line with DfT WebTAG guidance
Budgets/Funding Cover	Split funding between Local Growth Fund award and previously committed funding As the scheme has already received a funding allocation, no alternative funding arrangements have been identified Letter from Section 151 Officer included in Appendix K (not supplied within information)

The Commercial Case

Element	Commentary
Introduction	Introduction has been updated outlining the work carried out in developing the Commercial Case
Output based specification	Outputs and outcomes are summarised in the OBC
Procurement Strategy	Procurement strategy is well described and justified. .Alternatives not discussed
Sourcing Options	Chosen sourcing option detailed, however, no description given to alternative options
Payment Mechanisms	Payment Mechanisms detailed and verified but no performance incentives described or provided
Pricing framework and charging mechanisms	No formal plan has been developed for this scheme
Risk allocation and transfer	Key risks detailed. No risk register has been prepared for the scheme
Contract length	Contract lengths and timescales are set out but key contractual clauses have not been outlined
Contract management	Project timescales and milestones set out but limited detail on management or support provided

The Management Case

Element	Commentary
Introduction	Introduction has been updated outlining the work carried out in developing the Management Case
Evidence of similar projects	No evidence of previous projects provided
Programme/Project dependencies	Issues with external dependencies identified
Governance, organisational and structural roles	Full details of Government structure, roles and responsibilities provided
Programme/project plan	The scheme is being developed jointly by MerseyTravel, Welsh Government and Network Rail
Assurance and approvals plan	Project Programme and Key Milestones provided in the Management Case. Critical Path information not provided
Communications and stakeholder management	Assurance Plan and stage milestones & key dates provided. Stage goals not clearly identified
Programme/project reporting	Draft letter circulated to stakeholders. Support evident from MPs, John Lennon Airport and Halton Council but no evidence for residents etc
Risk management strategy	No evidence of future consultation strategy and methods
Benefits realisation plan	Key information and evidence will be collected throughout the delivery process as part of the reporting process to the

Element	Commentary
	Combined Authority
Monitoring and Evaluation	Process Outputs and impacts considered in Chapter 6.7 of the Management Case Responsibility of the scheme promoters to fund and ensure the delivery of scheme monitoring and evaluation. Data sources only briefly and partially mentioned
Options	Summary of the overall approach for project management is adequate and proportionate.

Appendix 4 - Full Business Case Assessment

Strategic Case

Element	Commentary
Business strategy	Some additional information on organisation responsibilities could be provided
Problem identification	Existing problems and scheme solutions generally covered in detail. Lack of information provided on future problems and trends
Impact of not changing	Consideration given to economic and environmental consequences should the scheme not progress. Lack of detail on social impacts
Scheme objectives	The objective aims to enhance direct public transport connectivity between Liverpool and North Wales Coast / Wrexham and between Liverpool and Frodsham/Helsby The objective aims to increase the development of improved cross border public transport connections to / from the North Wales Coast including Denbighshire, Flintshire and Wrexham and Cheshire West and Chester. The objective aims to improve direct public transport links between the Airport and Chester and Frodsham/Helsby and North Wales Coast / Wrexham for both business and tourism purposes.
Measures for success	A logic model has been developed, evaluating the scheme's objectives, inputs, outcomes, rail benefit framework and strategic impacts
Scope	Scope clearly set out and detailed
Constraints	Upgraded signalling would enable trains to operate in both directions across the Curve. There are no other constraints to assess
Interdependencies	A comparison showing the interdependencies with the Weaver to Wavertree Resignalling has been included
Stakeholders	Consultation event outlined and support of stakeholders evidenced Limited information of future consultation methods
Options/scenarios	Derivation and assessment of 'long list' of schemes discussed

	and evidenced Extensive list of options outlined
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Economic Case

Element	Commentary
Introduction	Introduction has been updated outlining the work carried out in developing the Economic Case
Options appraised	Preferred Option and Alternative Options detailed in Chapter 3.2
Assumptions	Traffic modelling assumptions are reliable and consistent. No information on annualisation factors
Sensitivity and risk profile	Quantified Risk Assessment included. An optimum bias factor of 40% has been applied
Appraisal summary table	Relevant economic impacts have been assessed, as indicated in Appendix H Detailed assessments with largely neutral impacts, as indicated in Appendix H Detailed assessments with largely beneficial impacts, as indicated in Appendix H Assessed but no positive impacts, as indicated in Appendix H
Value for Money statement	The scheme represents medium VfM

Financial Case

Element	Commentary
Introduction	Methodology and assumptions set out underlying the Financial Case
Scheme costs	Summary costs provided down into various topic elements Some risks not covered in detail and planning specifically excluded The level of optimism bias which has been applied is in line with DfT WebTAG guidance
Budgets/ funding cover	Split funding between Local Growth Fund award and previously committed funding As the scheme has already received a funding allocation, no alternative funding arrangements have been identified Letter from Section 151 Officer included in Appendix K

Commercial Case

Element	Commentary
Introduction	Introduction has been updated outlining the work carried out in developing the Commercial Case
Output based specification	Outputs and outcomes are summarised in the OBC
Procurement strategy	Procurement strategy is well described and justified with alternatives included

Sourcing options	Preferred Procurement Route detailed with alternative options
Payment mechanisms	Payment Mechanisms described and verified but no performance incentives described or provided
Pricing framework and charging mechanisms	No material evidence of proposed incentives, deductions or performance targets
Risk allocation and transfer	Full Risk Allocation and Transfer included
Contract length	Contract lengths and timescales are set out but key contractual clauses have not been outlined
Contract management	Project timescales and milestones set out but limited detail on management or support provided

Management Case

Element	Commentary
Introduction	Introduction has been updated outlining the work carried out in developing the Management Case
Evidence of similar projects	Evidence of similar schemes detailed. Eg. Todmorden Curve and Olive Mount Chord
Programme/ project dependencies	Issues with external dependencies identified
Governance, organisational and structural roles	Full details of Government structure, roles and responsibilities provided The scheme is being developed jointly by MerseyTravel, Welsh Government and Network Rail
Programme/ project plan	Project Programme and Key Milestones provided in the Management Case. Critical Path information not provided
Assurance and approvals plan	Assurance Plan and stage milestones & key dates provided. Stage goals not clearly identified
Communication and stakeholder management	Invitation letter circulated to stakeholders. Support evident from MPs, John Lennon Airport and Halton Council but no evidence for residents etc Very limited evidence of future consultation strategy and methods
Programme/ project reporting	Key information and evidence will be collected throughout the delivery process as part of the reporting process to the Combined Authority
Key issues for implementation	Delivery issues clearly identified Implementation issues clearly identified
Contract management	Contract arrangement options are discussed but still to be finalised
Risk management strategy	Risk Management strategy clearly set out
Benefits realisation plan	Lack of cohesive benefits analysis

Monitoring and evaluation	Process Outputs and impacts considered in Chapter 6.7 of the Management Case Responsibility of the scheme promoters to fund and ensure the delivery of scheme monitoring and evaluation. Data sources only partially mentioned
Options	Summary of the overall approach for project management is adequate and proportionate.



Local Growth Deal Implementation Halton Curve Scheme

LEP Board Meeting 17 March 2016

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Presented by:
Frank Rogers
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1. Purpose of report

- 1.1 The purpose of this report is to advise the LEP Board on the progress of the Halton Curve scheme. It will highlight the changes of timescale of the project, the significant increase in the cost of the project and the need to provide additional funding to deliver the project.

2 Recommendations

- 2.1 To note the current stage of development of the Halton Curve Scheme and the completion the Full Business Case and the positive BCR generated.
- 2.2 Note the increase in the scheme costs above the original cost estimate and approve the recommendation to seek additional funding from the Combined Authority increasing the Local Growth Fund contribution from £10.4m to £16.07m
- 2.3 Note the endorsement of the Transport Advisory Group for the project at the higher level cost of £16.07m.

3 Background

- 3.1 Merseytravel on behalf of the Combined Authority is managing a programme of developing major schemes utilising Local Growth Deal Funding (LGF). The Halton Curve is one of the schemes within the programme.
- 3.2 The Halton Curve was specifically highlighted by the DfT for inclusion within the City Regions LGF programme in addition to the funding made available for the City Region programme. This was in recognition of the wider benefits the project delivers and that such benefits don't sit within a specific region.
- 3.3 The LGF funding for the scheme was established at £10.4m which, in addition to the local support provided by Merseytravel gave a total potential project cost of £11.44m. This figure was based upon a high-level cost estimate developed by Network Rail which in turn was predicated upon direct alignment with the large Weaver- Wavertree re-signalling scheme also being progressed by Network Rail.
- 3.4 The current arrangement at Halton Curve only allows train operation in the Chester to Liverpool direction and currently only supports a very limited "Parliamentary" service one day a week in the summer months only.
- 3.5 The proposed Halton Curve scheme will provide access to and from Liverpool Lime Street to Chester and North Wales via Liverpool South Parkway, linking to John Lennon Airport, Runcorn and Frodsham. Initially the proposed service will be 1 train per hour in each direction between Liverpool and Chester. Further onward connections into Wales are to be considered following works, delivered outside of this scheme, to the Chester – Wrexham and North Wales Coast lines generating the required additional capacity.
- 3.6 Discussions with the Welsh Government are taking place regarding the funding of the rail service. It is expected that the new service will be incorporated into the Wales and Borders Franchise with Merseytravel providing the revenue support for any operation of the service prior to its inclusion in the new franchise.
- 3.7 Despite the existing infrastructure in situ considerable works are required to deliver the scheme including the enhancement and renewals of track and signalling across the full length of the curve and new track and signalling infrastructure at either end on the West Coast Mainline and the Chester and Warrington Line

- 3.8 The scheme has been developed through the Business Case process with the Outline Business Case completed in May 2015. The Full Business Case has been completed and is subject to a separate report to be considered by the LEP Board.
- 3.9 A report was presented to the Transport Advisory Group on the 8th March at which it was endorsed to seek additional funding for the project from the Combined Authority.

Development

- 3.10 In order to progress the scheme Network Rail were appointed by Merseytravel to develop the scheme through their Guide to Rail Investment Projects (GRIP) process to GRIP Stage 3 which identifies the option to be taken forward and incorporates elements of outline design development. This commission commenced in September 2015 and is due to fully complete in April 2016.
- 3.11 One of the key deliverables within the Network Rail commission was the production of a more detailed cost estimate for delivery of the scheme, which would be based upon the further development work undertaken as part of the GRIP 3. The revised cost estimate is necessary to form the basis of the cost information within the Full Business Case.
- 3.12 The further development of the scheme and the cost estimate highlighted a number of scope elements and assumptions within the original estimate had either been underestimated or not considered necessary at the time by Network Rail. These include:
- Omission of re-railing the Curve
 - Omission of required Overhead Line Equipment at Halton Junction
 - Omission of the Network Rail Fee and Industry Risk Funds
 - Assumptions on the level of savings driven by delivery with the Weaver to Wavertree Scheme
 - Changing nature of alignment with the Weaver to Wavertree Scheme
 - Inflation increases between production of the original cost estimate and the scheme development
 - Market pressure driving general across the board cost increases
- 3.13 In addition to the above, due to the wider changing picture of Network Rail's operation a number of reviews have been undertaken into Network Rail's performance in scheme development and delivery. These include principally the Hendy Report, but also the Bowe and Shaw reports. The results of these studies have indicated that Network Rail has systematically underestimated the costs and timescales required to deliver projects across the country. Halton Curve is just one of the projects which has suffered and this has resulted in a rise in the cost to deliver the scheme.

- 3.14 The cost estimate produced by Network Rail December 2015 and further refined in January 2016 represents a whole scheme cost, including those costs for the development of GRIP 3 which have been met by Merseytravel outside of the Local Growth Fund and the Local Contribution. Due to the stage of scheme development the estimate has a level of confidence of +25%/-10%:

Level	Cost (£m)	BCR
Estimate	£15.00	2.1
Estimate +25%	£18.75	1.9
Estimate -10%	£14.00	2.1

- 3.15 Significant challenge has been made by Merseytravel and the other stakeholders to the cost estimate produced by Network Rail including a joint evaluation of all scheme costs. An independent verification of the Network rail estimate has also been conducted which has highlighted further areas for challenge on the Network Rail estimate.
- 3.16 Merseytravel has more confidence in the information now being provided by Network Rail due to a closer working relationship with Network Rail. Regular joint progress meetings are held between Merseytravel, Network Rail and the scheme Contractors, Director level meetings are held to cover all major projects and the Merseytravel Programme Management Office has developed links with their counterparts in Network Rail.
- 3.17 To provide the LEP Board and the Combined Authority with the full range of scheme costs, the Full Business Case has been developed over three levels of cost estimate. Even at the higher cost estimate the scheme provides positive value to the City Region despite the need for increased local contribution above the £10.4m from the Local Growth Fund.
- 3.18 The current scheme programme is based on an alignment with the Weaver to Wavertree scheme in relation works at the Halton Junction end and works to the West Coast Mainline. Failure to secure funding approval at this stage would jeopardise this alignment which in turn could drive additional costs to the Halton Curve scheme of at least £2m if it were to be delivered as an individual scheme in isolation from the Weaver to Wavertree scheme.
- 3.19 The timescales for the delivery of the scheme are detailed below. If these timescales are not achieved it will not be possible to align the project with the Weaver to Wavertree re-signalling scheme which will lead to additional costs as indicated above. There is a need, therefore, to ensure that approval is obtained from the LEP Board in March 2016 and the Combined Authority in April 2016:

Milestone	Date/s
GRIP 4 (Design Development)	July – December 2016
Alignment with Weaver to Wavertree	August 2016
GRIP 5 (Detailed Design)	January – May 2017
GRIP 6 (Implementation)	June 2017 – May 2018
Practical Completion	May 2018

Cost Implications

- 3.20 The revised cost estimate produced has significant cost implications above the existing Local Growth Fund and Local Contribution available.

- 3.21 Taking into account the Local Growth Fund, an increased Local Contribution and those costs already met by Merseytravel, circa £940,000, the revised cost profile for the scheme excluding the £940,000 is:

	2016/17 (£m)	2017/18 (£m)	2018/19 (£m)	Total (£m)
LGF (£m)	1.784	12.842	1.444	16.070
Local Contribution (£m)	-	-	1.790	1.790
Total (£m)	1.784	12.842	3.234	17.860

The current shortfall between the available funding and the upper cost estimate is £5.67m

- 3.22 This is a significant increase in costs but bearing in mind the £10.4m provided by the Local Growth Fund towards the scheme the need to provide an additional £5.67m from the Local Growth Fund represents good value for money for the City Region.
- 3.23 It is proposed to seek the additional funding from within the Local Growth Fund, whilst the scheme costs have increased considerably the scheme remains good value to the City Region with the full benefits of the positive BCR achieved from a local contribution of £5.67m.

4 Conclusions

- 4.1 The Halton Curve scheme has been developed by Merseytravel, and stakeholders, as part of its programme of Local Growth Fund schemes. The scheme has a completed Full Business Case that meets the requirements of WebTAG and provides a positive BCR.
- 4.2 Merseytravel has appointed Network Rail to develop the scheme through its GRIP process to GRIP stage 3, option selection with elements of outline design. As part of this development a revised cost estimate has been produced by Network Rail.
- 4.3 The revised cost estimate highlights a range of costs all of which represent a significant cost increase on the available funding. This increase in costs is attributable both scheme specific factors around scheme scope development and delivery and wider factors in relation to Network Rail's operation.
- 4.4 The revised cost estimate places the scheme at a top level whole project cost of £18.7m. Taking into account an increased Local Contribution and excluding those costs already met by Merseytravel there is a funding shortfall of £5.67m.
- 4.5 A report was considered by the Transport Advisory Group at its 8th March meeting and it was endorsed to seek the required additional funding for the project from the Combined Authority.
- 4.6 Scheme development is based on a programme that aligns with the large Weaver to Wavertree scheme in August 2016. Failure to meet this alignment date would require Halton Curve to be developed in isolation to Weaver to Wavertree which would drive cost increases in the region of £2m.
- 4.7 Despite the cost increase the full benefit of the scheme and the positive BCR can be realised by the City Region for a direct local contribution of £5.67m.

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International Festival for Business 2016

LEP Board Meeting 17 March 2016

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Liverpool Vision

INTRODUCTION:

The International Festival for Business 2016 was considered by the LEP Board in December 2014 and recommended that the Festival be progressed for approval by the Combined Authority. An outline Business Case was completed in March 2015 which was approved by the Combined Authority in July 2015.

A grant offer letter has now been issued by the Combined Authority to Liverpool City Council the accountable body for the grant who have funded the development of the Festival to date via Liverpool Vision as delivery body.

A full business case has been produced, a summary of which is attached as **Appendix A** to this report.

PROGRESS IN PLANNING THE FESTIVAL:

Further progress has been made, there is now a good degree of confidence that IFB2016 will meet expectations in terms of its offer, impact and outputs. The following is of particular note:-

- The venue floorplan design will be confirmed at the end of March and a consequential programme of procurement is almost complete, with 7 procurement packages currently at preferred bidder stage.
- 80 international events have been secured and are anticipated to deliver over 23,000 “formal event” delegates to the festival, forty percent of which are expected to be from outside the UK.
- The Blue Skies programme of globally renowned leaders speaking at the Festival every day has been launched and the first four speakers have been announced, FW De Klerk, Jim O’Neill, Liv Garfield and Lord Powell.
- A programme of events and activities to take place each day targeted at the “day visitor” is being developed;
- “Meet Your Future Deal” digital matching process is now fully developed and launched in March 2016 offering 6,000 appointments that will allow buyer/supplier – investor/innovator and IPR owner/Licensor meetings to take place over the Festival duration;
- The “Meet The Specialist Advisor” bespoke offer to Business Club Members has been announced with a targeted 1,500 meetings forecasted;
- Business Club membership is increasing and a monthly newsletter is being issued, with current level of circa 16,000 members comprising the cohort;
- Website development and management initially provided by an external contract, has been brought in house bringing positive benefits;
- A toolkit of marketing and PR collateral has been provided to all IFB2016 organisations, supporting the awareness raising campaign;
- A successful event was held at 11 Downing Street attended by R. Hon. George Osborne on 1 February 2016 and which was attended by 50 Embassies to drive international recruitment;

- The City Dressing programme has commenced including adverts at Heathrow airport and gateway signs on the M62 and Scotland Road;
- 18 UK Delivery Partners are actively engaged in the awareness raising campaign;
- More than 30 international delegations have signed up to date, to visit the festival taking advantage of the “Fly to Buy” package;
- BT has now agreed to become a Festival Partner alongside HSBC; and a further main festival partner is planned to be announced in March.
- The festival continues to be planned within a balanced budget, though the external sponsorship income forecast has slightly reduced; in part balanced by other sources of commercial income.
- The resilience group has been re-established between the Festival Team and Merseyside Police to put in place security arrangements.

Appendix B summarises the current project management position via a project status report behind which sits a detailed work plan.

Priorities over the next two months are to secure further commercial income; increase business club membership via the awareness raising campaigns in the UK and internationally; raise general awareness amongst business, recruit further international delegates towards our ambitious target of 100 delegations, launch the business matching service; and confirm the “day visitor” festival content.

VENUE:

The venue creative design concept has been agreed with GREAT and UKTI and endorsed by the Festival National Advisory Board. The EU procurement process for the build, operate and de-rigging of the Festival Venue will be complete by 31 March 2016.

FESTIVAL CONTENT:

Events

The “closed” auditorium spaces within the Venue are now almost sold out with 80 events secured, leaving some limited availability of small capacity, generally on the two days least appealing to event organisers (Monday & Friday).

The ‘Blue Skies’ speaker programme bringing renowned leaders to share their experiences has been launched with the first four speakers. Designed to bring all delegates together at the Blue Skies stage at the end of each day, further names will be announced over the next few months.

With a strong main event programme now in place focus is being applied to the day visitor experience. A large proportion of whom will be arriving for meetings with the specialist advisors or with buyers, suppliers or investors identified through the business matching process. It is important that on arrival they are able to engage with a choice of activities within a bustling and inspiring environment. In addition to the Blue Skies programme, a programme of creative thought provoking events are being developed with Jude Kelly the festival Creative Director. The objective is to present choices and surprises for delegates throughout the day, ensuring that the Festival provides both a

wholly practical business experience and an inspiring visit exposing delegates to new ideas and thinking.

Plans are underway to develop a Youth Programme designed to ensure local young people have the opportunity to benefit from the festival. This is likely to include commercial partners visiting schools, places at Accelerate and activities being developed by the Philanthropy partner United Way. Targeted at school pupils, young people in further and higher education and “harder to reach” young people.

Specialist Advisor Service

The Specialist Advisor Lounge will provide business club members with the opportunity to gain free professional advice from leading industry experts covering 15 sectors which will guide members through the export journey.

Meet Your Future Deal

6,000 one to one appointments with suppliers, buyers and investors are planned. Available via Business Club membership.

Business Club Members

Membership currently stands at 16,000 with a target of 30,000, some 23,000 of whom will be major event attendees. The target is being reviewed as it is anticipated that 30,000 members will be exceeded. Members are now receiving a monthly topical newsletter and a new page has been added to the website designed to help business club members “Get Fit for IFB2016”. The page will include links to useful webinars, announcements and blogs. Grateful thanks are noted for the support received from HMRC, who are currently mailshotting International Festival for Business to over 400,000 export companies on their database and UTKI who have donated over 2000 businesses to the IFB2016 business club membership database, which are awaiting consolidation.

MARKETING

Promotional Events

A successful visit for international media to Liverpool took place on 26 January. There was also an event at 11 Downing Street attended by 50 embassies who were addressed by the Chancellor of the Exchequer and strongly encouraged to attend IFB2016. This followed by an IFB2016 business ambassador’s lunch hosted by Bloomberg on 24 February 2016 along with three regional city events taking place in Manchester, Leeds and Birmingham on 10, 17 and 23 March respectively. A “100 Days Out” event at HSBC’s head office in Canary Wharf on 11th March and a Host City event co-ordinated by the G12 business group, targeting businesses from Liverpool City Region at the ECL on 30 March. In the final quarter of 2015, 46 pieces of media coverage were achieved with an overall value of £500,000.

HOST CITY REGION:

Aimed at delivering a comprehensive and engaging city welcome to all delegates arriving for IFB2016, plans are advancing for the Host City Programme. Key highlights include,

The Edge

The Edge is an innovative, creative and dynamic programme of events and activities all of which have been designed to ensure that businesses in the City Region derive maximum tangible benefits

from the festival. The Edge will incorporating three main event types throughout: conversations with, how to's, and provocations.

City Dressing

- Gateway signs installed on the M62 and Scotland Road; Liverpool Lime St TIC panel branded; ACC car park banner installed; Wallasey/Kingsway banner to be installed; CAP video in all terminals at Heathrow; 6 sheets displayed at Heathrow for the duration of the Festival; Welcome messaging flags and banners to be installed mid-May including Speke Boulevard, East Lancs. Road, The Strand, JLA and ACC/ECL.

Volunteer Programme

- Working closely with Liverpool One City Stars volunteer pool to begin recruitment; and liaising with Liverpool Culture to ensure alignment of volunteer recruitment for the wider summer programme of events;

Host City Region Exhibition Stand

- Showcasing the LCR commercial and investment opportunities through the Host City stand in the Exhibition Centre Liverpool hall.
- As part of the offering Investor tours will be offered by the Invest team running from ECL during the 3 weeks of the Festival.
- Opportunity to pre book appointments with an Invest expert or to attend the tours promoted within the IFB2016 brochure will also be promoted online.

Delegate Welcome

- Get Ready for IFB sessions being delivered to Visitor Economy sectors such as Transport Operators, Hotel staff, Leisure and Retail operators.
- Toolkit of leaflets, brochures, pull ups, pin badges being produced to distribute to local businesses
- Engagement with local tourism operators and cultural destinations to deliver a comprehensive After Hours offering which will be available in print and online
- Encouraging delegates to extend their stay by offering the opportunity to pre-book after hours activities
- Utilising the Its Liverpool App to showcase the LCR offering with a view to providing bespoke IFB2016 itineraries for delegates to access

A local Organising Committee has been established, focussed on maximising opportunities for the LCR as a result of Liverpool hosting IFB2016 with a view to the model being used for forthcoming major events taking place in the city. The Committee is chaired by Cllr. Ann O'Byrne.

INTERNATIONAL

Over thirty delegations have been approved to visit the UK, with sixty other enquiries being considered. Significant leads are being followed up in the US with a strong contingent of delegations expected and a return visit to China has been undertaken to finalise further delegations.

A series of geographically focused events have taken place to provide more informal opportunities to address any questions and for countries to share their experiences and opportunities with the IFB2016 team. Taking place with a focus on Europe, the Middle East, ASEAN and Latin America.

KEY CHALLENGES

The key challenges for the Festival overall remain: raising awareness in the business community; attracting further UK and international audience and maximising commercial sponsorship.

International Festival for Business 2016 Full Business Case – Summary Note – 7 March 2016

AMION Consulting was appointed by Liverpool Vision to document a Full Business Case for the proposed International Festival for Business 2016 (IFB2016), which is scheduled to take place in June 2016. Public sector funding of £7.74 million, including £5 million from the Local Growth Fund, is sought towards the total £18.15 million cost of the Festival.

A Full Business Case (March 2016) has recently been prepared which incorporates the latest information on the programme whilst also considering the results of the IFB 2014 'One Year On' (OYO) evaluation conducted in October 2015. It provides a comparison of results with the March 2015 Draft Outline Business Case. This note summarises the economic case for the IFB 2016.

IFB 2016 will be an international event to promote trade and investment and will be held at Liverpool's Exhibition Centre. It is expected to involve some 75 events over three consecutive themed weeks. In total, the IFB2016 is now expected to attract almost 35,000 business attendees – more than the 27,500 forecast in the March 2015 Draft Outline Business Case.

The Economic Case has been made through an appraisal of four short-listed alternative options. These include the 'do nothing' case (Option 1), a reduced scale IFB 2016 (Option 2), an IFB 2016 using multiple venues (Option 3) and the preferred approach of hosting IFB 2016 in the Exhibition Centre (Option 4).

Table 1 sets out the estimated gross and net (non-discounted and discounted) public sector economic costs associated with each of the short-listed options. In comparison with the March 2015 Outline Business Case, the forecast public sector costs have reduced. For example, Option 4 previously had an estimated non-discounted (current prices) cost of £8.5 million.

Table 1: Public sector economic costs (£000)		
Option	Non-discounted (outturn)	Discounted (2014 prices)
Option 1 – Do nothing	0	0
Option 2 – Reduced scale Festival	£5,740	£5,195
Option 3 – Diversified Festival	£7,740	£7,003
Option 4 – Concentrated Festival	£7,740	£7,003

The economic benefits of each intervention option have been assessed (no benefits are associated with the 'do nothing' scenario). Table 2 shows the forecast net additional impact in terms of business attendees, business delegates, private sector investment over three years, export sales over three years, jobs created over three years and Gross Value Added (GVA) at the United Kingdom level under each option.

Table 2: Total net additional benefits			
	Option 2 – Reduced scale Festival	Option 3 – Diversified Festival	Option 4 – Concentrated Festival
Business attendees	8,699	13,918	17,397
Business delegates	5,000	8,000	10,000
Private sector investment levered (over three years)	£44.0m	£70.4m	£88.0m
Export sales (over three years)	£17.6m	£28.2m	£35.2m
Jobs created (over three years)	3,099	4,958	6,197
GVA	£132.5m	£212.0m	£265.1m

The latest estimates are that the Festival will generate more private sector investment and additional export sales but fewer jobs than forecast in the March 2015 Draft Outline Business Case, based on the results of the OYO evaluation.

The Festival will also lead to a number of wider, less easily quantifiable impacts. These have been assessed through a scoring system. Option 4 is expected to generate the greatest level of such impacts.

The assessment of public sector value for money has been based upon composite analyses of economy, effectiveness and efficiency. In terms of economy, the Programme will operate under the duty on Liverpool Vision/Liverpool City Council to ensure Best Value is secured in the use and application of public resources under all options. Effectiveness has been assessed in terms of how each option performs in relation to the overall objectives of the Festival. Option 4 is considered to be the most effective option.

The efficiency of the Festival has been analysed in terms of the cost effectiveness of the intervention options (Table 3 shows the results in terms of discounted public sector costs).

Table 3: Efficiency			
	Option 2 – Reduced scale Festival	Option 3 – Diversified Festival	Option 4 – Concentrated Festival
Total gross public sector cost per net additional business delegate	£1,039	£875	£700
Public – private sector investment ratio (1:x)	8.5	10.1	12.6
Public – export sales ratio (1:x)	3.4	4.0	5.0
Total gross public sector cost per net additional job created	£1,677	£1,413	£1,130

The national evaluation of Regional Development Agencies carried out for the (now) Department for Business, Innovation and Skills (BIS) provided a benchmark figure of £14,221 per net job for business support projects. The figures in the table above indicate that the Festival is expected to have a cost per job significantly below this. In comparison with the March 2015 Draft Outline Business Case, the cost per job figures are slightly higher. For example, for Option 4 the previous estimate was £943 per net additional job.

In terms of its Benefit Cost Ratio (BCR), Option 4 is expected to generate £265.1 in net additional GVA for a public investment of £7.0 million. This gives a BCR of 37.8:1 (slightly higher than the ratio identified in the March 2015 Draft Outline Business Case), exceeding the BCR for Option 3 of 30.3:1 and for Option 2 of 25.5:1. These BCRs are substantially higher than benchmarks.

Overall, the proposed IFB2016 (Option 4) is forecast to deliver very good value for money.

LEP BOARD - IFB2016 - APPENDIX B
International Festival for Business 2016
Document Date : January 31st 2016 - V6

Senior Responsible Officer	Ian McCarthy
Project Mgr. : Head of Operations	Philip D Southward
Senior User(s)	Mayor Anderson : G Fitzgerald : M Steinberg : NAB
Senior Supplier(s)	UKTI - GREAT CAMPAIGN - BIS - ACCL - LEP



Project Status Report:
October 2015 to Julv 2016

Project Purpose:

To assist IFB2016 participants to secure International Sales, thereby establishing the UK as “The Home” of International Trade & Investment.

Wider UK Goal :

To provide a significant opportunity to enhance the competitiveness of British Businesses and ensure their success in international markets, through overseas trade and investment.
 To provide the opportunity to capture commercial trade & investment for UK Core City Businesses whilst concurrently raising the International profile of UK as a major International business centre.

Project Benefits/Measures:

- Contribute to Doubling UK Exports by 2020
- Participating Organisation Export Sales
- Participant Organisation Domestic Sales
- Increased UK Inward Investment
- Increased Job Opportunities
- Attraction of Senior International Delegates
- Attraction of International B2B Delegations
- 75 Signature IFB 2016 Business Focused Events
- Increased Visitor Economy Spend
- Positive Media Coverage for UK PLC
- Formal Meet the Buyer Network Meetings
- Formal Meet the Investor Network Meetings
- Business Preparatory Support Programme

Revenue/Capital - Private/Public:

1. UK Govt (Local Growth Fund) : £5.00M
2. Sponsorship : £1.80M
3. Commercial/Fly2Buy Support : £1.31M
4. LCC Culture : £0.20M
5. ERDF Business Support : £1.07M
6. Private Events Leverage : £6.4M
7. Sponsorship Activation : £1.26
8. UKTI leverage : £1.50M
9. LV / LCC : £0.58M

Project Status

Benefits		Currently on track to realise the agreed schedule of projected benefits for this project.
Cost		A balanced budget has been achieved by a process of cost reduction. Emphasis is now being placed on income generation additional to sponsorship.
Time		Commencement of the Festival on 13 th June 2016 does not currently offer any insurmountable challenges.

Remaining Project Milestone Summary

Milestone	Original Delivery	Most Recent Baseline	Current Forecast
Finalise IFB2014 Highlights Report	31/10/14	31/10/14	Delivered
Finalise Lessons Learned Report	31/10/14	31/10/14	Delivered
Finalise Interim Evaluation Report	31/10/14	31/10/14	Delivered
Create Commercial Strategy	31/10/14	31/10/14	Delivered
Create IFB 2016 Concept Solution	21/11/14	21/11/14	Delivered
Deliver Consultation Activity	31/01/15	31/01/15	Delivered
Create Green Book Business Case	30/01/15	30/03/15	Delivered
Secure Approval & Funds Release	24/04/15	30/6/15	Delivered
Venue Build/Op/De-rig Tender	30/06/15	14/12/15	Delivered
Secure Initial Events Programme	30/06/15	24/06/15	Delivered
Create Marketing Strategy & Plan	20/03/15	14/05/15	Delivered
Secure Venue Contractor	30/06/15	01/09/15	Delivered
Secure Final Events Programme	31/04/16	31/04/16	31/04/16
Commence Festival Delivery	13/06/16	13/06/16	13/06/16

Risk and Issue Summary

	High	Medium	Low
Issues	0	0	0
Risks	0	3	5

Key Activities: Dec 15 - Mar 2016

- Secure GREAT/UKTI/BIS Commitments
- Secure UKTI Missions & Events Support
- Secure Overseas Post Commitments
- Finalise LGF Funding Plan & Funds Release
- Operate Marketing Strategy & Plan
- Continue Internationalisation Strategy
- Secure £2.75 Million Commercial Income
- Integrate input from Creative Director
- Finalise GREAT Showcase Design
- Secure Additional Income Generation
- Deliver 2nd Event Family Gathering
- Secure UK Core City Active Involvement
- Finalise Updated Business Case Document
- Effect 999 Resilience Strategy Countdown
- Complete Build/Op/DeRig Procurement
- Creation of Day Visitor Activity Programme
- IFB2014 Membership Upgrade to IFB2016
- Launch Meet Your Future Deal Initiative
- Launch Specialist Adviser Initiative
- Secure Fly To Buy Delegations
- Secure Travel To Trade Delegations
- Set up & Operate Curating Table
- Deliver No11 & Northern Powerhouse Event
- Launch Blue Skies & Secure Speakers
- Deliver Updated Multi Lingual Website
- Secure UKTI Investment Hub & Auditorium
- Finalise UKTI Event Programme
- Resolve Trademark Passing Off Issue
- Devise Sunday Youth/Public Programme

Key Activities to July 4th 2016

- Effect Build/Operate/De-Rig Preparations
- Deliver UK/Global Marketing Message
- Secure 27500 Delegate Attendees
- Complete Venue Build
- Complete GREAT British Showcase Build
- Deliver Brand Solution to Venue
- Put into place Host Operator into Venue
- Complete all H&S Regulatory requirements
- Commence delivery of Festival

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Atlantic Gateway LCR LEP Board Update: March 2016

This paper provides an update on the recent activities of the AG team.

1. Infrastructure Priorities

The AG Board has agreed its core infrastructure priorities, , to be the following:

- **Connectivity Improvements** – focused on the Transport for the North proposals to improve freight and passenger connectivity and local connectivity improvements which may constrain growth;
- **Development of the freight and logistics sector** - focused on the development of key strategic sites and enabling infrastructure to promote the growth of the sector including essential connectivity improvements associated with port access and key logistics sites across the transport nodes
- **Development of the science and innovation sector locations** - focused on the development of key strategic sites and enabling infrastructure to promote the growth of the sector;
- **Development of key strategic sites across AG** - focused on delivering key enabling infrastructure to support the development of AG's key strategic sites;
- **Development of low carbon energy solutions** – focused on low carbon energy generation and distribution solutions to provide long term security and resilience

The detail behind these priorities and proposed underlying projects was included in the last update to LCR LEP Board. All LEPs and Combined Authorities have played a key role in defining the infrastructure priorities.

Work is on-going to agree an additional I priority focused on the creation of a resilient environment for business and include which will include specific projects in relation to green infrastructure, flood resilience, water management and energy generation. The final set of infrastructure priorities will be endorsed by each Combined Authority/LEP

AG's final agreed list of priorities will be used to inform its 2016 business plan and forward work programme.

2. Science and Innovation

SQW has largely completed its work on the identification of potential collaboration opportunities to promote the growth of the sector. They identified more than 20 actions to address specific issues and opportunities. These have been discussed by the Steering Group which includes the S&I leads for each LEP area.

A final report detailing next steps will be produced in March and an action plan will now be agreed post the decision on S&I Audits to ensure any agreed actions are complementary and there is no duplication of work.



3. KPIs

AG has developed a set of KPIs to measure and communicate its impact. These have been measured through an initial survey to key stakeholders in December 2015/January 2016. The survey responses will be used to establish a benchmark position and inform AG's business plan for 2016 and its on-going work programme. A summary of the results will be sent to all partners in March/April.

4. Communications & Events

Atlantic Gateway was represented at the Northern Powerhouse International Conference in Manchester by Kate Willard and a number of its Board Members.

Atlantic Gateway featured in a video and radio programme on infrastructure in the UK as part of a series of events with Sir John Armitt and the Institute of Civil Engineers.

A response was submitted to the NIC call for evidence (December 2015) and an additional response will be submitted in March 2016 which build upon the feedback from stakeholders and Board Members.

Ongoing regular cross government meetings with DfT/BIS.

Website redevelopment planning and revised communications strategy/action plan. Key partners will be engaged in this process to ensure that opportunities for better cross working are maximised.



LEP Board Appointments Committee – Board Appointments

LEP Board Meeting
17 March 2016

Author:
Tony Wade

1. **Executive Summary**

- 1.1 This paper provides an update on actions taken since the last meeting of the LEP Board and the proposed way forward to recruit new LEP Board members to fill the current vacancy posts.
- 1.2 The Board received a paper at the February meeting dealing with the adoption of a constitution and the formation of an Appointments Committee. The latter had draft terms of reference attached to the paper and these were agreed without amendment (Appendix 1).
- 1.3 The membership of the Committee was also proposed and agreed and is: LEP Chair, Robert Hough, Councillor Andy Moorhead and Professor Nigel Weatherill.
- 1.4 The paper also raised the issue of the ongoing vacancies (two) alongside two upcoming ends of term, in March and September. It was agreed that the newly formed Committee should consider the recruitment of new or replacement members or re-appointment for these four positions and report this back to the next meeting of the LEP Board in March.
- 1.5 The immediate action was to post an advert on the LEP website (attached) to invite expressions of interest to join the LEP Board, LEP social media channels have been used to advertise this and other communication channels are being developed.
- 1.6 The steps above and the immediate actions deal with the current LEP Board vacancies and the two terms of appointment which will shortly end. A longer-term plan will depend on the desired mix of skills and backgrounds of current and prospective board members and particularly the availability and willingness of individuals.

2 **Recommendations**

- 2.1 To offer a one year extension to Richard Else whose term expires in March 2016.
- 2.2 To seek a member from the Making It Board to join the LEP Board to fill one of the vacancies
- 2.3 To give priority to an individual from a social enterprise or other entity operating in the social sector when considering the expressions of interest for the second vacancy.

3 **Board composition**

- 3.1 Government guidance provided to LEPs on their formation was that the Chair should be a business leader and that no less than half of the Board should also be from business, although it did not define what it meant by business although it did state that social enterprises are businesses and as such could form part of the business cohort of the board.
- 3.2 Government also advised that the proposed business board members [have a] first-hand knowledge and experience of the local businesses environment, through a strong track record of local business leadership at a senior level.
- 3.3 Further guidance stated that places for other key economic stakeholders such as universities or social enterprises as well as FE colleges, trade unions, faith groups, voluntary sector groups, or public sector bodies should be considered.
- 3.4 Since the governance partition, the LEP Board has lost its incorporated status but it still remains that it should observe recommended best practice with regard to corporate governance such as in the report of Lord Davies on gender equality or on diversity. The role of the LEP with regard the commissioning of public funds also make the 'Nolan Principles'

particularly relevant to the LEP Board and its members, with regards for instance to the matter of conflicts of interest.

- 3.5 The present composition of the Board has two positions with different status;
- a. Ex-Officio members – the mayor/leaders of the six constituent Local Authority (referred to as the ‘public sector cohort’);
 - b. Co-opted members to be taken from business and other sectors (referred to as the ‘private sector cohort’), up to eleven but no less than six and to include the Chair.
- 3.6 In addition to being a member of the LEP Board some members may also be the Chair of a sub-board or be the LEP Board Champion sitting on a sub-board where the Chair is not on the LEP Board. Both relationships are intended to strengthen the relationship between LEP Board and sub-board.
- 3.7 The current composition of the LEP Board includes individuals with a range of skills and experience and currently operating within the local economy. The sectors in which they operate are manufacturing, higher education, SME, professional services, land and property development, entrepreneurial and Chamber of Commerce.
- 3.8 The LEP Board composition has been based on skills and expertise rather than any sectoral representation but individual members may also have particular sectoral or thematic interests that either inform their contribution to discussion and debate or lead to their involvement in the LEP’s sub-boards or on external bodies. Appendix 2 purports to describe a range of credentials and backgrounds which might well be appropriate for any candidates.
- 3.9 The LEP Board discussed this at the meeting in February and whilst recognising the imperative created by the two vacancies, opinion was also expressed about ensuring that in the longer term the LEP Board did adequately represent the local economy and in particular the sub-board areas of interest. It was further noted that diversity and equality should also be considered in the continuing evolution of the LEP Board.

4 LEP Board Member terms

- 4.1 As stated above in 1.4 there are currently two vacancies and two terms are due to expire in March and September 2016. This is apart from the expiration of the Chair’s term in September 2016 that will be dealt with outside of this process.
- 4.2 The re-drafted constitution, proposed to the last meeting of the LEP Board, included the terms for LEP Board members. The terms are a maximum of two consecutive terms of no more than three years each, although they can be shorter. The relevant clause provides that – see term of office.
- 4.3 Of the two members with expiring terms, Richard Else who expires in March has now served two terms and so cannot be offered a further term. However, the expiring term is for two years and so an extension of one year could be offered without exceeding the maximum three year term. Given there are currently two vacancies and that Richard Else is also Chair of the Employment and Skills Board it is proposed that his term be extended by one year.
- 4.4 Amanda Lyne whose term expires in September has only served one term and so is eligible to serve a further term of any duration up to 3 years.
- 4.5 The chart at Appendix 3 shows the terms of office of all current members.

5 Recruitment process

- 5.1 Subject to ratification of the decision on Richard Else as set out in 4.3, there is either a need to recruit 3 new members or only 2.
- 5.2 An advertisement was posted on the LEP website on 10 February 2016 inviting expressions of interest for individuals to join the LEP Board and has been further communicated through the LEP's social media channels. In addition LEP Board members were asked to nominate any individuals that they consider would be suitable as candidates to the LEP Board. The G12 collaboration of business representative groups will also be asked to give profile to the opportunity.
- 5.3 Expressions of interest will be evaluated by a third party HR consultant who provides support to the LEP and the results presented to the Appointments Committee. The results will be considered against criteria proposed by the Chair and agreed by the other members of the Appointments Committee as skill-set, sectoral expertise and time commitment.
- 5.4 The gaps created by the two vacancies were for individuals demonstrating the following skill-sets and sectoral experience;
 - a. Spatial planning, transport and economic policy role employed in a major developer entity operating at national level;
 - b. Operational and senior management leadership role in a multi-national advanced manufacturer.
- 5.5 In the case of b. above, Alistair Poole was also Chair of the Making It Board (Advanced Manufacturing) and whilst this position is now filled and was ratified at the last LEP Board meeting they were not asked to sit on the LEP Board. There is also no champion from the LEP Board sitting on the Making It Board so this sub-board sector has lost its direct link to the LEP Board.
- 5.6 The sub-boards not only facilitate the collaboration of entities and individuals with shared and common interest but also extend the level of representation of different sectors in engaging with the LEP. However, the LEP Board is the most visible mechanism for engagement and partnership and it has been stated that the social enterprise or voluntary sectors are not represented at this level. The vacancy clearly provides an opportunity to address this.

6 Conclusions

- 6.1 This paper and the process adopted represent an expedient to fill the existing vacancies and address the forthcoming expiry of another LEP Board member.
- 6.2 The terms chosen are to maintain some flexibility to allow the LEP Board, through the Appointments Committee, to formulate a longer-term plan for reviewing and re-aligning its composition.
- 6.3 The effectiveness of the sub-boards is enhanced by direct links with the LEP Board and without those direct links they may easily become detached and operate without strategic context or direction and be unable to inform the development of over-arching strategy and policy.

Appointments Committee
Terms of Reference

1. Constitution
 - 1.1. The Liverpool City Region Local Enterprise Partnership (LEP) Board has established a Committee of the Board to be known as the Appointments Committee.
 - 1.2. The Committee's terms of reference may be amended at any time by the Board.
2. Membership
 - 2.1. The members of the Committee will be appointed by the Board from its Board members, and will consist of not less than three members.
 - 2.2. The Committee Chair will also be appointed by the LEP Board. If they are absent from the meeting, the remaining committee members will appoint from amongst themselves a person to chair the meeting. All members will be appointed for a term that coincides with their term as a member of the LEP Board. However, extensions to their term on the LEP Board does not automatically result in their continued membership of the committee which requires re-appointment by the LEP Board.
3. Authority
 - 3.1. The Committee is authorised by the Board to review and approve any activity within its terms of reference. It is authorised to seek any information it requires to discharge these responsibilities
4. Meetings and Quorum
 - 4.1. The committee will meet as required to address specific matters as arising but should meet at least twice in each year to confirm the terms of members and any actions required.
 - 4.2. Two members of the Committee will comprise a quorum for the transaction of business if the Committee is operating at its minimum number or two-thirds (rounded up) for any numbers greater than the minimum.
5. Attendance
 - 5.1. The LEP Executive Director of Operations will normally attend meetings and may be accompanied by any other Executive Director or member of staff that may be required by the Committee but who will not be members of the committee. In addition the Committee reserves the right to require any member of staff or Board member to attend meetings as it deems appropriate, although this would be on an exceptional basis.
 - 5.2. The Committee may ask any or all of those who normally attend and who are not members of the Committee, to withdraw to facilitate open and frank discussion of particular matters. No attendee should be present for discussion of his/her own appointment to the LEP Board or any sub-boards Chair positions.

6. Administration
The agenda and meeting papers should be issued to members at least seven calendar days prior to the meeting.
7. Secretariat
 - 7.1. Committee secretary support will be provided by the LEP Executive Director (Operations).
 - 7.2. The secretary will minute the proceedings and resolutions of all Committee meetings including the names of those present and in attendance.
 - 7.3. Minutes of every Committee meeting will be circulated to all members of the committee.
8. Reporting
The Committee will report back to the Board after each meeting but, as necessary, detail may not be shared where it compromises an obligation of confidentiality or data protection.
9. Responsibilities
The Committee will:
 - 9.1. Approve a protocol to commence the recruitment process for the Chairman when necessary;
 - 9.2. Regularly review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes;
 - 9.3. Be responsible for identifying and nominating for approval of the Board candidates to fill Board vacancies as and when they arise; and
 - 9.4. Be responsible for proposing, reviewing and monitoring any expenses or remuneration agreements for LEP Board Members including the Chair.
 - 9.5. Be responsible for all matters of discipline relating to LEP Board Members.
10. Review
The Committee terms of reference will be subject to annual review. Proposals for amendment to the terms will be submitted to the Board for formal approval.

Potential Board Members – Credentials

It is probably appropriate to address this topic in two parts:

1. The necessary qualities of a candidate, for example:

- a. Commitment
- b. Capacity
- c. Affinity with and knowledge of the City Region
- d. Degree of local presence

2. Sector

- a. Property / construction
- b. Land use / Planning
- c. Retail
- d. Further and Higher education
- e. Professional services
- f. Support services
- g. Visitor economy and tourism
- h. Culture
- i. Science and innovation
- j. Manufacturing
- k. Third Sector
- l. Energy
- m. Transport, logistics and distribution
- n. Trade unions

The above list is not exhaustive.

An ideal candidate would probably be deemed selectable on the basis of:

- a. His or her qualities as generally described at 1. above
- b. His or her sectoral background

With the degree of relevance being determined by assessment of the current board mix, likely departures from the Board and the economic gaps or needs which arise as a result of such analysis.



Expressions of interest to join the LEP Board

Posted 10th February 2016

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Our Mission & Vision

Work with us

The organisation that drives the economy and spearheads business growth across Liverpool City Region is looking for Board members to join and help us achieve and realise the continued growth of the City Region.

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The LEP is:

- A private sector led Board comprises of the leaders representing the six Local Authority areas of Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral, together with representatives of the private sector and Higher Education.
- Unique, and the most innovative in the county, with a 500-plus members that support the LEP,
- Leads on the following core activities:

Strategic Economic Development – contributing to the development of spatial planning, housing, transport, skills and infrastructure. The LEP is the main economic development interface with Government and forms part of the Liverpool City Region Combined Authority where our role is to lead on economic development:

Business Growth – assisting existing businesses to grow and increase productivity, promoting entrepreneurship and innovation, increasing the number of businesses in the City Region as well as advising and assisting businesses regarding available funds and additional investment:

Key Growth Sectors – Supporting the development of key growth sectors that have been identified as having the greatest growth potential –

- Advanced Manufacturing
- Life Science & Health
- Low Carbon Economy
- Superport
- Visitor Economy

– Supported in all of the above areas of activity by sub-boards who provide focus and expertise within their sector but also in the context a shared vision and economic strategy for the City Region formulated by the LEP and its city region partners,

The role

We are seeking passionate and driven individuals who possess expertise, experience and knowledge that can be applied to developing or challenging strategies designed to deliver growth.

The rewards of being directly engaged in the body driving these agenda is one not to be missed but it also comes with a significant commitment. Commitment from a member will be to –

1. Attend 8 meetings per year equating to 4 days including reading of papers.
2. Attend 3 strategy development sessions of 1.5 days commitment,
3. If required, act as a Champion for one of the above sectors or themes which requires attendance at those sub-boards, a commitment of approximately 1.5 days.
4. Represent the LEP on appropriate external bodies or task and finish groups that may exist at city-region, region, national or international level.

If you are interested in any future opportunities that may arise and believe you not only have the passion but have knowledge, experience or expertise that would assist the LEP and you able to meet the commitments set out then please send a covering letter, stating 'LEP Board EOI' outlining suitability for the role to info@liverpoollep.org

For an informal discussion call Chair Robert Hough via Debbie Green on 0151 237 3892

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Policy Update

LEP Board Meeting 17 March 2016

Author:
Matthew Thompson
Liverpool City Region LEP

Presented by:
Gillian Bishop
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.

3. DEVOLUTION

- 3.1. Enterprise Zones: An outline Memorandum of Understanding (MoU) has been sent to all LEP and LA Chief Executives (those with Enterprise Zones) setting out the 'ground rules' – exactly what business incentives are offered and confirming existing and future arrangements – which will be operative until 2020 in the first instance and are to be signed by local authorities.
- 3.2. The MoU has been drafted by the Cities and Local Growth Unit, under the direction of the new Director, Tom Walker, who has clarified common concerns about the implications of devolved business rates from 2020 for the operation of Enterprise Zones. Monies generated by EZs have legislative protection for 25 years and sit outside the devolution process. How these monies are allocated is the subject of agreements between the LEP and LAs in which the Enterprise Zone is situated.
- 3.3. Tees Valley Devolution: DCLG has published the results of the consultation running from October to December 2015 with local and statutory stakeholders on the proposal to establish a combined authority for Tees Valley – showing generally strong support, with 67% of responses supportive of the proposal.

4. NORTHERN POWERHOUSE

- 4.1. HS2/HS3: On 23rd February, the London-based think tank ResPublica launched their report – 'Ticket to Ride: How high speed rail for Liverpool can bolster the Northern Powerhouse' – in which the economic case is made for connecting Liverpool Lime Street with existing plans for HS2, through a 20 mile section of new high speed rail, to simultaneously double up as the beginning of a potential east-west high speed rail link from Liverpool to Leeds. ResPublica invited Robert Hough to comment on the report.
- 4.2. The report reiterates the argument made by Merseytravel and Linking Liverpool that a new high speed connection is not simply about reduced journey times but also about freeing up additional capacity on existing lines for the freight traffic expected from the development of SuperPort and Liverpool 2 deep sea terminal, as well as the multiple regeneration benefits for the city centre.
- 4.3. However, it suggests that Government allow Liverpool City Region to pay for half of the cost of the scheme – £2 billion – to be funded through Tax Increment Financing (TIF) local payback mechanisms, including: retention of local business rates; employer National Insurance contributions from any additional jobs created above structural jobs growth trend; capitalisation of revenues from Mersey Tunnels tolls. The report also makes a series of recommendations on governance reform for the Liverpool City Region, including most notably the dissolution of the LEP and its reconstitution as part of a new "Liverpool Growth Agency" along with Liverpool Vision.
- 4.4. Linking Liverpool: The Linking Liverpool campaign for a direct high speed rail connection to Liverpool briefed Liverpool City Region MPs on 24th February (the day after the ResPublica report launch) in Westminster, hosted by Louise Ellman MP's office. The Briefing was coordinated by Liam Robinson and Frank Rogers from Merseytravel and Ben

O'Brien from Linking Liverpool, with representation from Matthew Thompson, new Senior Policy and Strategy Advisor at the LEP, seconded from the University of Liverpool's Heseltine Institute. George Howarth MP suggested an open letter be addressed to Lord Adonis and the National Infrastructure Commission to be signed by supporting Merseyside MPs, along with Joe Anderson and Robert Hough. Most MPs who 'dropped in' pledged their support; the remainder are being chased.

- 4.5. Transport for the North: The TfN Spring Report was published and launched in Gateshead on 7th March; accessible on <http://www.transportforthenorth.com/pdfs/The-Northern-Transport-Strategy-Spring-2016-Report.PDF>. The Spring Report focuses on developing a new strategic framework for appraisal, decision-making and prioritisation of investment programmes, based on the findings of the Independent Economic Review commissioned by TfN. The report provides an update on the Autumn 2015 Report, with info on future plans and key projects in the pipeline, including notably:
- Northern Powerhouse Rail – The earlier draft report presented to the board for review did not include any reference to the Linking Liverpool campaign on use of existing HS2 plans to connect Liverpool into high speed network for start of east-west Northern Powerhouse Rail. This has been rectified in the final version.
 - Two new rail franchises, Northern and TransPennine, improving services from Liverpool
 - Strategic road network interventions, particularly the Manchester-Sheffield road tunnel
 - Smart North – plans for integrated smart ticketing services across the North
- 4.6. New TfN Chair, John Cridland CBE, has launched a Commission on the International Connectivity of the North with a Panel appointed from leading business and industry representatives, to identify the international connectivity needs of the North – due to make recommendations to improve the North's access to the global economy through its ports and airports by the end of Summer 2016.
- 4.7. Following a mandate and an initial £150 million of government funding over the next three years, TfN are putting together for March 2016 a Strategic Outline Business Case and Implementation Plan for Integrated Smart Travel across the North. Two of the six options identified by stakeholders in an engagement exercise have been taken forward as viable possibilities, based on introducing contactless bank cards and/or smart cards, respectively, for use as smart ticketing across all modes of transport to create one integrated pan-Northern system.
- 4.8. Independent Economic Review (IER): SQW and Cambridge Economics (CE) delivered its second of three briefing workshops to present findings of the IER to Northern LEP Chairs and Council Leaders. Robert Hough and Matthew Thompson attended at Manchester Town Hall on 9th February. The presentation reiterated the findings of Workstreams 1, 2 and 3 – that there is a prosperity gap between Northern Powerhouse and rest of England, driven by lower levels of employment, skills, innovation, and public transport investment; that the North possesses four distinctive economic strengths, or 'capabilities', in Innovation and Health Care, Advanced Manufacturing, Energy, and Digital and Big Data (with which Liverpool City Region's economy closely aligns) – before presenting findings of Workstream 4 on future scenarios.
- 4.9. IER Scenarios range between 'business as usual', which would see the gap widen, and 'transformational' change, which would see the North close the gap. In order to achieve the transformational scenario, SQW and CE recommend improving connectivity, but also closing the skills and innovation gaps. The latter two may be achieved through greater transport investment for better connectivity to enhance the effects of agglomeration – although they acknowledged that their focus on transport is partly a reflection of TfN commissioning the work, and that this must come as part of a broader strategy.

- 4.10. SQW and CE have put forward proposals for an Independent Panel for safeguarding and advancing the evidence base of the IER, to identify gaps in knowledge, provide independent evidence-based advice to inform the onward development and investment decisions of the Northern Powerhouse, and provide thought leadership for future policy. The proposal is for 9-11 unpaid members recruited through nomination to comprise a mixed panel of representatives from business, academia, public sector bodies from across the North and potentially 'externals' to meet 3-4 times per year, overseen by a credible expert Chair with small stipend.
- 4.11. The aim of the IER was presented as formulating a strategic narrative for the Northern Powerhouse, to be articulated in a short briefing paper grounded in IER evidence and analysis but 'owned' by Leaders and LEPs across the North, and which may become the basis for engagement with Government for securing further investment and action. The final reporting for the IER is intended to occur in March 2016, when Leaders and LEPs will be invited to provide feedback at a further workshop.

5. LEP NETWORK

- 5.1. What a great LEP looks like: At the LEP Network Management Board meeting in February 2016, Lord Jim O'Neill requested a document be drafted on 'what a great LEP looks like' to showcase the key achievements of LEPs, both collectively and individually. A draft document was compiled by LEP Network Director, Warren Ralls, and sent to all individual LEPs for feedback and content on their own specific achievements. The resulting document was sent to Lord O'Neill's office last week and is to be used as promotional material and communication of LEP impacts. The final version is appended to this report.
- 5.2. Brexit: Several LEPs have begun to consider whether to take a public position on the UK's EU referendum. The LEP Network reports that Thames Valley Berkshire LEP will soon be discussing with their Board what they want to do, if anything. D2N2 LEP Chair Peter Richardson has been quoted in the Derby Telegraph saying "*The D2N2 LEP is commissioning detailed research into the business arguments for and against a Brexit and how these would specifically affect the economy in the LEP's area of Derby, Derbyshire, Nottingham and Nottinghamshire. Our board will then use that research to come to a view on the European question, at its next meeting, in April.*" The LEP Network are seeking any further info on how LEPs are approaching the Brexit issue.

6. GROWTH AND PRODUCTIVITY

- 6.1. Centre for Cities Outlook: The Centre for Cities published its annual Cities Outlook in January, in which Liverpool City Region is characterised as a "*low wage, high welfare*" urban economy. The Outlook found that Liverpool has the lowest employment rate of the 63 largest cities studied in the country – just 61.2% of residents were employed in 2015 – and a relatively low business stock, with only 235 businesses per 10,000 population in 2014. The findings echo those of the recent *The State of the Liverpool City Region Report* – that the City Region has many challenges to contend with, including low productivity, worklessness, a skills gap, overreliance on public sector jobs, health and wealth inequalities.
- 6.2. This evidence base – along with SQW's IER – is being utilised in the ongoing development of the Single Growth Strategy, led by the LEP, but to be jointly owned by the Combined Authority and other city-regional stakeholders. Following extensive consultation and engagement with all partners, the Strategy is intended to be published in June, to provide an overarching single vision and framework for growth over the next 5 and 25 years, streamlining and aligning multiple existing strategies.

7. KEY SECTORS

- 7.1. Innovation: The BIS Secretary of State announced at the end of January plans for a National Innovation Plan, which BIS are estimating will be published around the time of the March Budget. The relevant extract from Sajid Javid's full speech is ... *"In the coming months, building on the success of these plans, I will launch a new Innovation Plan, bringing together the whole of government to support and drive forward innovation. This Government has already safeguarded £6bn of science and research investment, protected funding for Catapult Centres and committed financial support to aerospace and automotive developments over the next 10 years, with further investment in the Aerospace Technology Institute and Advanced Propulsion Centre. The new plan will be for all levels of business, from SMEs like London's Buffalo Grid who created solar-power mobile chargers for people in rural communities, to our biggest innovators like pharmaceuticals giants GlaxoSmithKline."*

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Capital Commissioning Framework and Outline Business Case for Littlewoods Studios Liverpool

LEP Board Meeting 17 March 2016

Author:
Ged Fitzgerald
Liverpool City Council

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present an update to the LEP Board on the Capital Commissioning Framework and to present the Littlewoods Studios proposal and outline business case from Capita and Centric for endorsement for approval by the Combined Authority as a potential project for LGF funding. The business case for this project has been subject to an independent appraisal using the principles of the City Region's Capital Funding Framework considered previously by the LEP Strategic Board and Combined Authority.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Liverpool City Region LEP:
- (a) Endorse the ongoing work in relation to the development of the City Region's approach to allocating Capital Funding and note the Business Plan attached as Appendix 1 which will underpin this work;
 - (b) Agree that Capita and Centric be invited to come forward with a full business case application in respect of the Littlewoods Studios proposal for a £4.95m allocation of LGF, in accordance with the Assurance Framework process agreed by the LEP and CA and shared with Government. The project has been independently appraised for Liverpool City Council on behalf of the City Region and demonstrates very good value for money; and
 - (c) Agree to £4.95m of LGF being made available to the Littlewoods project subject to a satisfactory full business case being independently appraised by the Combined Authority and the S73 Officer and to the project applicant being informed of this so they can further develop the project.

3. BACKGROUND

- 3.1 The City Region was allocated an additional £31.6m of LGF resources at the end of 2014 in respect of three areas:
- i. £15.6m capital funding – to support land and property schemes where public investment was required to bring them forward;
 - ii. £15.6m business growth funding to support the growth and expansion of existing businesses
 - iii. £400k to support the development of Low Carbon capacity in the city region and develop a pipeline of schemes.
- 3.2 The capital fund allocation of £15.6m was approved in full by Government who also reviewed an initial business case put forward for the development of the Littlewoods building for creative space as an example of compliant and eligible projects which would come forward for such funding.
- 3.3 Subsequently work was commissioned by the LEP, together with Regeneration Directors to develop a more consistent city region approach to allocating capital funding. "A Capital Commissioning Framework" was developed using an independent consultant. A subgroup of Regeneration Directors, together with the

Executive Director for Strategic Economic Development from the LEP, has overseen the development of the Framework, consulting all local authorities in its development. The aim of this work is to align the strategy, appraisal and approval processes for capital funding streams which the City Region directly manages and or influences in order to vastly increase the number of investable schemes in the city region and lever in more private sector investment.

- 3.4 The work (Business Plan attached as Appendix 1) has recommended a more consistent approach to allocating all capital funding and that the city region should consider aligning as far as possible the strategic priorities for the LGF2 funding, any remaining GPF funding (approx. £7.5m) and the ERDF place resources. The Framework included anticipated outputs and outcomes from the scale of resources available and recommended a process of independent appraisal against core criteria to assess:
- i. Deliverability;
 - ii. Value for money
 - iii. Strategic Fit
- 3.5 Utilising this funding, the City Region will strategically intervene at 3 points in the development cycle:
- a) Very early stage – For a small number of strategically important sites, preliminary development funding will be available for initial preparation and development costs such as site planning, technical feasibility and market analysis. Such schemes will need to demonstrate their potential city region impact;
 - b) Early stage – For a number of key sites, upfront enabling investment to facilitate private sector investment in place-making activity such as reclamation and remediation;
 - c) Developer Investment in one of 4 priority areas for commissioning:
 - i. Development of Superport opportunities;
 - ii. Speeding up delivery in the EZ;
 - iii. Commercial property development both generic and specialist;
 - iv. Supporting SMEs in value added sectors to access new commercial property.
- 3.6 The Framework recommended allocating £2m of pre-development funding for the “very early stage” strategic projects, recognising that the City Region pipeline needed to be strengthened in order to bring forward projects which could take advantage of the potential investment funding through devolution and other sources such as recycled Chrysalis funding.
- 3.8 The next steps in this work are to:
- i. Undertake an initial appraisal of the City Region’s pipeline of schemes to confirm strategic fit, financial viability, state aid and vfm;
 - ii. Projects which meet this initial assessment will either be considered for pre-development or “very early stage funding” or will move to a full green book

appraisal carried out by an independent procured panel of appraisers utilising the methodology from the work carried out to date.

- 3.9 Individual projects will be presented to the Combined Authority and LEP Strategic Board for approval when ready. In accordance with the Assurance Framework these will need to be agreed by the CA before funds are allocated. Some projects are at an advanced stage and it is recommended that the CA invite the Littlewoods project to develop a full appraisal for a £4.95m allocation of LGF. The project proposal for Littlewoods Studios is time critical and so the Combined Authority and LEP Strategic Board are being asked to provisionally commit to a £4.95m allocation subject to the full business case (which will include the cost and values assessment) being satisfactorily appraised and to the project applicant being informed of this to allow them to further develop the project. The appraisal of the outline business case is attached as Appendix 2.
- 3.10 The Capital Funding Framework has been developed to align with the Liverpool City Region Assurance Framework which was agreed by the CA and LEP in March 2015. This Framework was developed and agreed with Government and sets the decision making processes which the City Region must use when approving LGF projects.
- 3.12 Funding flowing from the devolution agreement including “gainshare” funding, future allocations of LGF and transport funding will be allocated to the City Region as part of a “single pot”. Government are expected announce this shortly and the City Region will be required to review its Assurance Framework in line with this revised guidance.
- 3.10 To support the CA with the immediate work required, interim resource will be utilised from existing city region officers and some additional procured expertise to undertake the independent appraisal process.

4. RESOURCE IMPLICATIONS

- 4.1 An outline commitment of £4.95m out of the total allocation of £15.6m LGF2 resources available is to be made to the Littlewoods project subject to full business case approval.
- 4.2 The project has demonstrated that it should be capable of an early start and this will clearly assist with the Combined Authority and LEP in ensuring the City Region meets the LGF spend profile from Government.
- 4.3 Any grant offer will be subject to conditions which will protect the Combined Authority’s position in respect of the use of grant and sets out clearly the conditions which will be applied and will result in clawback of grant.

5. EQUALITY AND DIVERSITY IMPLICATIONS

- 5.1 There are no specific equality and diversity implications associated with the implementation of the recommendations in this report.

6. COMMUNICATION ISSUES

- 6.1. The project will form part of the communications plan and activities of the Combined Authority and LEP. Appropriate publicity will be undertaken to ensure the positive benefits of the development is communicated effectively and the role of LGF and the Combined Authority and LEP acknowledged.

Appendix 1: Capital Commissioning Framework Commencement Business Plan

Appendix 2: Outline Appraisal of Littlewoods

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Commencement Business Plan

Liverpool City Region Capital Fund
FINAL
September 2015



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Economic Impact Assessment

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Urban Policy Associates 2015



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 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 implements 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

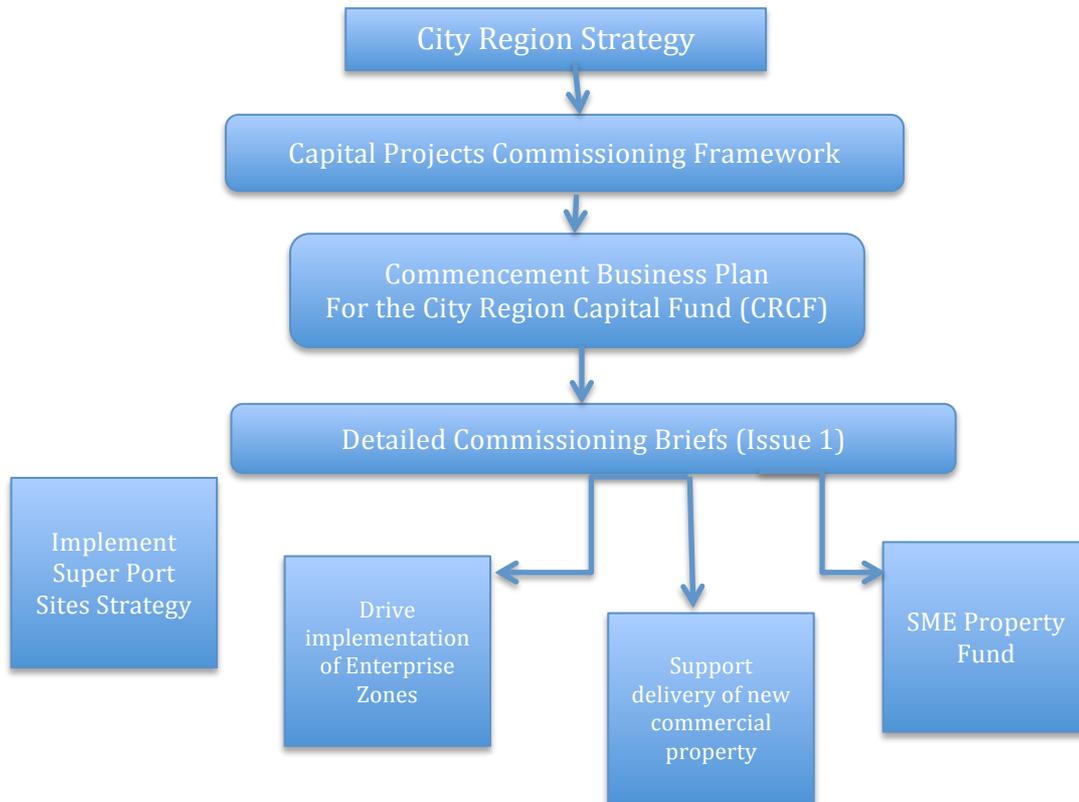
The objective of this Business Plan is to set output and outcome targets against the commissioning priorities identified in the 'Framework' document and to allocate the available city-region capital funds against these priorities.

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 managing 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.

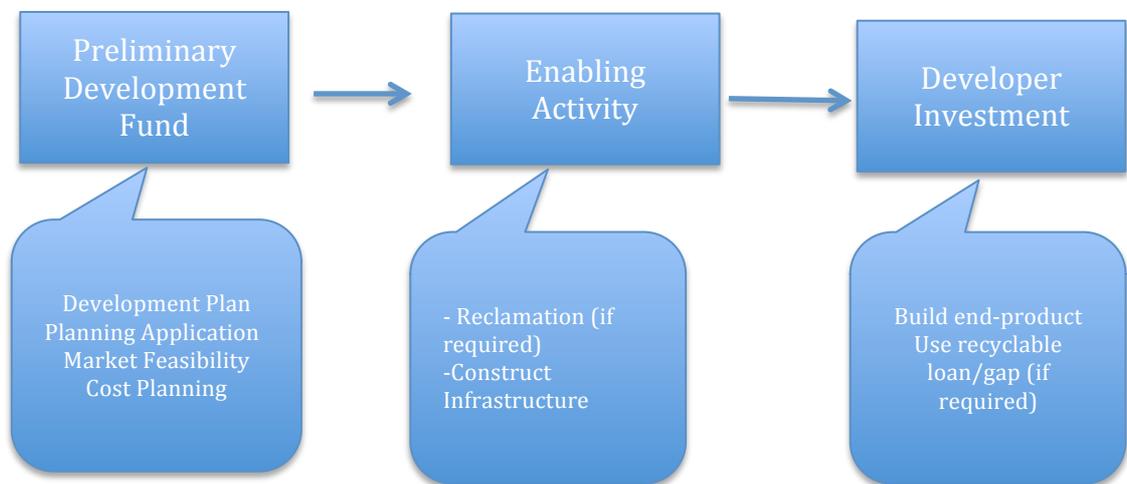
Alongside these early interventions is a need to invest in the very early preparation of a small number of strategically important sites. This will require



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

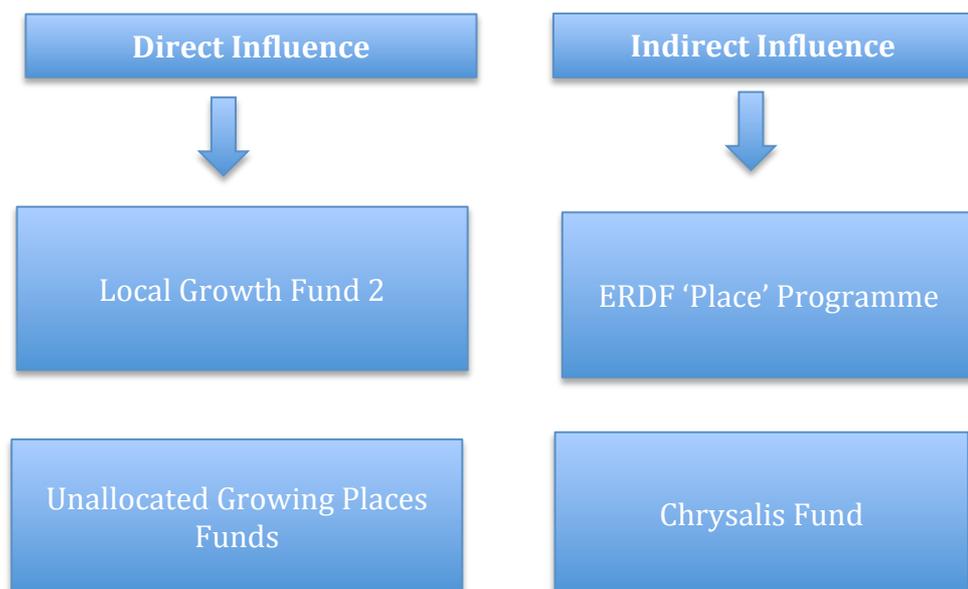
As stated in the Introduction it could be reasonably expected that over the course of the next two years the Framework and its associated Business Plan might significantly evolve and develop to take-on a wider range of funds.

As it stands this Business Plan has a limited scope that 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 that 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 its 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 have 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 that 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 an 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 in 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 'Preliminary Development 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 oversight 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 commonplace 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	<ul style="list-style-type: none"> - Targets Missed - Reputation - Economic losses 	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - ERDF underspend - Potential for resources to be reallocated to other thematic areas or even other transitional regions 	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Resources Lost - Disputes with Applicants 	<ul style="list-style-type: none"> - 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)	<ul style="list-style-type: none"> - Resources Lost - Failure to deliver outputs and spend targets - Resources tied up with projects not proceeding 	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Slippage of projects could lead to loss of resource 	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Funds don't get deployed - Reputational Impact - Projects stuck in the development pipeline 	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Failure to deploy resources - Reputational 	<ul style="list-style-type: none"> - 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



<p>2. Drive Forward Enterprise Zones</p> <p>(Assume £8m allocation)</p> <p>- For £10m allocation increase outcomes by 20%</p> <p>- For £6m allocation reduce outcomes by 20%</p>	<p>Assume 3 projects</p> <p>- Development of 20,000sqm of new office space</p> <p><u>B1(a) General Office</u></p> <p>- 1 (FTE) Job per 12sqm of development 20,000/12 = 1,667 new FTE jobs</p> <p>Construction Cost: (Offices Business Park 10,000sqm) £1,450psm 10,000 x £1,450psm = £14.5m (less 20% pub intervention = £11.6m)</p> <p>Construction Cost (Offices CBD Offices A-Grade 10,000sqm) £2,100 psm 10,000 x 2,100 = £21m (less 20% pub intervention = £16.8m)</p> <p>- 2 acres of new public realm</p> <p>- Environmental improvements</p>	<ul style="list-style-type: none"> ■ 20,000sqm of new office space developed ■ 1,667 new jobs created ■ 2 acres of new public realm ■ £28.4 private sector investment
<p>3. Driving Commercial Development</p> <p>(ERDF)</p> <p>Assume £3m ERDF investment</p>	<p>Assume 2-3 projects</p> <p>- <u>Development of 6,000sqm Light Industry at City-Region Business Parks</u></p> <p>B1(c) Light Industry (Business Park) 1 (FTE) job per 47sqm of development 6,000/47 = 128 jobs</p> <p>Construction Cost (Warehouse/Factory Units) £840psm 6,000sqm x £840psm = £5.040m (less 20% pub intervention = £4.032m)</p>	<ul style="list-style-type: none"> ■ 6,000sqm of new light industrial space ■ 2,000sqm of new Office Space ■ 328 new jobs ■ £6.35m private sector investment



	<p>- <u>Development of 2,000sqm of General Office (Business Park)</u></p> <p>B1(a) General Office (Business Park) 1 (FTE) job per 10sqm of development 2,000/10 = 200 new jobs</p> <p>Construction Cost (Offices Business Parks £1,450psm) 2,000sqm x £1,450 psm = £2.9m (less 20% pub intervention = £2.32m)</p>	
<p>4. SME Property Fund</p> <p>Assume £3m ERDF investment</p>	<p>Assume 25 funding awards to growing SME's</p> <p>Average 50sqm new SME floor-space per award</p> <p>Total floor-space fitted out for occupation 50sqm x 25 projects = 1,250sqm total space improved</p> <p>Prepared workspace in a B1(a) type environment - serviced workspace 1 FTE job per 10sqm</p> <p>1,250/10 = 125 new jobs Average £100k bank finance per applicant (£100k x 25 applicants = £2.5m)</p>	<ul style="list-style-type: none"> ■ 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 refurbished)	0
5. Preliminary Development Fund	£1.7m	£0	0	0	0
TOTALS	£25.7m	£207,040,000	4,548	214,613sqm	120 acres

ENDS



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APPENDIX 2: OUTLINE BUSINESS CASE APPRAISAL

The Assurance Framework agreed by the CA in February 2015 requires projects to be endorsed by the CA and independently appraised on behalf of the CA before funding can be allocated. To support this process, Liverpool City Council have commissioned an independent appraisal which can be used to inform that undertaken for the CA. Background to the Project and detail from that appraisal is detailed below.

BACKGROUND

Although Liverpool has a growing reputation as an outdoor filming location, the lack of appropriate indoor filming space means that the City is potentially missing out on some important opportunities.

Capital and Centric Ltd (C&C) have put forward a proposal to develop the Littlewoods Studios project on the site of the former Littlewoods Building on edge Lane.

The Littlewoods Studios development is expected to provide 11,000 sqm of refurbished and new space including a film studio, studio work and office space, a Creative and Digital Hub and Liverpool Theatre School. The development is expected to form the first phase of a new hub for the creative and digital industries in Liverpool Innovation Park and there is an aspiration that the development will become the focal point for the media and creative industries in the City Region.

BUSINESS CASE

A Business Case for the project was finalised in November 2015. This concluded that the following:

- Public sector funding of £4.95 million is required to address a scheme viability gap.
- Grant support for the project will lever in significant private sector investment.
- The scheme will contribute substantially to the development of the creative and digital sector in the Liverpool City Region.
- Phase 1 will accommodate over 400 full-time equivalent (FTE) jobs and create almost 350 net additional (FTE) jobs in the City Region economy.
- The scheme represents very good value for money with an overall benefit cost ratio of 23:1 and a cost per job that is substantially below benchmarks.

The appraisal was conducted to verify and assess the robustness of the business case and provide recommendations on the strength of the case for public sector investment.

The independent appraisal report is structured around the different elements of the rationale for public sector development and is structured around the five business cases:

- i. The Strategic Case for investment drawing conclusions about the strength of the strategic rationale for grant support for the project;
- ii. The Economic Case which focuses on the value for money that the project offers to the public sector;

- iii. The Financial Case particularly on how the viability gap has been calculated;
- iv. The Commercial Case, which includes consideration of any dependencies;
- v. The Management Case focuses particularly on the deliverability of the proposals put forward by C&C.

Although project development and appraisal systems for the Capital Commissioning Framework and in particular LGF2 are not yet formally in place, the proposals have an emphasis of deliverability, value for money and strategic fit. The business case has been reviewed with reference to this.

Strategic Case

The appraisal concludes that there is an excellent strategic case for investment in the Littlewoods Studios project. The business case presents a comprehensive and well evidenced strategic case for public sector intervention to fill the viability gap that C&C has identified. The case is based around the project's close fit with existing policy, the strength and importance of the creative and digital sector in the Liverpool City Region, its growth potential and the constraints that a lack of premises place on its growth. The location of the site within a Mayoral Development Zone (MDZ) and the contribution that its development will make to wider City Region objectives further strengthens the strategic case for investment.

The project has a close fit with the aspirations of the City Region's Capital Framework. The Business Plan for the capital fund highlight a desire to use the £26m fund to create around 4,500 FTEs and 215,000sqm floorspace. The Combined Authority and LEP Strategic Board should note that a £4.95 million grant would represent almost a fifth of the fund's capital but the project does not contribute commensurately to the fund targets. The Business Case indicates that the project would contribute just 8% to the fund's total jobs targets and 5% to its commercial floorspace targets. This reflects the high level at which the targets for the fund have been set, rather than poor value for money offered by the project.

Economic Case

There is a very strong economic case for public sector intervention to support the Littlewoods Studios. The preferred option generates strong Value for Money with an overall BCR ratio of 23:1. It is expected to support the creation of 345 net additional FTE jobs at a cost of £14k per job.

The options assessment underpinning the economic case has been carried out to a rigorous standard. The underpinning assumptions are evidence based where possible and built on sound professional judgement where benchmarks do not exist. The options present a reasonable and realistic set of development scenarios to inform the assessment.

The economic case uses a robust methodology to calculate employment and GVA impacts. The impact calculations are subject to various assumptions and while the impact calculations are sensitive to adjustments in these assumptions, the value for money supported by the preferred option remains strong even when more conservative assumptions are applied.

Financial Case

There is a robust financial case for investment in the Littlewoods Studios project. The Business Case clearly demonstrates that there is a viability gap and uses transparent and robust methods to do so, although the costs have not been appraised and verified by cost consultants at this point. The size of the viability gap is estimated to be c£5 million. It is however essential to note that the size of the viability gap is sensitive to assumptions about the cost of construction and the rental values that the project will generate.

Uncertainties around these points are inevitable and it is worth noting that the developer will bear the risk of any changes that increase the size of the viability gap. Taken at face value, the development costs seems reasonable.

Given the importance of these costs to the overall viability gap, it is suggested that the Combined Authority and LEP commissions an independent review (by a Cost Consultant) of the construction cost estimates and (by a valuer) of the rental and capital value of the completed scheme put forward by C&C prior to formerly confirming the actual level of grant to be offered, but that ahead of this review that the developer be advised that the CA will support a viability gap of £4.95m should this be confirmed by the aforementioned appraisal.

In light of this, reasonable steps should be taken to protect the Combined Authority (as accountable body) from C&C benefitting from any major reduction in the size of the viability gap. If assumptions about construction costs are too high and/or revenues too low, the viability gap could be smaller. It is therefore recommended that an assessment is made of the true value of the viability gap in due course, and structures any grant agreement to allow some or the entire grant to be recovered if there is substantial variation in the viability gap post project completion. This would ensure that project funders can be partly or fully reimbursed should the developer's profit substantially exceed the 15% requirement that underpins the viability gap presented.

Commercial Case

The commercial case is very strong. There is a very clear agreement about the commercial structure for the delivery of this project. The nature and extent of the role for the public sector is very clear. Public sector involvement in the project is limited to grant funding and the sale of the development site so the exit strategy is clear. There is no requirement for ongoing public sector funding or support during the operation of the development.

C&C will bear all of the commercial risks and commercial responsibilities (including State aid and procurement compliance) in delivering the project. From a commercial perspective, the project does not offer any major risks to the public sector. It is recommended that that any grant funding agreement clearly specifies:

- the nature and extent of public sector involvement in the project;
- the commercial risk sharing arrangements.

Management Case

Although there are inevitable uncertainties about the deliverability of some aspects of the project, the **management case is strong overall**. There is always a risk that project delivery could be affected by external factors and this cannot be eliminated. The project is well developed and, based on the information available, is in a strong position to progress quickly if grant funding is made available. Nonetheless, the Combined Authority and LEP should:

- seek clarification and reassurance that C&C have finance in place
- include a clear and detailed set of delivery milestones in any grant agreement
- carefully manage progress against these milestones and be ready to take appropriate action if the project slips.

The demand assessment for the project highlights confidence amongst stakeholders and the industry that there is adequate demand for the project. It will never be possible to provide 100% certainty that assumptions about project demand are correct. The degree of confidence amongst stakeholders and the analysis in the Business Case suggests that demand for the project exists. C&C will shoulder the commercial risks associated with market demand but it is important to note that if demand is lower than expected the economic benefits and, as a result, the value for money offered by the project will be lower than set out in the Business Case.

PROJECT ASSESSMENT

As highlighted above the Capital Commissioning Framework sets out assessment criteria against the key headings of deliverability, value for money and strategic fit.

An assessment against each of these headings using the conclusions drawn by the independent appraisal of the project has been summarised below for the Combined Authority and LEP Strategic Board.

Deliverability

- i. Compliance with State aid – Capital and Centric, a small enterprise, is applying for £4.95 million in (State) funding from the Liverpool City Region towards the Littlewoods Studios Liverpool scheme. The scheme is located within an area identified as falling within the terms of Article 107(3)(c) of the Treaty on the Functioning of the European Union (TFEU) under the UK Assisted Areas Map 2014 - 2020. The proposed rate of intervention is justifiable within the Regional investment aid provisions of the General Block Exemption Regulation 651/2014 ('GBER') Article 14 (see Section 5.2 of the Business Case).
- ii. Development finance is secured – Capital and Centric will provide further details in respect of the private sector funding sources (including direct investor funding and bank finance) upon which they will draw in delivering this project.
- iii. Site ownership – The Littlewoods Building and adjacent former MTL site are currently owned by the HCA. The HCA has agreed by means of Heads of Terms to dispose of the site and existing premises to Liverpool City Council by way of a

long lease. The former Littlewoods building and adjacent site will then be transferred to Capital and Centric immediately following completion of the transfer to the Council by the HCA.

- iv. Planning – Capital and Centric has secured planning consent for all but the proposed new build sound stage, although this does have outline consent.
- v. Realistic development programme – Capital and Centric has set out what appears to be a realistic development programme within the Business Case.
- vi. Track record – Capital and Centric has a track record of successfully delivering complex development and regeneration schemes on time and within budget. Recent schemes have included the redevelopment of the Bunker Building located to the rear of the Littlewoods Building. Capital and Centric has also delivered a number of other projects within the City Region including the Lightbox in Birkenhead (benefiting from Regional Growth Fund support) and Tempest in Liverpool City Centre (with ERDF gap funding support).

Value for Money

- i. Private / public leverage – public sector investment will directly lever significant private sector investment. It will also contribute to catalysing further investment over the longer term associated with the regeneration of the wider Littlewoods site and potential spill over benefits for adjacent sites (including Liverpool Innovation Park).
- ii. No of jobs / Brownfield Land – As set out in the Business Case Review, the BCR for the project is strong and the cost per job compares well to recognised benchmarks. The relatively small contribution to overall proposed Capital Commissioning Framework targets reflects a high (and perhaps unrealistic) level of ambition about the impacts that the Framework may be able to deliver.

Strategic fit

- i. Linkages with the priorities in the framework–the project is providing specialist commercial space, one of the framework priorities agreed previously as part of the Capital Framework.
- ii. Support of Local Authority – Liverpool City Council is fully supportive of the project. Capital and Centric has worked closely with the Council (and the Homes and Communities Agency) in developing the proposals and to progress the agreement for the acquisition of the buildings and site.

APPRAISAL RECOMMENDATIONS

The independent appraisal of the project is recommending that there is a valid case for the public sector to grant fund this project. This is based on the following:

- a. The project offers a range of economic development and regeneration benefits and provides an excellent fit with the strategic aspirations of the City Region;

- b. There are a number of clearly demonstrated market failures which contribute to the viability gap. The case for grant funding to fill this gap can be based on the project's potential to both create positive, and overcome negative, externalities;
- c. The estimated benefits of the project offer strong value for money for the public sector investment. The project is expected to deliver 345 net additional jobs and an annual net additional GVA impact of £26 million;
- d. The Business Case clearly demonstrates that there is a viability gap of c£5 million. The size of the viability gap is sensitive to assumptions about the cost of construction and the rental values. Although the Business Case includes a transparent reflection of the uncertainties, the actual cost and revenue assumptions which underpin it have not been independently verified;
- e. The commercial arrangements are clearly and appropriately structured and the expected role for the public sector is very clear. All commercial risks will be borne by C&C.
- f. Although there are always uncertainties about the timescales over which a project will be delivered, the Littlewoods Studios project appears to be in a position to proceed quickly if grant funding is made available.

6.3 Although the Outline Business Case provides a strong case to the Combined Authority and LEP to proceed with a grant funding agreement, we recommend that the funding agreement contains the following conditions:

- a. There is a central assumption that the development would not go ahead if the return on the developer's capital was estimated to be significantly lower than 15%. This means that alternative methods of financing the gap (i.e. debt, equity) are not feasible. This is an important assumption but it cannot be easily verified. Before finalising a grant funding agreement, the Combined Authority and LEP needs to ensure it is satisfied that C&C would not proceed with the development without the gap funding.
- b. As C&C is proposing to use debt to finance their investment into the project the Combined Authority and LEP should seek confirmation that this is in place and can be readily drawn down, before finalising a grant funding agreement. The Combined Authority and LEP should also review any conditions that might be attached to C&C's finance.
- c. Development costs and end values are an important element of the estimation of the viability gap. The costs and values seem reasonable and are based on C&C's experience of similar sites but the Combined Authority and LEP should commission an independent review of both the costs and values by specialist Cost Consultants and valuers before a grant funding agreement is finalised.
- d. The Combined Authority and LEP should seek assurance from C&C that no further public sector funding will be required to operate the space and deliver the benefits set out in the Business Case.

It is recommended that any grant funding agreement should include the following measures:

- a. Scope for an ex-post assessment of the viability gap and mechanisms to allow some or the entire grant to be recovered if there is substantial variation in the viability gap and the developer realises substantially more than 15% return on capital.
- b. Conditions which ensure that the Combined Authority as Accountable Body will be notified of any proposed disposal of the site within a given period. The CA should ensure that there is scope to consider any proposals that C&C make to dispose of the site and include provisions that will enable the CA to recover all or part of the grant if this is deemed appropriate.
- c. The extent and nature of public sector involvement in the project and the register of risks should be clearly set out in any agreement and reflect those included in the Business Case.
- d. Any agreement should include a clear set of delivery milestones and provisions for appropriate action if the project slips.

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Northern Powerhouse Investment Fund ESIF JEREMIE Update

LEP Board Meeting 17 March 2016

Author:
Mark Basnett
Liverpool City Region LEP

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to update the LEP Strategic Board on the proposed use of £12.5m of Liverpool City Region ERDF Funds in a £400m Northern Powerhouse Investment Fund giving local SMEs access to a range of debt and equity funds to stimulate growth.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Liverpool City Region LEP Board, with Combined Authority approval:
- (a) Endorse the principle of Liverpool City Region ERDF Funds contributing to the Northern Powerhouse Investment Fund provided that these meet the needs of the local business community as referenced in this report and subject to ratification of detailed proposals from British Business Bank by the LCR ESIF Committee.
 - (b) Mandate the LEP Executive to continue to engage with British Business Bank to ensure that detailed proposals meet local business community needs.

3. BACKGROUND

- 3.1 As part of the extensive consultation on the use of EU 2014-2020 ERDF funds to stimulate Business Growth that took place in 2013, consideration was given to an allocation to a JEREMIE Fund for the City Region to provide debt and equity funds to SMEs to follow on from the existing programme managed by NW Fund.
- 3.2 The LEP, on behalf of LCR partners, then commissioned EKOS to undertake a study into the needs and options for the City Region around Funding for Business Growth consulting widely with local business, LAs and corporate finance providers. The report concluded that the City Region would be best placed pursuing a balanced portfolio of interventions, including investing a sum into a revolving JEREMIE fund, investment readiness support, development of a business angel network and assistance to business to access the range of alternative sources of funding emerging on the market.
- 3.3 From this the ESIF Business Growth Group concluded that circa £12.5m of the EU funds available should be considered for putting into a JEREMIE Fund for the City Region subject to it meeting the City Region partners requirements for a coherent and joined up approach for funding that recognises the existing landscape.
- 3.4 LCR LEP, on the City Region's behalf and with the ESIF Committee's endorsement, undertook a series of meetings with NW Fund, DCLG and other NW LEPs on the prospective implementation of these funds in the NW to be match funded with European Investment Bank (EIB Funds) through a NW JEREMIE Fund. In the JEREMIE model, EIB funds are repaid first from returns of capital and interest to the fund. ESIF Funds will be recycled for further rounds of investment.
- 3.5 However, in September 2015, British Business Bank advised that it was considering pulling together a JEREMIE fund across the Northern Powerhouse geography subject to agreement with each LEP/CA Area. This was then substantiated in the Autumn Comprehensive Spending Review to involve 10 Northern LEP areas, including all 5 of the NW LEP areas previously covered by the NW Fund.

- 3.6 The British Business Bank proposal, supported by Treasury, involves matching all 10 LEP areas' ESIF JEREMIE contributions with EIB Funds and adding a further £50m from Treasury (matched with a further £50m EIB) to create a £400m Northern Powerhouse Investment Fund. Treasury has also agreed to provide £6m in grant towards the set up and management costs, which would otherwise have been borne from available funds.
- 3.7 Whilst ERDF funds will not be ring-fenced by LEP area, Fund Managers will be incentivised to allocate funds on an equitable basis in proportion to the amount contributed from each LEP area. This will be subject to the quality of the deal flow in each area.
- 3.8 These arrangements deliver a number of positive features, not least the increase in available funds for business in that for the £12.5m LCR ESIF fund committed, funds of up to £30m might reasonably be expected to be delivered to business in the City Region during the initial investment period of 6 years with further funds becoming available from returns once EIB funding had been repaid, creating a long term revolving fund.
- 3.9 It is proposed that the £400m fund will be allocated to a number of fund managers to provide:
- micro finance (loans from £25k-100k)
 - debt (loans from £100k-£750k)
 - early stage technology/innovation (equity from £50k to £1m)
 - equity (growth capital from £500k to £2m+)
- 3.10 Liverpool City Region has a number of successful existing funds/fund managers in MSIF and Spark Impact. LCR LEP has made it clear to British Business Bank that arrangements for promotion of Northern Powerhouse Investment Funds must be aligned and coherent with this local provision and meet the particular needs of business in the City Region, that LCR representatives be involved in fund manager specification, selection and performance monitoring.

4. NEXT STEPS

- 4.1 A detailed proposal from British Business Bank and DCLG will be considered by the next ESIF Committee on 14 April 2016.
- 4.2 British Business Bank will start the tendering process in April for a panel of fund managers and they anticipate funds to be available by October 2016.
- 4.3 In order to maximise the quality of pipeline of businesses for these and other funds in the City Region, a separate Call for Access to Finance, Investment Readiness and Post Investment Management Proposals is proposed and will be considered at the next ESIF Committee on 14 April 2016.

5. CONCLUSION

- 5.1 It is proposed that the recommendations in this report are approved.

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