LCRCA SIF EXTERNAL PANEL

20 February 2020

Present: Frank Rogers, Paul Karakusevic, James Gill, Antonia de Winter, Sophie Bevan, Raphael Miller, Daniel Bimpson, Ben Kelly, Sarah Lovell, Joanne Leek, Ellie Fielding, Ben Heywood, Paul Buntin, Alan Ryan, Shauna Phillips

1. Apologies

Apologies were received from Mark Basnett, Mark Bousfield, Jill Coule, Dan McCafferty and Janet Hemingway.

2. Review of Minutes and Actions from the last meeting

James Gill declared an interest in item 5: SIF2068 - FBC - Festival Gardens as he had been appointed the Chair of the independent company established for the scheme. It was noted that the role did not carry decision-making powers.

Resolved that the minutes of the last meeting held on 17 January 2020 were agreed as an accurate record.

3. Pipeline Programming and Over-programming, Looking Forward to Next Funding Round

Frank Rogers presented a briefing note provided by Mark Bousfield which contextualised the schemes in SIF round two. The objective of the fund was to balance speed of delivery with value for money and to address the challenges in getting projects progressed.

It was explained that there was currently £25million ready for imminent disbursement and that SIF round two was currently oversubscribed with more schemes approved than there was funding available. The LCRCA had agreed to approve a volume of funding that exceeded that which was available in order to ensure there was a pipeline of robust, evidence based deliverable schemes. Insufficient funding would mean pursuing government sources for further funding and it was expected that through either upcoming budget announcements, allocations of gain share or through the Comprehensive Spending Review, there would be other funding streams available.

A sensible approach to over-programming was being employed and it was explained that if the reports today were approved, then they would be submitted to the LCRCA with the qualification that they are subject to funding being available in order to proceed.

The Mayoral and Local elections in May would provide a timing challenge in terms of purdah and the SIF External Panel in March had been suspended as a consequence.

The Investment Strategy was being updated and it was hoped that the Local Industrial Strategy (LIS) would be signed off by the end of March. It was felt that agreeing sources and deploying funds would be helped by the LIS.

The Panel were asked to provide any advice they may have on managing the programme and a further update would be provided once there was greater clarity on funding streams.

James Gill suggested that the lack of delivery on approved schemes from SIF round 1 had resulted in a slip in terms of spend. It was suggested that officers produce a table that illustrated SIF round 1 anticipated spend and actual spend for the next session.

Frank Rogers explained that a session had been held with Asif Hamid, Mark Basnett and Tony Wade on this issue and underspend on SIF round 1 had been highlighted. As a consequence of the SIF review the approach had been changed for SIF round 2 and will change again for SIF round 3. The lack of delivery on SIF round 1 schemes was significant and the LCRCA were now managing that and ensuring those mistakes were not repeated in future rounds of funding.

The effect of underspend on future funding was discussed with a suggestion that although they may not be expected to pay back funding to Government there may be ramifications in that future funding would be based on performance.

The Panel also considered lack of resources for local authorities due to government cuts and it was noted that funding streams have been put in place to provide resource and capacity for local authorities.

It was agreed that a report be submitted to the Panel presenting what the LCRCA expected to spend and the current actual spend and upcoming potential spend.

The Panel discussed new sources of housing infrastructure funding and a separate strand of work was being undertaken on a housing pipeline.

ACTION*: A report be submitted to the Panel presenting what the LCRCA expected to spend, the current actual spend and the upcoming potential spend*.

4. **SIF2068 - FBC - Festival Gardens**

Ellie Fielding presented the final business case for Festival Gardens which had been considered at Outline stage by the Panel in December 2019.

At the December 2019 meeting it was agreed to proceed to a full business case on the condition that information be provided on the technical assessment of remediation costs, the need for infrastructure funding, assessment of the value and likely land receipts, state aid, economic impacts and how the public sector investment would be protected in future land disposals. The scheme was being brought to Panel today, ahead of receiving this information, as Homes England needed to enter into a legal agreement by the end of the financial year. The LCRCA had negotiated the terms of a tripartite with Homes England and Liverpool City Council that needed to be agreed by the end of March.

The Panel were asked to note that since the December meeting, the SIF request had reduced by £3.5million due to a reduction in overall infrastructure costs and cost savings from the alignment of the infrastructure and remediation programmes.

The Panel were also made aware that Liverpool City Council were not accepting the overage position as agreed in the Head of Terms which stated that the infrastructure funding (£8.5million) would be repaid as a priority to the LCRCA with any remaining profits being shared pro rata based on initial contributions (LCC £11.9m, Homes England £9.9m and the CA £18.44million)

Overage would be determined by the land value uplift created by the remediation and infrastructure works. The current value of the land, based on a full red book valuation, was nil. The *estimated* future value of the fully remediated and serviced site was £11.145million. The final *market value* would be determined at the point of disposal to IMGF via a full red book valuation. Under the terms of the Master Land Agreement with IMGF, Liverpool City Council was also due to receive a ‘premium’ on completion of each phase.

Therefore the Panel agreed that the overage proposed in the Heads of Terms was appropriate.

The Panel noted that Liverpool City Council had ran a soft market test on interest in the site and received four responses and out of that process, Midia and Ion had combined to form a Joint Venture, IMGF.

It was explained that the LCRCA had not seen the final draft for the master land agreement but that they had appointed Freeths to review and comment on the document on their behalf.

Paul Karakusevic suggested that due to the amount of public money being invested in the scheme, the development should be an exemplar for the North West in terms of design quality and sustainability.

The current environmental credentials and the overall design of the scheme were queried. The housing should be ‘green’ and sensitive to the surrounding developments. Places Matter had reviewed the initial concepts for the scheme and subsequently undertook a further review of the outline masterplan and recommended a number of design principles to be included in the final scheme. Due to LCC’s disposal strategy the LCRCA has limited ability to enforce design principles through the GFA.

It was agreed that a formal Steering Group with the funders (LCRCA & HE), LCC and the developers (Ion and Midia) be established to monitor the project and review the design principles of each phase.

The modelling and testing of the scheme was queried and the Panel requested that a condition of approval was to test the costs and values further via the appointment of a QS.

The panel queried the draw-down of the grant noting that the current proposal was that the £9.9million from Homes England was drawn down first due to their spend deadline of the 31 March 2021. The CA funding was scheduled to commence by November 2020. The team confirmed that the Homes England funding was for remediation only whereas the LCRCA funding also covered the infrastructure works.

ACTION*:* The panel approved the scheme subject to the conditions proposed in the FBC with additional conditions that the LCRCA sits on a steering group to ensure that the scheme can develop and progress on time. A further condition was that the LCRCA are defined as the dominant funder and the issue of overage be resolved. As there were only two independent Panel members at the meeting, and one had declared an interest, it was agreed that a letter explaining the current position be sent to the Panel members who had originally considered the proposal.

5. **SIF2095 - FBC - Kindred**

Joanne Leek presented the concept paper for Kindred, a project to create a social investment vehicle working collaboratively with Baltic Creative and Beautiful Ideas.

Pre-development funding had been approved in August 2019 and the proposal had been to the SIF Internal Panel in December. It was noted that the proposal was in line with key areas in the Local Industrial Strategy and also helped to tackle productivity challenges and create an inclusive economy.

The initial demand assessment demonstrated a need of £35million of funding for the sector and the team were doing further modelling and a sensitivity analysis on what additional funds could be leveraged. It was felt that the economic appraisal could be more robust and the investment team were providing feedback.

The Panel were asked to endorse the proposal to proceed to a FBC and provide comments and feedback.

Paul Karakusevic queried how the money could be tracked and Joanne explained that kindred currently had money from central government and a fund manager would be allocated. The structure was yet to be determined but feedback had been provided through Stakeholder Engagement. Through that feedback it had been emphasized that the fund should revolve and organisations would pay back into the fund to support other organisations. Finding a structure that helps to create that environment was a new approach and was still being considered.

Joanne Leek explained that the two middle sections of the project life cycle, start up and patient equity, were not well provided for in the city region and this was preventing sector growth.

James Gill asked what defined a social business as an organisation could make profit but distribute that through charitable giving or it could be a business which provides a social service. Joanne Leek explained that the definition would not just be non-profit and it could be an organisation that takes less profit through having more social practices like employing ex-offenders. There were also other organisations that fit into the criteria such as wellbeing enterprises that typically power to change wouldn't fund but as wellbeing and health are key areas for the region, the scope had been kept broad.

James Gill suggested that there was huge opportunity in this area and queried how the fund would be managed and what influence the LCRCA would have. It was explained that a clear governance structure had been requested before the proposal moved to full business case and conversations were ongoing on that issue. Representation in terms of the different subsectors in the city region was highlighted as important. The legal department had advised it would be preferable to establish an organisation, adopt the power to change governance structure with the LCRCA being heavily involved until the governance structure is finalised.

It was suggested that the proposal had similar functions as the LCRCA and to avoid duplication it was queried if it could be done in house as part of investment. However, feedback from the sector through the LIS had advised against this, as the grass roots community element of the project would be lost as well as the peer to peer aspect.

The Panel considered how to build checks and balances into the proposal to ensure that the money was spent appropriately and to also manage reputational risk associated to that. Joanne Leek advised that the LCRCA would have input throughout the programme as well as external board members and funders and that a voting mechanism would be in place on the board. Some potential board members had been identified and would be sense checked to ensure the right people were involved in the project. It was suggested that when the proposal returned to the Panel as a full business case, a recommendation could be that the LCRCA have representation on the projects panel.

It was stated that the nearest similar project was in Bristol with Bristol City Funds having gone live in 2019. However that scheme differed to this proposal in that funds went back to investors and were not recycled.

In terms of stakeholder engagement, Joanne explained that local authorities across the city region would be consulted.

The Panel were supportive of the project but required further clarity on the governance structure.

6. **SIF2094 - FBC - CLAC**

Sophie Bevan presented the proposal which had been to the SIF Internal Panel in December and then gone to Full Business Case. The main purpose of the bid was to provide a sustainable financial future for the centre with long term savings of £8.8m expected over a 10 year period.

The sponsor was seeking to optimise the visitor hub as a coastal entry point and increase its use with community groups. The proposal also sought to increase jobs and improve the commercial performance of the centre. It was noted that due to the building not being maintained, there was a backlog of £1m in maintenance. Sefton Council were ready to procure a partner and commit to construction works. There were also some staffing costs associated in the report and it was explained that existing staff would have the opportunity to apply for new roles.

The Panel queried why the building was not simply being sold and it was explained that when the Investment team put this question to Sefton they were informed that this was not viable.

Jim Gill asked who would operate the site as there were concerns it would continue to be poorly maintained and he suggested he would be more comfortable if the people who were going to run the site endorsed what was proposed. Sophie explained that this had been challenged and that there would be scope for the partner to tweak the design inside but the basic structure was not alterable.

The Panel heard that some soft market testing had been undertaken to identify if the figures in the proposal were achievable as a minimum.

It was suggested that the proposal lacked broader context though it would add value locally and its location was important as a tourist attraction.

[redacted]

ACTION: It was agreed that the project be endorsed for progression to Combined Authority for approval.

7. **TCF1009 - FBC- Runcorn Station Quarter**

Paul Buntin presented the FBC for Runcorn Station Quarter which was originally presented to the Panel in December. It involved improvements to the station and a programme of works to improve accessibility. The first stage of the programme was to deliver a transport hub and link to Runcorn town centre. The scheme aimed to promote healthier travel and provide more opportunities for residents and visitors to the area.

The council were contributing £1.8million to the scheme which requested £18.2m from TCF, the project was considered high value for money with a VPR of 4.87. The station complimented recent works at Halton Curve and provided hourly links to London. A timeline of the projects ambitions was included in the report which highlighted some CPO issues around land.

It was felt that the proposal had good links to surrounding boroughs and walking and cycling with additional links to Daresbury. It also had good links with the Mersey Gateway Corridor and provided improvements to a deprived area in the city region that could be developed on a wider basis. The scheme had place-making elements whilst focussing on transport and the proposal had been positively appraised.

Paul Buntin explained that the site was a short walk away from a local employment park and there were also industrial parks near. Runcorn Town was also a focus of the Towns Fund and this provided further positivity to the proposal. The scheme was commended for linking place-making, transport and other key areas which strengthened the bid. It was also integrated with other developments in the area including the work on the Silver Jubilee Bridge.

James Gill felt that the proposal was logical and its connection to the old town was critically important. The links to walking and cycling were also emphasised as complimentary.

It was explained that the station was fairly standard in terms of facilities and could benefit from regeneration to its exterior that would make it more attractive to HS2.

Frank Rogers raised awareness of a session held with Network Rail and West Coast Mainline to enter into an alliance that would change how projects were managed. The team would look at creating a replication process instead of starting each rail scheme from scratch and a charter was being established between Network Rail and the Metro Mayor.

Paul Buntin highlighted that the scheme had benefited from a dedicated project manager and that the introduction of a TCF manager in March would further help the scheme. The designs had been scrutinised to ensure they represented the best value for money and the team were happy with the outcome.

James Gill suggested that there was potential for housing, offices and leisure attractions to be developed from the project and that further proposals form Halton about what to do with the land would be beneficial.

The Panel were pleased with the proposal and felt it was well rounded and could be used to create a ‘lessons learned’ for future projects. The scheme was robust and had a well-defined timeline with representation from the Combined Authority on the Board. Frank Rogers felt this proposal was an exemplar of how schemes could be managed and integrated with other funding and priorities as well as showcasing a good relationship with Halton Council.

Paul Karakusevic queried if the proposal had been stress tested and if the cycle route and roundabout would work together. It was hoped that the works would facilitate more public transport in the future and that one benefit of the station improvements was improved connectivity with walking and cycling. Paul Buntin explained that stress tests and forecasting had been undertaken over a 40 year period in the Business Case to ensure future proofing.

ACTION: It was agreed that the project be endorsed for progression to Combined Authority for approval.

8. **<u>SIF2061 - FBC - Music Industry Sector Development</u>**

Antonia de Winter and Sarah Lovell presented the FBC for Music Industry Sector Development. The project was a direct result of Liverpool achieving UNESCO city of Music status in 2015. The importance of music to the city region was highlighted throughout the business case evidenced through the launching of the Music Board.

The Music Board had produced an action plan for delivery that aligned with key themes in the LIS. Research had suggested that for a small amount of intervention there was potential to create a cluster economy in Liverpool which was important for inclusive growth. The music sector in the UK had an annual growth of 3.4% which outstripped the logistics and financial services.

In 2018-19 the music industry in the city region had a turnover of £100million and created 2500 jobs with sound recording and music publishing prospering. Music had contributed £4.8billion in 2018 to the economy and had grown 12% since 2017. A recent report had also been released which stated that music tourism had generated £423million for the North West.

It was explained that a significant amount of match funding had been confirmed from leading Liverpool institutions like the Philharmonic and the PRS foundation. Part of the conditions for the funding was a robust monitoring and evaluation process to assess the impact of the activity and it was felt that good value for money could be delivered.

Within the two-year project, a key element of the funding was to support the role of Music Officer, which had previously been funded by Liverpool City Council. Antonia de Winter explained that the plan was not as advanced as it could be and so they were seeking an endorsement of £250,000 at this juncture.

Sarah Lovell added that the LCR Music Board was regarded as a lead in the UK and was supported by UK Music and the Musician's Union.

The Panel discussed the amount of funding requested and if more was needed in the long run. Sarah Lovell explained that the bid in total was for £2million with a request of £250,000 at this Panel. Paul Karakusevic explained that the bigger the commitment from the LCRCA the more likely it was that bigger benefactors would contribute. He felt that the proposal had impacts on jobs, tourism and retaining graduates.

James Gill agreed that the proposal seemed sensible and queried the range of apprenticeships available. Sarah Lovell explained that traditionally the culture sector was poor in supporting apprenticeships and that the proposal looked to utilise a sliding scale of support to contribute to salary costs to increase the uptake in apprenticeships. Production services like technical skills and lighting were identified as key areas of apprenticeship growth and it was felt those skills were transferable to other sectors.

Sarah Lovell highlighted links between the Music Board and the Culture Partnership suggesting that there was significant work in the culture sector in the city region at this time.

Frank Rogers suggested that in the LNG sound diplomacy report released in October, the criticality of the music industry to create growth was highlighted and that should be reflected in the business case. He also noted an amendment of the report on page 130 which needed to be altered to reflect that the LCRCA was the majority contributor and as such should have appropriate steerage.

The Panel suggested a steering committee be established for the project.

James Gill queried how SME's were considered in the plan and how their needs would be identified and engaged with in terms of marketing young people. Sarah Lovell explained that setting up the Music Office was central to the delivery of the proposal to act as a point of co-ordination. Currently the sector was fragmented and reaching different providers was difficult though this had been addressed in part through the representation on the Music Board. Some mapping had been undertaken in subsector groups but this needed to be strengthened. The Board were also attending the electronic music summit to do a presentation and it was added that the Music Officer was very well connected in the City Region.

The Panel discussed how the music board engaged with schools in the city region and Sarah Lovell advised that this was possible through organisations like AD LIB in Knowsley who provided an off-stage perspective.

With regard to international events, James Gill wanted further information on the aims of the Board. Antonia de Winter stated officers would be targeting sectors of growth.

ACTION: The Panel were happy to endorse the proposal and suggested a steering committee be established.