


Contact: S Phillips

Tel Ext: 

Date: 18/02/2020

To: All Members of the LCR Strategic
Investment Panel

Dear All,

Please find enclosed the agenda and accompanying document for the meeting of the **LCR Strategic Investment Panel** to be held on **Thursday, 20 February 2020** at **12.00 pm** in the Room GA25, Ground Floor - No.1 Mann Island, Liverpool, L3 1BP

Kind regards,

Shauna Phillips
Democratic Services Officer

LCR Strategic Investment Panel

20 February 2020

Agenda

1. **Apologies**
2. **Review of Minutes and Actions from the last meeting** 1 - 6
3. **Pipeline Programming and Over-programming, Looking Forward to Next Funding Round** 7 - 8
4. **SIF2068 - FBC - Festival Gardens** 9 - 42
5. **SIF2095 - FBC - Kindred** 43 - 76
6. **SIF2094 - FBC - CLAC** 77 – 110
7. **TCF1009 - FBC- Runcorn Station Quarter** 111 - 124
[Runcorn Station Quarter Promotional Video](#)
8. **SIF2061 - FBC - Music Industry Sector Development** 125 - 162
9. **Any Other Business**

This information can be provided in alternative formats on request



**LIVERPOOL
CITY REGION**
COMBINED AUTHORITY

METROMAYOR
LIVERPOOL CITY REGION

Strategic Investment Panel
Friday 17th January 2020

Attendees					
James Gill, Chair	JG	Nigel Wilcock	NW	Mark Rawston	MR
Leon Rossiter	LR	Sarah Johnston	SJ	Adam Collins	AC
Mark Bousfield	MBo	John Flamson	JF	Daniel McCafferty	DM
Mark Basnett	MBa	Katie Dean	KD	Santiago Issa	SI
Jill Coule	JC	Raza Abbasi	RA	Joanne Leek	JL
Paul Buntin	PB	Phil McCann	PM	Ben Kelly	BK
Sam Graham	SG	Paul Karakusevic	PK	Martin Jones	MJ
Lorna Rogers	LRO	Raphael Miller	RM		

Agenda Item	Minute.	Action
1	Minutes and Actions of Last Meeting	
	Discussion at the beginning about the remediation of festival gardens. Point raised about methane but where assured that it was being addressed as part of the remediation. BCR to be change in the minutes from 16 to 1.6.	
2	SIF0079 – High Growth Accelerator	
	<p>MBa as part of the Growth Platform declared interest as a party to the project and therefore would not be giving his comments on the project.</p> <p>The panel was presented with a £4.5M scheme that would be £2.25M The proposed accelerator is intended as a programme to accelerate the start-up, scale-up and sustainable growth of companies building tech into their operations in the Liverpool City Region. Similar to Form model with those on the scheme performing the best, going on to a deeper level of involvement.</p>	



**LIVERPOOL
CITY REGION**
COMBINED AUTHORITY

METRO MAYOR
LIVERPOOL CITY REGION

	<p>PM made the panel aware of a robust Business support schemes report issued by NAO on the 15th of January 2020. He advised that the proposal should be in tune with the current thinking and that it meets the criteria, and that it will make this a stronger case and address the questions of why do we need this in a Liverpool context? And what's the potential in Liverpool?</p> <p>Some members of the panel thought that the name of the project was misleading and that 6 months seemed like a long time for something that is an accelerator and that an intensive 3 months would be preferable.</p> <p>There was a discussion on inviting business into the triage. The panel was informed that it was aiming at working with small accounting firms to get large population of businesses. It was advised that the way it is presented to the private sector is really important and that businesses are unlikely to engage in something that is seen as 'government advice'.</p> <p>The panel discussed the lessons and incentive of the programme. Feedback from businesses often say that 12 hours hasn't always been enough to get to the next level. It was noted that free models are not suitable for the CA and that when businesses achieve a high level of success, as a result of the programme, should then make a financial contribution. The same contribution applies when more intensive work is needed. The programme will end if there is no engagement or performance.</p> <p>There was a discussion about the lessons from previous analysis on other programmes. There have been good demonstrations of growth in Lancashire. Other programmes have been relatively good but have been limited to the 12-hour assist model. Some members of the panel expressed that a broader view is needed, more than just digital and should be sector agnostic.</p> <p>The panel asked the question if this pilot programme was successful, how might it scale itself up? It was then requested that a talk through the framework of how the landscapes work would be beneficial to have a discussion about this.</p> <p>Decision: approved noting the following:</p> <ul style="list-style-type: none"> - Use the NAO Business Support Schemes report and What Works Centre economic report - Be very clear on whether focussing on long tail of low productivity or high growth potential and how this programme will go about diffusing knowledge across the region. 	
--	--	--



	<ul style="list-style-type: none"> - Address points on how this will work and how it will link into other things - What happens to the 15 that drop out every year? <p>Action: Explore opportunity for more in-house involvement to reduce need for external consultancy fees</p> <p>Action: Talk through the framework of how the landscapes work</p>	
3.	SIF2090 – ILM Jobs the Goal	
	<p>The panel was presented with a near £6M bid for a project which intends to reduce economic inactivity by funding organisations, by providing paid internships and returnships with training for over 500 economically inactive people within the LCR who face barriers to employment. The programme will take place over a 2-year delivery period.</p> <p>The panel discussed future jobs fund that was abolished. DWP report proved it work. They asked what lessons can be learnt from the evaluation and if they could take on board in modelling the programme. KD pointed out that the future jobs fund had a different target audience to jobs the goal also universal credit has changed the landscape and both should be taken into account.</p> <p>The panel deemed it useful to have a diagram to show the network of interventions. They also wanted to know the aftercare of people who do not get into employment from the programme due to the reality of the real market.</p> <p>LR would find it beneficial for future decisions and monitoring to create a database of the 500. This can be done using linkedIN profiles and also looking at other aspects such as distance travelled and time it takes to get to work.</p> <p>The panel where informed that there was no obligation for the company at the end of the 2 year period for them to pay ongoing salary and will depend on the individual.</p> <p>The panel was assured that more due diligence needs to be done on VOLA. But the audit reports that have been review have been positive.</p> <p>MBa approved of the strategic fit but wanted to know see how they expect to get business to take a longer-term view on this investment and is interested to find out what Wales have done to maintain 75%.</p>	



	<p>The panel agreed that there is an opportunity to PR to the whole private sector to say this is a chance for CSR. Timpsons was used as an example.</p> <p>PK will be suggesting a sliding scale for industries and employer, as bigger companies will not need as much support as smaller ones. The bigger companies will still want to take part of CSR and will stretch out the 6 million across more businesses. If this can't be done then the panel would like to know why.</p> <p>The panel agreed this was a good project for ESF.</p> <p>Decision: approved noting the following:</p> <ul style="list-style-type: none"> - Detail should be addressed during appraisal - Broadening the market in terms of business and PR to be taken forward - Make sure we can us lesson from it, to persuade government they should be funding for it. Pick up Future Jobs Fund is reviewed as well - What is the M&E plan, and it should be over a longer period of time than 6 months? 	
4.	SIF2092 – Digital Connect Phase 1	
	<p>MBo gave a presentation on some of the basics around Digital Connect Phase 1 followed by a more technical speech by MJ, as requested by the panel, for further discussion. The panel was assured that the panel box has been technically validated.</p> <p>The panel asked why there was such a variation price per meter since there is already work being done on the area anyway. It was explained to the panel that the variation of price per meter was due to the type of work that is currently being done in that area as some will require more involvement than others. Although some discussions are still ongoing for pricing in certain areas.</p> <p>The panel was informed that the duct can be acquired through many different supplies. Any potential disconnects will partly be covered by CA but private venture will fill in the gaps. Each project will also have a % contingency built in for unforeseen circumstances.</p> <p>There was a discussion that some areas of high economic growth looked to have been missed out but this was to allow</p>	



	<p>BT and Virgin to invest as the CA would want them involved. It was said to the panel that the joint venture partner will take ownership of the infrastructure, decide on the map and explain how it fits. The CA will be a large financial investor.</p> <p>The panel wanted to understand why there is an option for funding. It was explained that there was a risk of no joining up between ultimate route and possible stranded assets. The panel agreed to do it on a phase basis as this will allow a good trigger to come back and talk about it.</p> <p>Decision – approved noting the following:</p> <ul style="list-style-type: none"> - Address points about map/route and explain why, when joint venture partner has set this out. - Understanding how the holes get filled. - Do on a phased basis. 	
5.	TCF1016 – LCR Cycling and Walking Network Pathways	
	<p>The panel was presented with a £25.7M project for the 2nd phase of the LCWIP consists of a package of interventions on 2 corridors within the city region; 1 in Wirral and 1 in Halton.</p> <p>LR asked if there were any intention for e-scooters etc. It was being considered when looking at the Wirral.</p> <p>The panel questioned if it was to go to Go-Dutch levels. The response was somewhere in the middle as the government are too low but the Go-Dutch is the best-case scenario.</p> <p>There was a discussion on monitoring. The panel would like to know, on a consistent bases, how many people will use it and what will they use it for. The panel would also like to see evidence on what makes people use cycle lanes.</p> <p>MR insisted there must be a uniform standard, with the same standard and specification, for cycle lanes. Also, who is challenging the highways around the most cost-effective way of doing this?</p> <p>The panel agreed that creating the cycle network is necessary but not sufficient to start the cycling revolutionary other initiatives are needed such as a disincentive on car use.</p>	



	<p>PK suggested an overlay of this project with the ILM Jobs the Goal.</p> <p>Decision: Approved noting the following:</p> <ul style="list-style-type: none"> - Investigate on how to monitor usage on a consistent bases. - see evidence on what makes people use cycle lanes. <p>Action: Investigate any overlay of this project with ILM Jobs the Goal</p>	
6.	A.O.B.	
	<p>The panel agreed 4 was a good number of papers for panel and understand the reason behind the large numbers of papers received at previous panels.</p> <p>The panel found it encouraging to see central government at the panel.</p> <p>Forward any suggestions for members to add to the external panel to MBo, particularly in social investment and transport skills and inevitably female members. Advert will also be going out.</p> <p>Next panel is on the 20th of February 2020, GA25, 12:00 – 14:00</p>	

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

Dear Panel members,

Firstly, please allow me to offer my apologies for Thursday. Frank has kindly offered to join the meeting in my place.

Secondly, I would like to provide some context for this batch of papers:

- These submissions represent the final batch of papers under “SIF Round II”, the catch-all funding round that we launched in November 2018 to commit monies remaining from Local Growth Funds, Gainshare, Growing Places Funds and the “urban development fund” (all distinct devolved funding sources).
 - The sole exception to this is Runcorn Station Quarter which will receive part funding from SIF Round II and part funding from the separate, transport focused Transforming Cities Fund. Paul Buntin will be available to explain this further.
- Our objective with this round has been to balance speed of delivery with value for money. This approach succeeded, with high quality projects approved and almost £25m disbursed/for imminent disbursement. Each of you will have your preferred projects.
- The CA has approved a total of £112m in SIF Round II schemes. This exceeds the funding available. The level of funding available is driven by the performance of SIF Round I schemes, i.e. those projects approved in 2017 and 2018 under the previous methodology. Numerous approved projects have not progressed as planned or at all. Funding available depends on the prospects of strategic but delayed schemes like Cruise Liner Terminal (£20m), Halsnead (£12m) and Parkside (£24m). Their timeline for delivery remain unclear.

The CA has agreed to approve a volume of funding that exceeds funding available in order to maintain delivery momentum as previously approved schemes fall away and are cancelled. At the same time, Government is not yet clear on how it will fund economic development. It is possible that combined authorities like ours will receive fresh funding for growth at budget. It is therefore important to maintain a pipeline of delivery ready schemes for this eventuality.

We are nevertheless reaching the limit of sensible over-programming. Should you approve CLAC, Festival Gardens or the LCR Music Fund on Thursday, they will progress to the CA for a “subject to funding” approval (note that Kindred is at intermediate, outline business case stage). The CA will need to confirm this funding, once available, from:

1. Underspend in SIF Rounds I and II as projects are delayed or cancelled
2. Future SIF funding, be it the next, £150m round of core Gainshare funding or a fresh, devolved sources like previous allocations of Local Growth Funds

With metro mayoral elections coming in May, the Combined Authority will enter purdah from end March until start May and its monthly meetings for April and May are suspended. This gives a natural break for the investment team to transition from SIF Round II to SIF Round III, including:

- Updating the investment strategy to align with the City Region’s local industrial strategy which is due for launch at end March

- Securing political agreement to the investment priorities to be included whilst maintaining space for the incoming/returned metro mayor's agenda
- Agreeing the source and use of funds available for the round

We will take the Panel's advice on this and provide a comprehensive update once complete. May I therefore suggest that our March meeting proceed but our April meeting be cancelled?

Thank you as always for your time – our team finds the quality of your questions inspiring. All best,

Mark



Liverpool City Region Combined Authority – Strategic Investment Fund

Final Business Case for February 2020 Investment Panel

Project Summary Table

Name of Project	Festival Gardens Remediation and Infrastructure
Sponsor	Liverpool City Council
Nature of Applicant	Local Authority and Landowner
Economic Sector	Housing
Indicative Funding Sought	£26.9m
Indicative Funding Source/Fund	Gainshare
Location	Festival Gardens, Riverside Drive, Otterspool, Liverpool, L17 7EG Title number MS463675
Call or Commission	Call

Combined Authority and LEP Project Team

SIF Investment Team Lead	Alan Ryan
Investment Team Members	Ellie Fielding
Legal Lead	Raza Abbasi
CA Policy Input	Mark Dickens



1. Summary of Investment Team Considerations

1.1 Summary

The remediation and provision of infrastructure to the Festival Gardens Site (development zone) is a direct development project by Liverpool City Council (LCC).

LCC, as landowner and applicant, is seeking £26.9m from the Combined Authority (CA) towards remediation and infrastructure costs. Homes England (HE) has also provisionally approved a further £9.9m for the remediation costs only. As such the total remediation and generic infrastructure costs are currently estimated to be £36.8m and will be 100% public funded by HE and the CA. In addition, LCC sunk costs to date are estimated to be £11.1m (including acquisition costs).

Once these “pump priming” works have been completed, LCC propose to dispose of the site through a master land agreement (MLA) to their private sector developer partner IMGf (a JV between Ion and Midia Group). It is not anticipated that any further public funding will be required and IMGf will privately finance the delivery of c.1475 new residential units. As currently drafted, the terms of the MLA ensure that the plot disposal will only occur once IMGf evidence that funding is in place to construct the residential units.

The project was considered by the CA investment panel on 13 December 2019. It was agreed that it should proceed to Full Business Case (FBC) on condition that the following be provided as part of the FBC:

- A full detailed technical assessment of the remediation costs with an agreed specification of works;
- Confirmation of level and need for infrastructure funding;
- An assessment of the values generated from the scheme to inform likely future land receipts (as set out in the appended Heads of Terms (HoT));
- Satisfactory State aid solution;
- A full assessment of the economic impacts of the development potential of the site;
- Consideration over a future disposal strategy of the site into private sector delivery and to ensure that the objectives of public investment is protected.

Since then, the applicant and funders have agreed that there will be a tripartite legal agreement between all parties, which has been drafted by CA legal team. **HE has advised, however, that it must enter into a legal agreement by the end of the financial year to preserve its commitment to the project. Failure to do so risks amendment or cancellation and would infer reputational damage to the City Region.**

The CA investment team has worked closely with all the key stakeholders against these timescales to complete a full appraisal of the project. However, key information remains outstanding, including the final remediation and infrastructure costs, assurance that the

future development of the site is secured and the delivery programme for the residential units. This reduces the robustness of the CA diligence completed.

The Panel has three choices in response:

1. **Decline to endorse the project at all.** In this case, Homes England would seek to enter into a bilateral grant funding agreement for its £9.9m remediation grant. This choice carries one major risk: one of the most prominent housing schemes in the City Region remains undeveloped as the scheme is not viable without the CA (the HE grant falls away unless infrastructure funding in place).
2. **Decline to endorse the paper for CA consideration at this stage.** In this case, Homes England would seek to enter into a bilateral grant funding agreement for its £9.9m remediation grant, the CA would continue its diligence and enter into a bilateral grant funding agreement in several months. This choice carries two risks: first, the reputational risk to the City Region that its most prominent housing scheme is fragmented; second, the (incorrect) perception that the CA is moving too slowly in its diligence. The rate of project delivery would not be impacted because the works cannot progress without CA funding.
3. **Endorse the project with clear, timebound conditions for completion of diligence and start of works.** In this case, the CA, Homes England and LCC would enter into the tripartite grant funding agreement before financial year end and this agreement would contain the enhanced conditions to funding. This choice carries one main risk: that the enhanced conditions would not be met to CA satisfaction or in good time, leaving another significant and delayed project in the SIF portfolio.

The Investment Team prefers **choice three** and provides a list of enhanced conditions in the recommendations below. The CA would need to be clear on approval that it is willing to decommit the funds should these conditions not be met in good time.

1.2 Recommendations

The Investment Team recommends that the application be endorsed for submission to the Combined Authority in March, subject to a GFA being completed conditional upon receipt of the below within three months of CA Board approval:

1. Further review commissioned directly by the CA, of the remediation and infrastructure costs once final designs and tenders are known. LCC to under-write any costs increase from the figures in this report.
2. Satisfactory review of the final agreed disposal documentation by the CA legal advisors.
3. Satisfactory delivery programme agreed by HE, the CA and LCC.
4. Verification that land value at the point of disposal will occur at market value.
5. Independent verification that the provision of grant support remains State Aid compliant once final remediation and infrastructure strategies are confirmed, and terms of the MLA are known.

6. Satisfactory review of all other relevant legal documentation (including Remediation Contracts).
7. Confirmation from LCC Treasurer that the £11.1m sunk costs are have been incurred.

2. Project Overview

2.1 Changes since Last Submission

LCC, as the applicant, has confirmed the current request of SIF funding to be £26.9m, slightly decreased from the original £30.44m due to a £3.4m reduction in the infrastructure costs. In addition, the infrastructure programme has been accelerated and it is now expected that the remediation and infrastructure works will run concurrently. LCC consider this the most cost-effective solution.

HE and LCC have agreed the HoT for a tripartite legal agreement (which has been drafted by CA legal team). HE has now advised that it must enter into a legal agreement by the end of the financial year otherwise there are no guarantees that their funding will remain available. To meet this timing with a tripartite agreement, CA approval must be sought in March.

LCC approved the project at their 6 December 2019 Cabinet and submitted their remediation planning application. LCC also has the delegated authority to enter into the Tripartite GFA with the CA and HE and to procure a principle contractor for the scheme¹.

2.2 Project Description

LCC acquired Festival Gardens, a 90-acre waterfront site in South Liverpool, from the private sector (Langtree) in 2015. Despite achieving a consent for 1,374 homes in 2009, Langtree were unable to bring forward their development as the poor ground conditions and lack of infrastructure provision made the site commercially unviable.

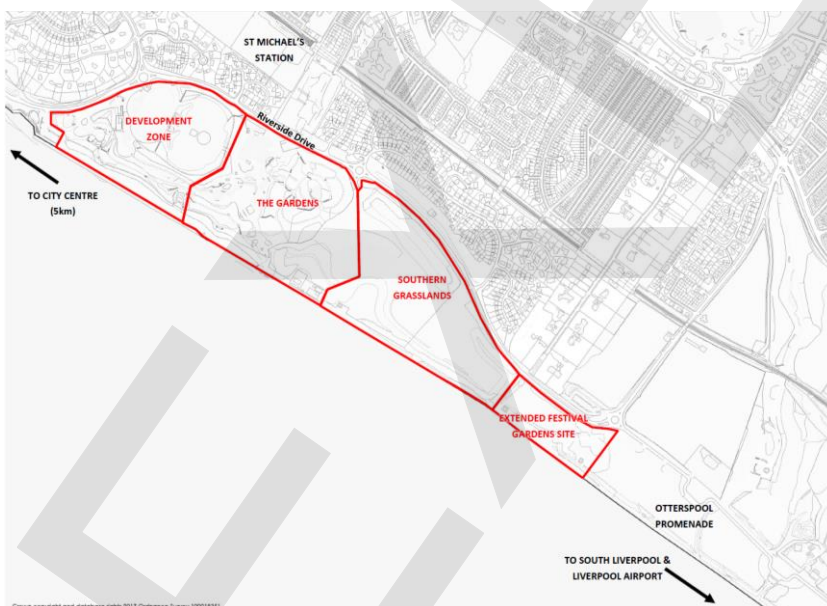


Figure 1 – Festival Gardens site

¹ <http://councillors.liverpool.gov.uk/documents/g17243/Decisions%2006th-Dec-2019%2009.00%20Cabinet.pdf?T=2>

The site was historically used as a domestic landfill and as a result is highly contaminated. Through pre-development funding, the CA supported LCC in investigation work to better understand the site's constraints. It is estimated that up to £28.34m of remediation works are required before the site can be delivered as clean developable land. An estimated additional £8.5m is required to deliver generic site wide infrastructure. This will provide for serviced plots for the new residential development.

The costs of remediation are dictated by the makeup and density of the material on site. They will also be influenced by the processing efficiency during the works and the amount of suitable material that can be retained and redistributed on site (disposal of unsuitable material makes up between 30-40% of the total remediation costs). Other remediation costs are attributed to:

- design of the detailed remediation strategy;
- site clearance and set-up;
- Excavation
- Earthworks and material processing inc disposal;
- Temporary drainage;
- Gas protection;
- management and preliminary fees; and
- site cover and landscape mitigation to areas of the Southern Grasslands that will be used for surplus material redistribution.

LCC sought CA involvement after the appointment of their developer partner, IMGf (a JV between Ion and Midia Group), following an expression of interest exercise. LCC has entered into an Exclusivity Agreement with IMGf which has produced an outline masterplan with a view to securing a long lease disposal of the site to construct c.1475 residential units. The masterplan continues to be refined.

As landowner, LCC is now seeking £26.9m from the CA for the reclamation and provision of infrastructure to 'unlock' the 27-acre Development Zone of the Festival Gardens site. Homes England (HE) has also provisionally approved a further £9.9m for the remediation costs only.

LCC has submitted a remediation planning application (19F/3136) which targets determination in Q1 2020. The infrastructure application will be submitted in May 2020 and will propose a strategy for generic power, drainage and up to two spine roads to give access across the site.

Following these "pump priming" works, LCC propose to dispose of the site through a master land agreement (MLA) to their private sector developer partner IMGf for a phased delivery of c.1475 residential units. The MLA is currently subject to ongoing negotiations between LCC and IMGf however, as currently drafted, IMGf can request to drawdown a Phase Lease of any Phase at any time providing the conditions for each phase have been satisfied and at least 80% of the units have been constructed in the prior phase. Further details will be required before the CA has comfort that IMGf will be obliged to progress in a satisfactory manner.

Due to the adverse ground conditions of the site, the proposed development will be apartment led (c.1365 apartments) with a c.110 town houses. The apartments will be configured in 20 multi-storey blocks and provide a range of one, two- and three-bedroom

units. The residential development planning application will be submitted in Q4 2020. The delivery of c.1475 units is currently targeted for completion in 2029. IMGF has commissioned an analysis of the market to advise on the unit mix and timescales for delivery. This work is ongoing.



Source: BDP architects

The City Council will retain responsibility for the enhancement and management of the Grasslands as a public resource for outdoor leisure, recreation and nature conservation. LCC have confirmed that at its cabinet meeting of 6th December 2019 an annual site maintenance/management budget of [REDACTED] was agreed to the Festival Gardens site. LCC will request an additional budget for the maintenance of the newly created landscape within the Grasslands at their March cabinet meeting.

Legal Structure

At the request of LCC, the CA has agreed to fund this via a tripartite Grant Funding agreement. HoT were agreed at Concept Stage (Appendix i) and a draft Tripartite Grant Funding Agreement (GFA) has been agreed in principle between the CA, HE and LCC (to be finalised prior to financial year end) subject to the approval of the FBC.

The HoT propose that the infrastructure costs will be repayable as a priority to the CA following the drawdown of each development plot until the infrastructure funding (£8.5m) has been repaid. Following this, any additional value will be split pro-rata between HE, the CA and LCC relative to their initial contribution. LCC has not yet agreed to this position but the investment team considers it necessary to securing value for money and equity across the City Region. Should LCC decline this position, the CA may prefer to offer remediation support only.

If this FBC is approved based on the recommended conditions, these will need to be incorporated into the tripartite agreement.

2.3 Indicative Timescales

Milestone	Milestone Activity
Submission of remediation planning application/EIA	29 th November 19
Determination of remediation planning application	10 th March 20
Submission of infrastructure planning application	May 20
Determination of infrastructure application	Sep 20
Commence site remediation	May 20
Commence infrastructure works	Aug 20
Completion of site remediation	Dec 21
Completion of infrastructure works	June 22
Commence Phase 1	Q1 22
Commence Phase 2	Q3 22
Commence Phase 3	Q3 23
Commence Phase 4	Q1 24
Commence Phase 5	Q2 26
Commence Phase 5	Q1 28
PC	Q2 29

The full delivery programme is provided in Appendix iii.

3. Strategic Case

3.1 Fit with Investment Strategy and Case For Change

This project fits with the current Investment Strategy which seeks “to ensure the supply of developable land and premises in response to existing or future demand. This means enabling site remediation...and the right supporting physical and social infrastructure...”.

The abnormal costs associated with the remediation of this heavily contaminated site have historically been a barrier to development therefore a “private sector only” solution was always unlikely to be forthcoming in the short to medium term. This has been reinforced by the Avison Young valuation report which has confirmed that there are significant viability issues which necessitate the use of grant.

As such, the market failure in this site is a significant justification for the CA to intervene. Any future increases in land value due to the intervention from the CA and HE will be realised via a claw-back mechanism following the disposal of the land.

3.2 Fit with Other Priorities

The LCC Draft Local Plan identifies the need to create 35,000 new homes over the period 2014-2033 to match expected growth in the city’s population from 470,000 to 517,000 people by 2033 and to build new homes to replace poor quality housing.

The Strategic Housing and Land Availability Assessment (SHLAA) identifies Festival Gardens for housing and the extant planning application for 1,374 homes.



This project is also in line with the Homes England Strategic Plan to 2023 to remediate land to make sites deliverable by open market developers.

The proposal falls within the SIF Round 2 Request for Submissions: “site acquisition, remediation, infrastructure and development associated with sites contained in the LCR brownfield register”.

Finally bringing forward new residential development on Brownfield sites is a national priority and supported by LCC.

3.3 Objectives

LCC aim to transform a neglected brownfield site into a modern, sustainable and accessible new neighbourhood for South Liverpool, supporting wider housing need and economic growth objectives at a City Region scale.

This project provides the following general outputs and outcomes:

Output	Outcome
Brings forward 27 acres of derelict land as a fully serviced site for development in a strategic and sustainable location	Enables the provision of c.1475 new housing units as identified by the SHLAA.

3.4 Outcomes of Options Analysis

The level of remediation required to create a commercially viable proposition on the Festival Gardens site is such that the only realistic options under consideration are:

- No SIF investment is made and a do-nothing scenario;
- SIF investment of £18.4m for only the remediation works;
- SIF supports up to £26.9 (including £8.5m for infrastructure), to support the full remediation and provision of generic infrastructure to the site.

The Preferred Option is to provide SIF investment of up to £26.9m, to support the full remediation and generic infrastructure works only. LCC now accept that this is the optimal solution and instead of it being delivered in two phases it is now proposed that the remediation and infrastructure works run concurrently. LCC has accepted that if this was not the case there would be a degree of abortive costs.

Please refer to Appendix ii for a summary of the options considered as part of the Concept Stage.

It should be noted that the options considered have only focussed on the scheme presented to the CA. The delivery structure has already been decided and LCC advise that this cannot be re-visited.

3.5 Critical Success Factors

- LCC Cabinet approval for Festival Gardens (Q4 2019) (Approved since last panel)
- Public Sector funding approvals (Q1 2020);
- Planning consent for remediation works achieved (Q1 2020);
- Remediation works contractor appointed (Q1 2019);
- Completion of remediation works (Q4 2021); and

- Site disposals and private sector led residential development Q1 2022-Q2 2029.

3.6 Equality and Diversity and Inclusive Growth

LCC is committed to social responsibility, generating jobs, training and education opportunities within communities and reducing unemployment. The LCC procurement strategy encourages all suppliers and contractors to pay the real Living Wage and to use fair employment practices. All bidders are required to complete a Fair City questionnaire as part of any tender process.

The Principal contractor for Festival Gardens is Vinci Construction UK. Vinci operates a modern slavery policy which is communicated to their supply chain and embedded into their procurement policies.

LCC are working with IMGF to ensure that Festival Gardens is as sustainable and green as possible. This includes developing power through sustainable sources including ground source heat pumps, solar and wind power. The LCC intention is for Festival Gardens to become the greenest and healthiest neighbourhood and community in the City Region, delivering on the Mayor's low carbon agenda.

4. Economic Case

An economic appraisal for the scheme has been completed in line with MHCLG guidance following Land Value Uplift methodology. This method captures the economic efficiency of converting land into a more productive use. In the case of Festival Gardens, it is the conversion of contaminated, brownfield land into residential and commercial development.

The assessment of Land Value Uplift (LVU) is based on the full delivery of housing and commercial units that is unlocked by the remediation. The following narrative is contingent on the proposed residential and commercial development taking place and should be considered against this context. The key points for consideration are:

- The development delivers Land Value Uplift of £27.2m;
- Without overage, the scheme provides marginal value for money;
- If overage exceeds £13m, the scheme will generate a BCR of 2.0, delivering reasonable value for money;
- All VfM estimates are sensitive to any changes in GDV or build costs;
- Should the scheme not deliver value for money, there remains a strong market failure rationale for intervention.

4.1 Appraisal Results

On practical completion, the Gross Development Value (GDV) of the site is £335m, based on the estimates provided by Avison Young. Once adjusted for developments costs, profits and fees, and discounted in line with HM Treasury Green Book, this gives a net discounted LVU of the Festival Gardens site of £27.2m. Based on the SIF funding request of £26.9m, the BCR of the scheme is 1.05.



Financial return will be delivered through overage as and when land receipts are generated. As a minimum we expect £8.5m to be returned to repay infrastructure costs. This will increase the BCR to 1.37. On this basis, the scheme provides marginal value for money.

If overage exceeds £13m, the scheme generates a BCR of 2.0, providing reasonable Value for Money.

It should also be noted that if development costs rise, or development value falls, based on LVU alone, the scheme is unlikely to offer any value for money.

Current Land Value (NPV)	£0
Gross Development Value (2029)	£335.6m
Land Value (NPV, 2029)	£30.2m
Gross Land Value Uplift (LVU, NPV)	£30.2m
Net LVU (less displacement at 10%)	£27.2m
BCR	1.05x
BCR (overage £8.5m)	1.37x

No adjustments have been made for deadweight, this assumes that without funding, no development would take place on the site by 2029. This assumption is reasonable, no private sector development has come forward on the site previously.

A low level of displacement (10%) has been applied. Displacement adjustments are made to acknowledge that development could crowd out other local private sector investment for new housing. Displacement is impacted inversely by demand for new housing. High demand results in lower levels of displacement. Further work is required to understand fully the demand for new housing and subsequent likely level of displacement.

4.2 Non-monetised Impacts

The scheme could deliver wider benefits which are not captured within the LVU methodology. These include first occupation expenditure, which is the initial expenditure on goods that follow a house purchase, and the attraction and retention of skilled residents in the Liverpool City Region.

A key consideration is that while the project does not deliver strong VfM, there remains a strong market failure rationale for intervention given the need to bring the land into use to meet identified housing need, and the absence of any private sector development activity on the site due to the high level of abnormal costs.

5. Financial Case

5.1 Business Plan

The delivery structure assumes that the remediation and strategic infrastructure costs will be met through the public sector with any uplift in values being captured through subsequent disposal. As such there is no business plan in place, just key variables (costs and values) which will dictate grant levels and potential future returns.

The CA continues to assess these variables to justify the proposed investment of £26.9m. Several external industry specialist consultants have been engaged to review the costs and proposed valuations. Their findings are now summarised below.

5.1.1 Cost Appraisal

Homes England (HE), as joint funders of this site to the value of £9.9m², commissioned a review of LCC's remediation strategy by White Young Green, which is based on the IMGF masterplan for the site. Although the strategy is confirmed to be appropriate for the ambition for the site and that the *indicative costs* were within the expected parameters (10-15%) of current market values, the CA has not been provided with detailed costs for the remediation nor the infrastructure works. Any decision should be considered 'pre-tender' with a final schedule of works required before funding is released.

In addition, the State Aid solution depends upon the remediation and infrastructure being considered generic. A full review of the final arrangement will be required to ensure the works are still considered generic.

5.1.2 Valuations

LCC appointed Avison Young Chartered Surveyors in December to undertake a full Red Book Valuation of the site in its current form, once remediated and with generic infrastructure in place as well as a market assessment of the likely demand. Although these valuations will not be included in the final GFA with LCC ('Market Value' will be determined at the point of disposal), this report enabled the CA to model the likely economic outcomes for the site.

Due to the unique nature of the site and fact that it is apartment led with a relatively low density because of the adverse ground conditions, these valuations have been based on the residual value of the site, predicated on the IMGF masterplan. AY has stressed that there are no floor plans or elevated drawings for the development at this stage and therefore any assessment of GDV is by necessity at a high level.

AY propose the following values for the site:

- Current condition - £Nil
- On the special assumption it has been fully remediated - £2.685m*
- On the special assumption it has been fully remediated and serviced to facilitate the proposed residential development - £11.145m*

*This is on the special assumption that the commercial space in one of the blocks will be let to a national multiple at the Market Rent for a term of 15 years.

² The HE grant is subject to proof of infrastructure funding therefore in order to unlock their £9.9m funding these costs will need to be included in the SIF ask or covered by the private sector. The developer has advised that they do not have the funding in place to deliver the site wide infrastructure costs upfront, instead they would provide infrastructure on a plot disposal basis. This would deliver a piecemeal approach to infrastructure which would be dependent on the market.



Residual valuations are by nature highly sensitive to changes in the variables adopted and a large number of these are yet to be formally assessed therefore any changes from the assumptions provided will impact significantly on the valuations.

5.2 Funding Sought and Proposed Key Terms

Based on the appraisal and subject to the conditions a sum of £26.9m in grant funding is required from the SIF. At this stage, any CA funding will be conditional upon:

1. A further review, commissioned directly by the CA, of the remediation and infrastructure costs once final designs and tenders are known. If costs increase from the figures in this report then LCC to cover.
2. Satisfactory review of the final agreed disposal documentation by the CA legal advisors.
3. Satisfactory delivery programme agreed by HE, the CA and LCC.
4. Verification that land value at the point of disposal will be at market value.
5. Independent verification that the provision of grant support remains State Aid compliant once final remediation and infrastructure strategies are confirmed, and terms of the MLA are known.
6. Satisfactory review of all other relevant legal documentation (including Remediation Contracts)
7. Confirmation from LCC Treasurer that the £11.1m sunk costs are have been incurred

	LCC & Others	Requested from SIF	Total
Equity		-	-
Grant	£9,900,000*	£26,900,000**	£36,800,000
Other	£11,100,000***		£11,100,000
Total	£21,000,000	£26,900,000	£47,900,000

*Homes England funding was approved in principle in February 2019, subject to contract and completion of pre-conditions (related to basic due diligence requirements).

** £18.44m in remediation and £8.5m in infrastructure if infrastrucute finding which thus far cannot be evidenced from the private sector

***Liverpool City Council Funding has been approved and incurred on land acquisition (£6.2m) & site investigation works (£4.91m). These are sunk costs.

The HE grant is time limited with the entirety of their funding needing to be committed by March 2021, therefore the parties have agreed that if funding is approved, the HE grant will be drawn down as a priority. The drawdown of the CA grant is expected to commence in Q2 2021 and be fulfilled Q3 2022. Appendix iv shows the spend profile for the remediation and infrastructure works.

7. Commercial Case

7.1 Risks and Mitigation

Risk	Probability & Impact	Potential Mitigation
Failure to deliver the residential units	Probability – Medium Impact - High	<p>As well as the remediation works, the CA are intervening in providing funding for the site wide generic infrastructure. Funding the infrastructure should significantly de-risk the site once it is passed to LCC developer partner IMGF.</p> <p>However, to date the CA legal team have not seen the final Master Land Agreement and therefore there remains a risk that given the nature of the “land deal” IMGF cannot be compelled to deliver any or all the residential units in the agreed timeframe.</p> <p>The CA are currently engaging with Freeth’s solicitors to review the ‘evolving’ MLA with a view to confirming the risks of delivery. A further assessment can be made once the MLA has been finalised with recommendations as to how the remaining risks can be mitigated.</p> <p>The valuation report has highlighted that deep pile foundations will be required across much of the site, the exact piling costs are yet to be defined and therefore need to be considered as part of the disposal agreements within the MLA.</p>
Homes England funding is withdrawn	Impact – High Probability - Medium	<p>HE funding is time limited and because of their programming requirements must enter into a GFA before the end of March 2020.</p> <p>We understand HE funding is conditional on them being comfortable with the delivery rates of the residential units.</p> <p>If the delivery rates are outside the scope of their original approval, then HE will need to seek internal agreement to revise the programme. If this is not forthcoming, then the funding could be withdrawn. We await HE confirmation on this.</p> <p>HE also has a requirement to defray all expenditure no later than March 2021. To assist it is proposed that HE will fund the first £9.9m of qualifying expenditure with SIF funding being</p>



		provided thereafter. This assists their cashflow, which has already slipped.
Challenge arising from delivery structure	Probability – Medium Impact - High	<p>LCC's selected developer IMGF has been identified via an expression of interest rather than an OJEU process, on the basis of a land disposal.</p> <p>To mitigate this LCC are putting in place a Master Land Agreement which will stipulate as far as possible conditions which must be satisfied prior to any disposals. The MLA remains work in progress with key agreement still to be reached with IMGF.</p> <p>The CA legal team will review the final MLA to ensure that the public sector investment is protected with controls in place once the site moves into private ownership to protect the upfront investment.</p> <p>It should be noted that as the 'opportunity' has not been subject to an OJEU public procurement then there is a risk that another party may challenge LCC appointment of IMGF. The likelihood and impact of this are uncertain but the CA should be aware of the possibility.</p>
State Aid	Probability – Low Impact - High	<p>LCC have commissioned DWF to advise on state aid implications. DWF have provided a joint opinion to the CA.</p> <p>DWF advise that as long as LCC's remediation and infrastructure works are generic and the land transactions are 'arm's length' with market values being achieved then they consider the scheme to be state aid compliant.</p> <p>The state aid advice has been reviewed and accepted by both the CA and HE legal teams. Nevertheless, the question of fact as to whether the infrastructure works are generic is not a legal question.</p>
LCC delays / fails to complete remediation & infrastructure works	Probability – Low Impact - Medium	<p>LCC will have a strict tripartite GFA with HE and CA which will set clear timeframes for delivery of both the remediation and infrastructure works. Failure to meet these milestones will be an act of default in the GFA.</p>

		<p>However it should be noted that LCC development team has experience of delivering large scale projects of this nature (including SIF funded remediation works at Pall Mall and Paddington) and this is a priority project for the team.</p> <p>In terms of the delivery of the residential units whilst this is not a direct output for the CA (and cant be directly controlled), it is a direct requirement for HE. As such LCC could be obliged to deliver the units by HE by a date yet to be agreed.</p>
Cost overruns	Probability – Medium Impact – Medium	<p>The CA have contributed pre-development funding to remediation trials which will provide more certainty to the remediation strategy and its associated costs.</p> <p>Under the GFA, LCC will be required to underwrite all cost overruns for the remediation and infrastrucutre works.</p> <p>It should be noted significant overruns could exhaust LCC's committed funds, stalling the project or requiring further investment from the CA/HE. However the remediation strategy has been indepenedently tested by HE consultants who believe that the most likely scenario is that the costs will decrease.</p> <p>The CA propose a further independent verification of final remediation and infrastructure costs once final specifications are in place.</p>
Planning objections to the remediation application -	Probability – Low Impact - High	<p>LCC have received Council advise on planning risk and are undertaking regular Councillor briefings.</p> <p>The CA and LCC teams will ensure a joint Comms Strategy with IMGf.</p> <p>It should howver be noted this is a high profile site in the city region which does have some support from local groups to be reatined as green space.</p>
Market conditions make it unviable to deliver	Probability – Low Impact - High	<p>LCC have advised that their developer partner IMGf, have commissed a report from Savills on the market demand for the delivery of the quantum and type of units proposed over the</p>



residential development		course of the MLA. This report has not been completed.
-------------------------	--	--

7.2 Diligence and Legal Commentary

This is a major project for the City Region. The CA must satisfy itself that the public sector investment is protected and any uplift in land values are retained by the public sector.

The CA have appointed legal advisers, Freeths, who have commented on the robustness of the MLA between LCC and IMGf. In brief, Freeths conclude that, at present, the MLA is incomplete and requires a substantial number of points to be agreed between LCC and IMGf. Specifically, the following risks have been identified:

1. The delivery of the end use development cannot be guaranteed – the CA and HE will want to see housing development beyond the remediation and infrastructure works. On the other hand, IMGf will not want to be obliged to carry out any phase of the end use development unless it is commercially viable;
2. The whole or part of the development does not proceed or is substantially delayed following payment of the grant;
3. LCC does not enforce the obligations of IMGf to make progress in satisfying the conditional elements of the MLA;
4. At present, the MLA is incomplete and requires a substantial number of points to be agreed.

Freeths has suggested actions and drafting in relation to the MLA to mitigate the above but note that progress on that is dependent on the co-operation of LCC and IMGf.

8. Management Case

8.1 Deliverability and Leadership

This is a direct development project by LCC who own the site. LCC is the applicant for public funding and will manage the enabling and infrastructure works contracts.

LCC has entered into an Exclusivity Agreement with IMGf to bring forward the future construction of the houses.

The LCC team has previous experience working on delivering the Pall Mall remediation scheme to facilitate future office development. This is part funded by £3.85m of SIF grant. They have also received a £12m SIF grant to support the regeneration of Paddington Village.

In terms of their future developer of the housing LCC have a successful track record of delivering major regeneration schemes across LCR. Examples include the office development at Mann Island and regeneration of Lime Street. Team members from MIDIA were also involved in the delivery of Estuary Commerce Park in the late 1990s.

8.2 Dependencies and Permissions

An extant planning consent exists for this scheme. The remediation planning application is due for determination mid-March and the infrastructure works application will be submitted as a S.73 amendment to this. A new residential planning permission will be required for the scheme which increases the bulk and mass for the development, this is due to be submitted by IMGF in September 2020.

A condition of the HE grant is that the housing units are delivered faster than Market pace. This is currently defined to be at a rate of 15.2 units per month. The HE grant therefore is predicated on a 98.6 month programme.

9. Further Considerations

9.1 State Aid

State Aid advice has been provided under a joint letter to the CA and LCC from DWF. The proposed project represents 'no Aid' on the basis that the remediation and infrastructure is generic and that the site is disposed of to the market in an arms-length transaction. This is a recognised method of verifying open market value, which does not require that an open and transparent competition be held to confirm the market value.

The fact of there being an identified future purchaser should not compromise this, provided it is carefully verified that the site preparation works are not bespoke to requirements issued by the proposed purchaser that would not reasonably be useful and/or required by any prospective purchaser.

However, given the size and scale of the State funding, there is a risk of a future audit or challenge of the State Aid. Therefore, the final scope of works will need to be verified as generic and full valuations at the point of disposal will be required.

9.2 Outstanding Issues and Conditions to Funding

A Grant Funding Agreement has been drafted based on the Heads of Terms. It is recommended that it should include a number of conditions precedent to funding being drawn down. These are:

- Agreement on Remediation costs – These continue to be refined and actual costs will be dependent on the amount of material that can be retained on site. As such whilst WYG have indicated that remediation costs could be up to £28m, final costs could be less once the final design and tendering has been completed, As such it is proposed that the CA will engage a QS to confirm the final reclamation costs once final designs are known and tenders complete.
- Agreement on Infrastructure costs – As LCC have only recently advised that they are bringing the infrastructure works forward to run concurrently with their remediation contract (rather than a later phase) we have not had time to instruct an appraisal of such as part of the due diligence process. As such, it is recommended that the QS is also asked to confirm that the final infrastructure costs are reasonable and indeed considered generic.



- Agreement on LCC 'sunk cost' - As LCC is a public body, these have not been independently verified, however the CA will require confirmation from LCC Treasurer that the £11.1m sunk costs are reasonable;
- Planning consent for both the remediation and infrastructure works;
- Confirmation that the remediation and infrastructure strategies remain State Aid compliant;
- Independent verification of land values at the point of disposal to IMGF;
- Satisfactory review of the final agreed disposal documentation by the CA legal advisors;
- Satisfactory delivery programme agreed by all parties;
- Satisfactory review of all other relevant legal documentation (including Remediation Contracts)
- Certainty that the conditions in the Master Land Agreement between LCC and IMGF have been satisfied enabling progression of the project.

Appendix i – Term Sheet



Appendix ii – Options Appraisal

Option	Description	Advantages	Disadvantages
Do nothing	The project will be unable to proceed despite commitment from HE. Delivery will be dependent on future market conditions and developer appetite.	No grant funding will be committed by the CA. This could be used to fund other projects which may be via a loan.	No housing unit delivery outcomes will be realised, and pressure will increase to develop more viable greenfield sites; Reputational issues for the CA who will be seen as halting development despite previous commitments from HE and LCC
Fund Remediation only	CA commits to grant funding of remediation works only	Enabling works delivered to prepare site for developer led residential scheme. £9.9m grant from HE committed in principle. Overage provisions will ensure VFM for the CA for any uplift in land value	Significant infrastructure works still required to service the development land. In the absence of private funding for the infrastructure the CA should expect further applications for SIF funding to enable this development. Jeopardises HE investment as they require evidence of how the infrastructure will be funded.
Fund both remediation and infrastructure (THE PREFERRED OPTION)	CA commits to provide grant funding for remediation and infrastructure, drawn down in two phases but through one GFA.	LCC receives grant commitment at outset – security of progressing all pump priming works. Increased potential for uplift in land values. Assists placemaking in that generic infrastructure is provided upfront.	Commitment of £26.9m SIF funding required as grant. No guarantee that the housing units will be delivered. Is dependent on market conditions at the time LCC dispose of the site.

Appendix iii – Delivery Programme



Appendix iv – Funding Drawdown



FESTIVAL GARDENS

DRAFT

Indicative Terms for the Provision of Funding from the Liverpool City Region Combined Authority

November 2019

1. Project Definition	
Project	Completion of Remediation Works and, subject to an agreed commercial need and the agreement of terms by the parties, on-site Infrastructure Works to facilitate the development of circa 1,480 housing units plus ancillary uses and the creation of [8] acres of public parkland, on the Development Zone of the site known as Festival Gardens shown edged red on the attached plan. [Plan to be appended].
Remediation Works	Reclamation and other associated works, to be agreed by the Funder, required to deliver a fully remediated site for future housing development. Please see area for remediation on plan. [plan to be appended]
Infrastructure Works	Construction of on-site generic infrastructure, servicing and other works, to be agreed by the Funder, required to deliver a fully serviced site for future housing development.
Approved Use	The use of the Development Zone (identified on the attached plan) for a period of 20 years post Practical Completion as a residential development plus, subject to the prior written consent of the Funder, ancillary uses including but not limited to: community, retail, leisure and educational use.
Market Value	<p>On the date of the disposal the market value as defined in the then current Practice Statement Number of the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards as varied from time to time and including the value of the reversionary interest in such of them as have been disposed of and on the following further assumptions:</p> <ul style="list-style-type: none"> (a) the property (or relevant part) is sold subject to and with the benefit of any subsisting leases but otherwise sold free from all charges and other encumbrances; (b) LCC has good and marketable title; (c) all necessary consents have been obtained;



	<p>(d) any damage has been made good;</p> <p>(e) the property has the benefit of all the easements and rights necessary for the beneficial use and occupation of it;</p>
2. Project Parties	
Sponsor	Liverpool City Council ("LCC")
Sponsor Status	Local Authority
Funder	The Liverpool City Region Combined Authority ("the CA")
Co-funder	Homes England ("HE"; the CA and HE together are the "Funders")
Funding Documentation	Tripartite funding agreement between the Sponsor, Funder and Co-funder.
Contractor	To be confirmed – subject to contractor procurement.
3. Structure	
Funders' Contribution	<p>A proposed commitment for the Remediation Works of up to £[28,116,281] to be provided by the Funders, comprising:</p> <p>Remediation Works Sum - Funder Contribution - up to £[18,200,000]</p> <p>Provisional Infrastructure Works Sum - up to £[12,400,000]</p>
Drawdown	On terms contained in Grant Funding Agreement as agreed by the parties
Sponsor Provided Funds	The contribution and expenditure to date by the Sponsor in relation to the facilitation of the future development of the Development Zone of Festival Gardens site, in the sum of up to [£12,000,000.00]. Subject to independent evaluation.
Co-Funder Provided Funds	£9.9m for Remediation Works, subject to agreement
4. Contractual Project Milestones	
Remediation Works Start Date	April 2020
Remediation Works Practical Completion Date	<p>October 2021</p> <p>The parties note the Remediation Works will take 75 weeks</p>



Infrastructure Works Start Date (if applicable)	tba
Infrastructure Works Practical Completion Date (if applicable)	tba
Housing Development Start Date	January 2022
Housing Development Completion Date (Output Completion Date)	December 2030
5. Steps to Contracting	
Due Diligence Requirements	<p>Outstanding due diligence requirements anticipated to include:</p> <ul style="list-style-type: none"> • Independent verification of all costs • Independent verification of land values • Satisfactory technical diligence and reasonable certainty on cost limits, to inform <i>inter alia</i> phasing of drawdown • Satisfactory demonstration of public value through appraisal for Remediation Works and Infrastructure Works funding • Report provided by LCC that the provision of grant support is State Aid compliant (note HE requirement for independent opinion) • Funders' satisfaction with all Disposal Documentation • Satisfactory review of all other relevant legal documentation (including Remediation Contracts)
Pre-signing Conditions	<p>Funders' reasonable satisfaction that Project can be completed, and outputs met, in line with funding documentation (and covenants in particular). The Parties will work together in good faith to assess the commercial need, economic benefits and structure of any provisional Funder Contribution towards the Infrastructure Works and will in good faith negotiate to agree terms on such works.</p> <p>Satisfaction of the Funder with the Development Agreements and Disposal documentation.</p>
6. Financing Covenants and Requirements	
Security	<ul style="list-style-type: none"> • Restriction on Title in respect of the Development Zone relating to development performance (performance covenant via Deed of Covenant for future land owner) and prohibiting disposition unless there is written confirmation signed by all parties stating that the provisions relating to Land Receipts (discussed below)

	<p>have been complied with or do not apply and written confirmation is not to be unreasonably withheld or delayed. Parties to agree form of written letter for consent and append to GFA.</p> <ul style="list-style-type: none"> • Restriction on title to be removed from relevant part of Development Zone title when consideration for each phase disposal is paid to Sponsor on disposal (or as soon as reasonably practicable thereafter) and relevant Land Receipts received by the Funders. Consideration will be remitted/divided between the Funder, Co Funder and Sponsor in shares pro-rata to their contributions. • Satisfaction with public sector approach to collateral warranties [and step-in from remediation contractor, construction contractor, project manager and professional team]
Programme Requirements	<ul style="list-style-type: none"> • Remediation Works to commence no later than the Remediation Works Start Date • Practical Completion of Remediation Works to have occurred no later than the Remediation Works Practical Completion Date • Infrastructure works to commence no later than the Infrastructure Start Date • Practical Completion of Infrastructure works to have occurred no later than the Infrastructure Practical Completion Date • Construction of residential units to have commenced no later than Housing Development Start Date • All reasonable efforts to secure completion of Project Outcome by no later than the Housing Development Completion Date
Financial Covenants	<ul style="list-style-type: none"> • All cost overruns to be met by the Sponsor • All cost savings to be shared pro-rata with public sector contributions
Performance Covenants	<ul style="list-style-type: none"> • TBA - subject to review of Disposal Documentation and legal delivery structures. <p><i>Where possible the CA would expect inclusion of performance covenants between the Funders and any future landowner.</i></p>
Evaluation and Monitoring	<p>The Sponsor to agree an evaluation and monitoring plan and progress monitoring reports with the Funder to measure outputs, outcomes and impacts.</p>
Project Outputs	<p>By the Infrastructure Works Practical Completion Date, the Sponsor must deliver the 22 acre, fully remediated and serviced site as shown edged red on the attached plan. [Plan to be attached.]</p>
Project Outcomes	<ul style="list-style-type: none"> • The Sponsor must use all reasonable endeavours to work with the developer in the delivery of 1,480 housing units

	(subject to confirmation given diverse views on density of current plans)
Conditions Precedent to First Drawdown	<p>Initial Draw down for Remediation Works</p> <p>To include:</p> <ol style="list-style-type: none"> 1. All legal documentation finalised and entered into 2. Disposal documentation in final format to the satisfaction of the Funders 3. The Monitoring Surveyor's Appointment in place 4. Satisfactory completion of Due Diligence 5. State Aid compliant route identified and verified by the Sponsor and confirmed as agreed by the Funder and Co Funder 6. Satisfaction of all pre-commencement planning conditions 7. Confirmation of appointment of the members of the Professional Team 8. Copies of all relevant Authorisations and Contracts 9. Certificate of Title provided 10. Restriction on Title registered 11. Satisfactory demonstration of ability to deliver the Infrastructure Works (including appropriate funding solution) <p>Draw down for Infrastructure: To include</p> <ol style="list-style-type: none"> 1. Confirmation of the commercial need and public value of the Infrastructure Works
Events of Default	<p>To include:</p> <ul style="list-style-type: none"> • Incorrect or misleading representations • Misuse of Grant • Change to Sponsor Status • Security • Obligations unlawful or unenforceable • Unlawful State Aid finding • Enforcement of Security • Creditors Process • Material Adverse Change • Insolvency • Rescission or Repudiation • Cessation of Business • Compulsory Purchase • Proceedings • Contractor Insolvency • Change of Control • Failure to achieve Project Outputs and Outcomes

Publicity	<p>The Sponsor shall comply with the Funders' publicity guidelines.</p> <p>This includes for the CA:</p> <ul style="list-style-type: none"> • Inclusion of the CA logo on site hoardings, and publicity materials • Agreement to all press releases, including social media <p>This includes for Homes England:</p> <ul style="list-style-type: none"> • Inclusion of the HA logo on site hoardings, and publicity materials • Agreement to all press releases, including social media
Governing Law	English Law
7. Disposals	
Disposal	<p>Disposal by the Sponsor to a single developer by way of Phased Leases upon satisfaction of conditions precedent pursuant to a Master Land (Option) Agreement.</p> <p>Disposal to proceed with Funder and Co Funder consent (not to be unreasonably withheld or delayed and to be made in accordance with the Approved Use and at Market Value (noting the Sponsor's requirement to obtain best consideration under s.123(2) Local Government Act 1972), under mechanism approved by Funders (acting reasonably).</p>
Land Receipts	<p>Remediation Returns: Proceeds on Disposal to be shared pro-rata with Sponsor, Funder and Co-Funder based on funding contributions.</p> <p>This option assumes a single calculation of Market Value at the time of each phase disposal.</p> <p>Infrastructure Returns: proceeds on Disposal distributed in order of priority: cost of Infrastructure Works; Remediation Works.</p> <p><i>The decision and agreement between the parties as to the Infrastructure Work should follow analysis inter alia of whether Phase 2 Works are necessary to secure housing delivery; whether the private sector can reasonably fund Infrastructure Works; and whether procurement or State aid regulations suggest a single or split Disposal approach.</i></p> <p><i>Important for the CA is that all public funds share alignment towards 1) securing housing delivery and 2) maximising Land Receipts. It is therefore sensible to share Disposal proceeds rather than have one party receive its money back and have no further interest in balancing our objectives.</i></p>



	No time limit shall be applied on Land Receipts.
--	--

This document does not constitute a commitment or an offer to commit to any transaction or financing by The Liverpool City Region Combined Authority. The entering into such a commitment or the making of such offer is subject to, inter alia, approval by the Combined Authority, satisfactory completion of due diligence, availability of funds to the combined authority and execution by the Borrower of legal documentation acceptable to the Combined Authority.

This page is intentionally left blank

[illegible]

This page is intentionally left blank

WP Ref.		Main Works (Provisional)		May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
	MAIN CONTRACT WORKS (Provisional)																								
22	Remediation - Main Contract works as assumed ARUP budget (excluding PCSA works and c	28,300,000		450,000	650,000	850,000	1,363,544	1,363,544	1,363,544	1,363,544	1,363,544	1,363,544	1,363,544	1,363,544	1,363,544	1,363,544	1,363,544	1,363,544	1,363,544	1,363,544	1,363,544	1,363,544	750,000	550,000	350,000
23	Infrastructure - Main Contract works as assumed ARUP budget (excluding on costs)	8,500,000												150,000	250,000	325,000	860,714	860,714	860,714	860,714	860,714	860,714	860,714	325,000	275,000
	Main Contract Works (Provisional) Total	36,800,000		450,000	650,000	850,000	1,363,544	1,363,544	1,363,544	1,363,544	1,363,544	1,363,544	1,363,544	1,513,544	1,613,544	1,688,544	2,224,259	2,224,259	2,224,259	2,224,259	2,224,259	2,224,259	1,610,714	875,000	625,000
	ON COSTS																								
	Design & Professional Fees																								
	Fixed Price																								
	Bond																								
	Vinci Insurances																								
	Contingency	5%		22,770	32,890	43,010	68,995	68,995	68,995	68,995	68,995	68,995	68,995	76,585	81,645	85,440	112,547	112,547	112,547	112,547	112,547	112,547	81,502	44,275	31,625
	Overheads & Profit																								
	PAGABO Fee	0.9%		4,508	6,511	8,515	13,660	13,660	13,660	13,660	13,660	13,660	13,660	15,162	16,164	16,915	22,282	22,282	22,282	22,282	22,282	22,282	16,136	8,765	6,261
	Monthly Total																								
	Cumulative Total																								

This page is intentionally left blank



Liverpool City Region Combined Authority – Strategic Investment Fund

Concept Outline Case for February 2020 Investment Panel

Project Summary Table

Name of Project	Kindred
Sponsor	Power to Change
Nature of Applicant	Charitable Trust
Economic Sector	Community development
Indicative Funding Sought	£5.5m
Indicative Funding Source/Fund	Gainshare
Location	Liverpool City Region
Call or Commission	Call

Combined Authority and LEP Project Team

SIF Investment Team Lead	Jo Leek
Investment Team Members	Antonia de Winter, Mark Elliot, Ben Heywood
Legal Lead	Gareth Burroughes
CA Policy Input	John McGee, Katie Dean, Adrian Nolan, Olly Martins



1. Summary of Investment Team Considerations

The project is for the provision of a social investment and business support vehicle to help grow the social economy in the Liverpool City Region (“LCR”). Power to Change are acting as the project sponsor and have been working collectively with Helen Heap from Seebohm Hill and Erika Rushton from Creative Economist.

The project has been awarded pre-development funding to develop the business case which is expected to be completed by March 2020. The aim is for Kindred to launch in Summer 2020 with around £6m of funding for the period 2020 to 2023. The aspiration is to have £10m invested in the vehicle by 2021/22.

During the initial phase post launch, the project sponsor will be testing market demand whilst simultaneously continuing to fundraise from other social investors. The initial 12-month period will be used to test the vehicle and review and amend as appropriate. This will be reflected in any legal agreement.

The project has a number of key benefits for the LCR. It will help LCR Combined Authority (“the CA”) to overcome some of the systemic and entrenched societal issues faced by the region’s residents. It will achieve this by scaling up and scaling out successful socially trading organisations business models.

The Metro Mayor announced the CA’s commitment to support the project, subject to a satisfactory business case at the Power to Change conference on the Wirral in October 2019. Social investment and the social economy are also likely to be reflected in the Local Industrial Strategy (LIS) to support the CA’s inclusive growth ambition. The CA also has a Principles of Engagement agreement in place with Power to Change to support the co-development of the vehicle. To date, this work has included input into the theory of change and also the governance structure.

The investment team recommend that this project is endorsed and move to FBC stage.

2. Project Overview

2.1 Background

There is a significant amount of research and evidence that Socially Trading Organisations¹ (“STO’s”) play an important role in the LCR economy, accounting for 1 in 10 jobs. This is particularly the case in more deprived areas. Despite this, STO’s do not have the same access to finance and business support to start-up or to grow their economic and social impact as their mainstream private sector counterparts. There is a

¹Socially Trading Organisations are those companies that set out to deliver social benefits and trade commercially including community businesses, community land trusts, community interest companies, social enterprises, cooperatives and some mission-driven limited companies, family businesses and local ventures who demonstrate their social purpose through their business behaviours. It does not include more traditional charities who rely solely on grant income or those organisations who export profits from a locality.

strong case to meet this need to support the CA's LIS, in particular more inclusive growth and a larger social economy.

2.2 Project Description

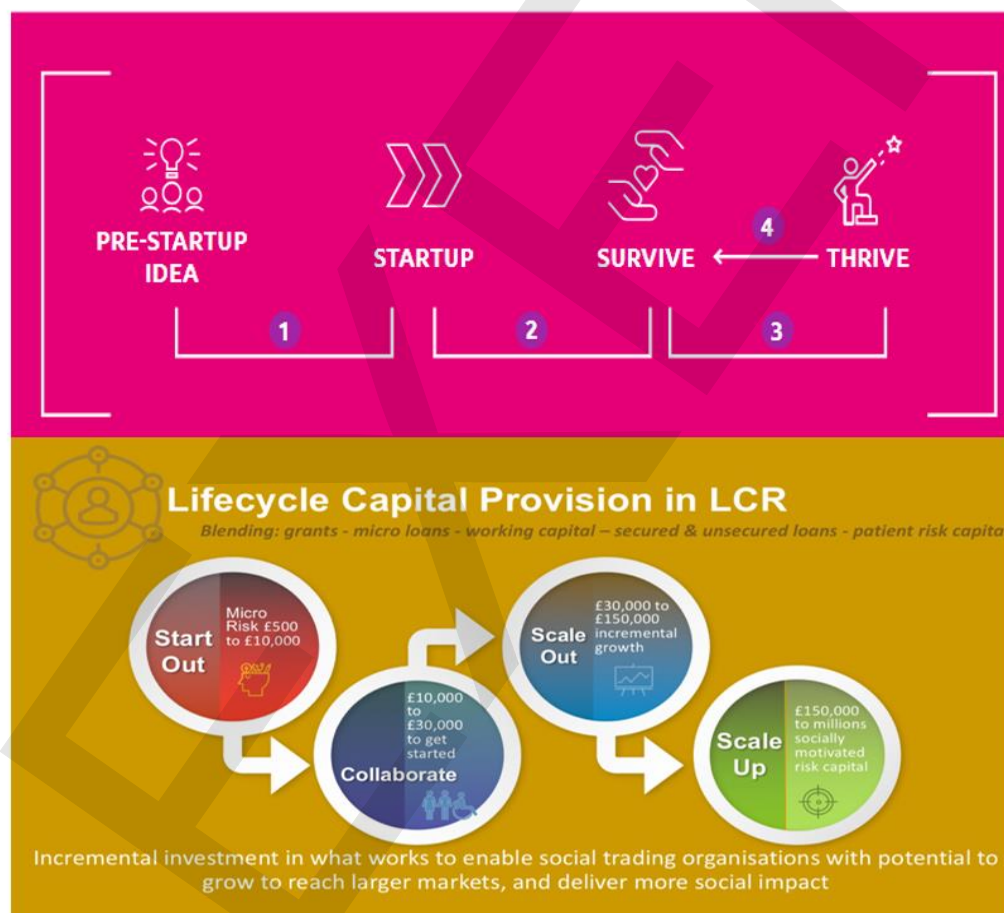
Project Summary Description

Kindred will bring together national and local social investment funders and partners to provide loans, blended funding (loans and grants) and alternative business support to STO's via the Cycle by Capacity (CC) approach. The ask of the SIF is an initial £5.5m to establish a new investment vehicle to support the growth of the social economy across the LCR.

The vehicle aims to complement the existing social investment and business support landscape in the City Region. Figure 2-1 demonstrates the life cycle stages of STO's and the capital provision needed at each stage.

Kindred will work in two additional key areas that will support the growth of the social economy in the LCR. Firstly, they will provide tailored business support to organisations seeking funds, that compliments existing business support already available. Secondly, Kindred will support the long-term transfer of assets, for example unused council buildings or land from Local Authorities in each of the six LCR boroughs.

Figure 2-1 STO Life Stages & Related Social Investment Overview



Sources:

Life Stages
Cycle by
Capacity:
Public
Service
Lab, 2019

Capital
Provision
Cycle by
Helen
Heap,
Seebohm
Hill, 2019



Sponsor and Stakeholders

Power to Change can support the project for up to four years due to its national set-up and commitment to support the community business sector across the LCR. They have pledged up to a £10m investment for the LCR during 2015-2022 as part of their national place-based strategy with a £1m commitment for this project. Across the LCR they have invested £4.2m via 52 awards in community businesses, supported 12 start-ups and supported 4 community businesses with blended funding.

Legal Structure

Work is currently underway to establish Kindred as a legal entity driven by the 'working group' described in the summary above and Section 7. Power to Change are the interim project sponsor whilst the legal entity is established. Once a new legal entity has been setup, the mobilisation of activities will then be handed over from Power to Change to the new entity. The governance structure of the vehicle is currently in development and will be finalised at the full business case. The legal entity for Kindred is likely to be a CIC or Community Benefit Society. Further details can be found in Paragraph 7.2 and in the draft Heads of Terms provided in Annex 1.

Development and Operation

2.3 Indicative Timescales

Implementation Milestone	Target
Concept paper submission	February 2020
Full business case submission	March/April 2020
CA approval	June 2020
Mobilisation of activities	July 2020

3. Strategic Case

3.1 Fit with Investment Strategy and Case for Change

The strategic rationale for supporting this project is that the social economy can help solve some of the entrenched societal issues within the LCR whilst creating economic value in terms of jobs and turnover. Generic business support has not been appropriate to enable the social economy to grow and scale to its full potential. The provision of more flexible, and patient capital combined with tailored support can unlock the potential of the sector's contribution. This contribution is expected to be economic growth and the sectors ability to disrupt systemic societal challenges.

LCR is home to national, award-winning socially trading organisation ("STO's") exemplars such as Granby 4 Streets CLT, Homebaked, Baltic Creative and SAFE Regeneration. Evidence suggests it is the many small, community, social and homegrown businesses

that have significant capacity to deliver the city region's inclusive economy ambition.

The Heseltine Institute and Capacity Lab have conducted research into the social economy in the LCR. The research demonstrated the need for more flexible and tailored support for STO's than their comparative private sectors partners. 75% of STO's collaborate with their peers which was shown to increase social innovation and market disruption. Studies suggest that STO's often struggle to access appropriate levels of support due to funding being insufficient, unacheiveable covenants or being an incompatiable business entity for the funder. There need is for there to be more support that compliments rather than competes with existing provision in the LCR. Collaborating Communities² ("CCs") have successfully increased enterprise and improved productivity in areas where low value, low productivity and high unemployment have persisted despite regeneration programmes spanning decades.

A full economic assessment is being conducted by Social Finance. Social Finance is a not for profit organisation that partners with the government, the social sector and the financial community to find better ways of tackling social problems in the UK and beyond. This assesment will be available for the next panel stage. The direct and indirect benefits of Kindred are expected to be:

- Growth of the social enterprise sector, specifically STO's through scale up and scale out;
- Demonstration of how inclusive growth can be achieved, particularly in deprived communities;
- Job creation;
- Improved the quality of lives for the LCR residents through social disruption and placed-based intervention;
- To help promote the LCR's national position as a leader in social economy support; and
- Strengthening the case for increased social impact investors to invest in the LCR, either through this vehicle or in additon to it.

3.2 Fit with Other Priorities

The vehicle will help to meet the following local, regional and national priorities:

- LCR is one of the three priority areas for Power to Change's place-based strategy;
- DCMS are currently exploring how to better support the social economy nationally. There is recognition across all political parties of the important role the social economy plays; and

² Collaborating Communities can emerge in marginal and isolated communities and enable individuals and micro businesses to overcome the limitations of smallness through mutual support and collaboration. Like industry clusters they provide a growth-friendly ecology but tend to be organised around a place, cause or community of interest rather than an industry sector.



- The vehicle will help support an inclusive economy and help address some of the regions productivity issues. Social deprivation including poor health and wellbeing have come through clearly during the CA's work on the LIS as key challenges to the region's productivity gap.

3.3 Objectives

The locally owned vehicle for LCR intends to:

- Pool social economy investment (repayable assistance finance) from national and local funders and loan providers tailored to different life stages of STO's. This will be informed by a city region demand study, leading research from the area and best practice from other place-based funding programmes in England;
- Deliver place-based campaigns to initiate and grow peer networks and Collaborating Communities to stimulate and accelerate the growth of STO's. This approach has been evidenced to increase economic growth and productivity in excluded communities. This will also result in better take-up of mainstream business support and borrowing; and
- Improve the practice and delivery of community asset transfers and ownership between the public sector and the social economy. This is expected to increase the future sustainability of STO's through asset ownership, informed by research.

3.4 Outcomes of Options Analysis

The options presented are to do nothing, fund existing programmes/expand existing organisations or, establish a new vehicle. An analysis of the summary options considered is provided in Annex 2. The consortium, detailed in section 7, have developed a criteria which has been used to assess the different options considered. This is detailed in Annex 3. The preferred option is to establish a new vehicle.

The economic appraisal raised concerns about the robustness of the options analysis, further detail on this is provided in Section 3 and this has been picked up as an area of due diligence to be addressed prior to the FBC being submitted to panel.

3.5 Critical Success Factors

The aim is for Kindred to be a locally owned vehicle for the STO's of the LCR, including community businesses. The critical success factors of the vehicle are:

- Improved co-ordination of investment and support from national and local providers;
- Increased scale of intervention for greater social and economic impact;
- Address gaps in social investment provision, especially at the start-up and significant growth stages, ensuring greater sustainability;

- The provision of new non-financial alternative business support via the CCs model, including asset ownership, co-ordinated and tailored to STO needs to increase the impact of financial investment and working alongside mainstream support; and
- Financial replenishment secured from the CA and other funding partners and through repayment of investments made by the vehicle.

4. Economic Case

4.1 Scoring against Prioritisation Framework

Category	Max.	Score	Score from max.
Strategic fit	25	25	100%
Financial return	25	0*	0%
Project outputs	20	10**	50%
Financial leverage	15	4.0	27%
Risk	15	5	33%
Total	100	39.84	40%

*The financial return score is low as the CA will not receive a direct financial return on the investment. The vehicle will issue a mixture of repayable grant, loan and equity that will be repaid to the vehicle and reused to support further STO's.

**This score is based on the initial investment of £6.5m which is the current project size. The expectation is that a further £2.5m will be raised over every 7 years, giving an additional £7.5m. When this is factored in the project output score increases to 19.47 (97%)

4.2 Appraisal Results

Social Finance have been procured by Power to Change to develop the business case. As part of this work they will conduct a full economic assessment. The theory of change that underpins this has been co-developed with the CA and is provided in Annex 4.

The appraisers provided the below summary;

"We appreciate that the project idea is at a relatively early stage. This is clear in the economic case where a very wide range of parameters on how the £5.5 million of SIF could be used are set out covering difference governance models, 8 kinds of potential activity³, a mix of investment and business support etc. We appreciate therefore that the process of trying to quantify the impacts of Kindred is necessarily rather challenging at this stage and so the economic case is very much "work in progress" at present."

³ These are: 1. Non-repayable finance, 2. Repayable/blended finance, 3. Asset transfers, 4. Leadership/incubator programme, 5. Online tools, 6. Expertise platform, 7. Peer networks and Collaborating Communities, 8. Scale platform



There is a need to make sure that the economic case adequately captures and articulates that the benefit comes not only from the creation of jobs but the types of jobs and activities that STO's are likely to carry out. Where STO's specifically focus on deprived communities they are more likely to be helping address some of the region's key productivity challenges across the region.

The appraiser has identified some key areas where the economic case could be improved to ensure that the strategic rationale clearly links to the economic outputs and makes the economic case more robust. The recommendations are detailed in table 4-1. The CA will work with Power to Change and the consortium to ensure that a robust economic case, including a quantified options analysis is presented prior to the FBC. More detail on the economic case can be found in Annex 5.

Table 4-1 Appraisal recommendations for next stage economic assessment

Summary of the main areas where extra work is needed in the economic appraisal to make it more robust

1. Developing a clear set of investment objectives to assess options;
2. Improving the options analysis and consideration of a long list then fuller short list of options;
3. Assessment of the costs and benefits of Kindred in the absence of receiving the hoped for/anticipated further £6 million of funding;
4. Calculating all costs and benefits on a net present value basis;
5. Carrying out a robust risk assessment and sensitivity analysis of the assumed activity levels and benefits (STO's supported, repayment rates, survival rates, benefits delivered etc); and
6. Ideally, expanding and improving the benefits assessment methodology to make it more tuned to the different types of activities that STO's could deliver to help a more inclusive LCR economy.

5. Financial Case

5.1 Business Plan

The business plan centres on providing financial support mainly at the start out and scale up stages detailed in Figure 2-1. The funding will be provided to STO's that are based across LCR. The longevity of Kindred is predicted on its ability to raise additional funding from alternative sources overtime. Sensitivity analysis indicates that in the unlikely case of no additional future funding, Kindred can support 250 STO's, including high value financial support to 2 large STO's, but ends after 9 years. Fundraising an additional £2.5m every 7 years means Kindred will support 600 STO'S and enable to support an additional large STO's which will allow it to continue for 20 years.

5.2 Funding Sought and Proposed Key Terms

SIF funding of £5.5m is sought to provide funding support to STO's in the form of mostly 'patient finance' via several products which includes repayable grant, debt, equity or a blend. Additional funding is provided to support the general administration of the investment vehicle and to provide a business support funding arrangement over a 2 - 5 years. A summary can be found in Table 5-1 below.

Table 5-1 Table of Funding

Type of Funding	Sponsor & Others	Requested from SIF	Total
Capital costs			
Grant from the LCR SIF to provide patient finance for LCR STO's	-	£4,500,000	£4,500,000
Grants to blend with loans for LCR STO's	£700,000	-	£700,000
Business support funding over 2 – 5 years (Collaborating Communities Programme)	£100,000	£500,000	£600,000
Revenue costs			
Resourcing (Administration, HR promotion, reporting, governance, audit etc) – approx. 10% of the value of the loans are	£200,000	£500,000	£700,000
Total	£1,000,000	£5,500,000	£6,500,000
Proportion of Total	15%	85%	100%



5.3 Financial Projections

The financial model includes costs for non-financial support and overhead running costs of staff. Using reasonable assumptions on success rates, repayment of finance, and costs – based on realistic estimates and benchmarks – a 20-year projected overview of Kindred is shown in table 5-2. Volume estimates are based on unmet need. The summary below covers 20 years because the year by year picture is volatile due to long-term repayment cycles and large quasi-equity investments.

Table 5-2 Indicative fund overview for the first 20 years

Number of businesses engaged	1,890
Number of businesses helped	573
Number of jobs created	1,146
Total funding raised	£11.5m
From LCR SIF	£5.5m
From Power to Change	£1m
From raising additional capital	£7.5m
Total finance disbursed	£14.4m
Amount lent to small STO's ⁴	£11.4m
Amount lent to large STO's ⁵	£3m
Value of non-financial support provided including	£219k
Social and economic benefits generated	£16.5m
Annual staff cost	£188k

The initial financial modelling suggests a ROI of 2% and that 70% of all disbursements will be repaid back to Kindred to reinvest. The assumptions used in the financial model are currently very high level, additional benchmarking has been requested ahead of the FBC. The investment team have also requested that a more robust drawdown profile and sensitivity analysis is provided for the FBC.

⁴ Projected at approximately 30 deals per annum with an average loan of £20k; repayable over 4 years.

⁵ Projected at approximately 3 deals over the 20-year period with an average loan of £1m; repayable over 10 years.

6. Commercial Case

6.1 Risks and Mitigation

Table 6-1 Risks to the CA

Risk	Probability & Impact	Potential Mitigation
Reputational risk	Low Probability / High Impact	Reputational risk – The Metro Mayor has announced his commitment to the sector and his intent to support this project subject to relevant approvals. Timeliness of developing a robust business case, having careful control over communications and managing expectations will be essential.
Applications do not come forward in sufficient numbers to utilise the funds available and the economic outputs are missed – creating an opportunity cost from the funding ear-marked for the scheme.	Low Probability / Medium Impact	Promotion of the fund via the LCR, Growth Platform, Local Authorities to ensure there is sufficient enquiries.
Too many applications come forward for the funding available, causing the scheme to be exhausted more rapidly than expected with the associated reputational risk to the CA and growth opportunities hindered	High Probability / Impact	May be an earlier ask to the CA for additional top-up funding Accelerate the work to onboard or seek additional investment Review criteria and terms of repayment to the vehicle
The operational team employed by Kindred are not aligned to the fund therefore fails meet the objectives of the CA.	Low Probability / High Impact	Mitigated through rigorous application appraisal and due diligence pillard by the vehicle's governance structure. Key outputs and objectives to be written in to the funding agreement to protect the CA's interests.

Table 6-2 Delivery Risks



Risk	Probability & Impact	Potential Mitigation
The entity is not local owned, sustainable or accepted by other potential funders	Medium Probability / High Impact	<p>Best practice of other city region and place-based funds and vehicles being researched and referenced to inform Kindred's design.</p> <p>Formation of local group of representatives being undertaken over time to ensure genuine engagement.</p> <p>Governance structure will be socialised with a number of potential social investors as part of the project development.</p>
Lack of take up of loans or blended funding by LCR STO's	Low Probability / High Impact	<p>Existing market research and further market testing by spring 2020 will continue to make a strong case for the demand for funding at a variety of life stages.</p> <p>Continued engagement with STO's across LCR.</p>
Funding available does not meet demand from certain life stages of STO's, eg. High growth STO's	Medium Probability / High Impact	<p>Flexible offers to be made available to any life stage of STO from SIF and Power to Change funding to meet demand.</p> <p>Other social investment partners sought to support all life stages of STO's.</p>
Alternative business support via CCs model duplicates existing mainstream business support	Medium Probability / Medium Impact	<p>The CA has detailed in the principle of engagement that it will help to co-developed this work stream.</p> <p>Key stakeholders to be identified that will form part of the discussions on what provision for business support will be provided. As a minimum this will include the Growth Hub and the Investment Team.</p>
Delay in launch of the Kindred due to funding or public sector delays.	Medium Probability / Medium Impact	<p>Plans for the 'soft launch' of Kindred will take into account the local pre-election period in 2020.</p> <p>Power to Change's financial contribution can be signed-off internally by its Board and is not subject to any pre-election restrictions.</p>
The vehicle does not have full functionality at the point of the 'soft launch'.	Low Probability / Medium Impact	<p>The project sponsor has suggested that the 'soft launch' provides an opportunity to test the vehicle and it will be reviewed, and evolved, over the initial 12 months. Changes and improvements will be made as necessary to ensure the main aims and objectives of the vehicle can be met.</p>

6.2 Diligence to be Undertaken

Due Diligence

The following due diligence will need to be performed:

- 6.2.1 Governance Structure to be reviewed and approved by the CA. This includes interim and long-term arrangements for the vehicle. This will include a review that FCA guidelines are being adhered to if appropriate. Please see Paragraph 7.2.
- 6.2.2 State Aid advice to be reviewed by the CA upon receipt. Please see Paragraph 8.1.
- 6.2.3 Project Sponsor – Relevant due diligence on the project sponsor will need to be performed such as financial, KYC and AML checks.
- 6.2.4 Sensitivity analysis to be carried out on the financial modelling in relation to potential financial leverage that can be achieved from the CA's initial investment.
- 6.2.5 The economic model to be updated to reflect the different options to provide a basis for the preferred option against the counterfactual.

Legal Strategy

The operation of the fund will require some additional legal input once established in relation to the legal agreements and data sharing between the sponsor, legal entity of Kindred and the CA. The CA will provide input and sign-off on the legal agreement proposed. (See Heads of Terms in annex 1).

Power to Change are currently in the process of procuring legal advisers to provide state aid guidance on the vehicle. This advice will be completed prior to the FBC being presented to the panel.



7. Management Case

7.1 Deliverability and Leadership

Power to Change are acting as the project sponsor on behalf of a consortium of community-based and alternative enterprise practitioners. The approach offers established relationships embedded in the community networks within each of the six boroughs of the LCR, combined with independent governance and fund management expertise.

The members of the consortium are detailed in the table below. Detailed role profiles of the individuals are provided in Annex 6.

Table 7-1 Consortium members and roles

Name	Overview	Role in project
Power to Change	National independent charitable trust that supports community businesses in England	Project sponsor, funder and interim governing body
Helen Heap	Founder of Seeborn Hill, ex-investor and associate fellow of Heseltine Institute	Lead on financial modelling and governance
Erika Rushton	Founder of Creative Economist, CEO of Beautiful Ideas Company, director of Baltic Creative and expert in community-led regeneration	Lead on business support and stakeholder engagement
Nicola Higham	Project manager at Beautiful Ideas Company	Supporting on business support
Christine Spriggs	Project support at Beautiful Ideas Company	Supporting on stakeholder engagement
Cathy Elliott	Consultant advisor for Power to Change and former CEO of the Community Foundations for Lancashire and Merseyside	Project co-ordinator

In addition to the consortium, Big Society Capital are an in-kind supporter and have been sharing guidance and best practice. They are exploring the potential for financial investment from 2020/21. Power to Change and Big Society Capital have also collaborated with Bristol City Council to create the Bristol City Funds. In October 2019 Big

Society Capital and Bristol City Council collectively contributed £10m to the fund which has recently launched. Learning from this experience is being used to help deliver this project.

7.2 Governance of the Vehicle

Whilst the working group will continue to advise Kindred, the budget includes a professional executive team to run Kindred as well as the mechanisms to ground it in the local community and create a voice for the potential beneficiaries.

Kindred has committed in principle up to £1m of grant funding from Power to Change. Power to Change are also supporting the set-up, bringing their experience of supporting community businesses around the UK, including recently partnering on a similar vehicle in Bristol that combines financial and non-financial support for local businesses. Big Society Capital has been involved in the project development over the last 10 months and will continue to share their experience as required.

Work is already underway to design the governance of the vehicle. During the project development a Community Reference Group of social economy leaders from across the region has been consulted with. The consortium has also held six engagement events across the region with approximately 120 STO's. As a result of the desktop and stakeholder engagement a number of core principles which the vehicle should adhere to have been identified:

- It should have representation of STO's at key points of the governance structure, i.e. Board of Directors, Advisers and the Investment Committee;
- It should take a long-term view and not be constrained by short-term timescales;
- It should be able to provide a range of capital to investees, including equity;
- The governance structure should be proportionate to the level of capital deployed; and
- Individual funders must sign up to the criteria of the vehicle rather than have individually managed preferences.

Early research suggests that a CIC limited by guarantee is considered to be the most appropriate legal form as it:

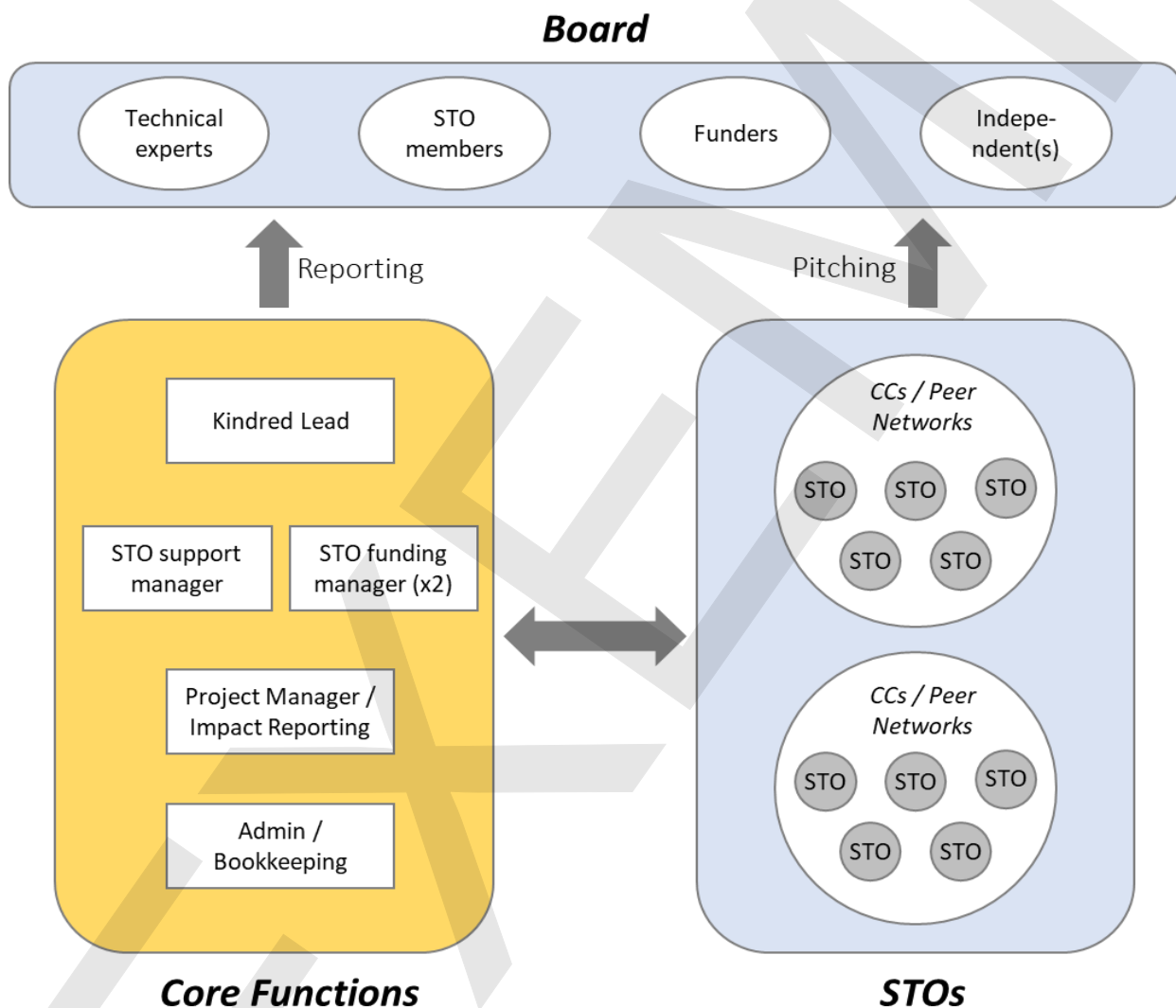
- Combines a statutory asset lock and benefit for a specific community with limited company legal form in keeping with the ethos of the STO sector and requirements of key potential funders⁶
- Can be converted subsequently to Charitably Incorporated Organisation or Community Benefit Society if required,
- Can establish subsidiaries (Company Limited by shares), if required, which can raise capital against equity;

⁶ Different funding bodies have their own specific criteria. The National Lottery Community Fund for instance but prefer applicants to have at least 3 unrelated directors registered at Companies House.

- Local authorities and/or their staff can be involved in a CIC in a variety of different ways: e.g. as members, directors, appointers of director, creditors; so that the CA could provide an ex-officio member to attend Kindred's Board; and
- Can be set up quickly at low cost⁷ and based on model constitution

Kindred will require a Board which has representation from STO sector experts, technical experts, funders, the executive and independent directors including the chair. The board should reflect the diversity that exists in Liverpool City Region. The CA are currently working with the consortium to identify the future involvement of the CA in the vehicle, this could provide an ex-officio member of the Board. Provision for this will be detailed in the funding agreement. An indicative structure is shown in Figure 7-1.

Figure 7-1 Indicative governance structure of the investment vehicle



⁷ <https://www.gov.uk/government/publications/community-interest-companies-how-to-form-a-cic>

8. Further Considerations

8.1 State Aid

An initial review of state aid has been carried out by Power to Change and Social Finance and no immediate concerns have been raised. Power to Change are currently in the process of procuring legal advisors to provide formal state aid advice on some of the more technical aspects of the vehicle. This has been agreed as a priority work stream within the pre-development work. The findings of the state aid guidance will be presented at FBC.

The legal team from the CA have reviewed the initial application and have not flagged any concerns at this stage.

8.2 Inclusive Growth

Social Value Questionnaire responses can be found in Annex 7.



Annex 1 – Draft Heads of Terms

Kindred

Indicative Terms for the Provision of a grant from the Liverpool City Region Combined Authority

February 2020

This is a working document for a discussion about possible structuring and due diligence items.

1. Project Definition			
Project		Kindred ⁸	
2. Project Parties			
Sponsor		Power to Change (“The Sponsor”)	
Grantor		Liverpool City Region Combined Authority (the “Combined Authority” or “CA”)	
Grantor Legal Advisor		CA in-house legal (Gareth Burroughes)	
Sponsor Legal Advisor		To confirm with project sponsor	
Sources and Uses of Funding		These tables are indicative only until confirmed	
Uses of funding		£	Sources of funding
			£
Capital		Capital	
Grant to provide patient finance for LCR STOs	4.5m	CA SIF	4.5m
Grants to blend with loans or LCR STOs	700k	Power to Change	700k
Collaborating Communities Programme	600k	CA SIF	500k
		Power to Change	100k
Total capital costs	5.8m	Total capital funding	5.8m
Revenue		Revenue	
Resourcing (Administration, HR promotion, reporting, governance, audit etc.)	700k	CA SIF	500k
		Power to Change	200k

⁸ Name is subject to approval for incorporation by relevant registrar(s)



Total revenue costs	700k	Total revenue funding	700k
Total use of funding	6.5m	Total source of funding	6.5m
3. The Grant			
Grant	A grant from the Strategic Investment Fund ("SIF") of up to £5.5m to be drawn down against eligible capital costs of £5m and revenue costs of £500k, ("eligible costs").		
Structure of Investments	<p>The Grant may be drawn down to provide a financing facility to Socially Trading Organisation's (STOs) in the form of a loan, grant or equity instrument. The Grant may also be drawn against other eligible costs which must be clearly identified in the final financial model, either to provide the Collaborating Communities Programme or to support the set up and operation of the legal vehicle being established to deliver the Project.</p> <p>The model which will cover the profit and loss, balance sheet and cash flow will include a detailed funds flow. The funds flow will identify the categories of expenditure and the identified providers of capital and revenue support for each of the costs.</p> <p>The CA anticipates the total project costs will be up to £6.5m in line with the submitted Business Case. The CA acknowledges that some project costs may be still subject to tender.</p> <p>The Applicant will produce and submit a project procurement strategy for CA approval and this should detail how the Applicant will obtain best value for money and cost efficiencies. We would seek to discuss this prior to the Grant Funding Agreement being finalised. Should unforeseen costs arise outside of the scope of the current project plan and beyond the reasonable contingency included within the financial model submitted to support the application, we would expect dialogue between the Applicant and the CA to establish an appropriate way forward.</p> <p>During the first phase of the Project the Applicant will set up a separate legal entity as a vehicle for distributing funding and support to STO's within the Liverpool City Region. Once this entity is established, the Grant Funding Agreement will be novated to it so that it has directly responsibility for delivery of the Project and receives the CA funding to support this.</p>		
Applicant Provided Funds	<p>All remaining funds required for the initial delivery of the Project will be secured by the Applicant. This will include:</p> <ul style="list-style-type: none"> the £1m of funding provided by Power to Change <p>Initial delivery is identified as the first wave of funding Kindred receives from the CA and Project Sponsor highlighted in the table above.</p> <p>The CA note that the project sponsor will seek to increase</p>		



	investment into the legal entity once it is in operation.
Eligible Costs	<p>Capital costs of £4.5m related to providing 'patient finance' options using a blend of grant, loan and equity instruments to STO's.</p> <p>A further £500k of capital funding to design and build the Collaborative Communities Programme ("Business Support funding").</p> <p>A further £500k of revenue funding to facilitate the initial resourcing and general administrative duties of the investment vehicle.</p> <p>On receipt of tendered costs from the Project Sponsor, the CA will finalise and agree with the Applicant the precise eligible expenditure that the grant will support.</p>
State Aid	The Applicant will be required to confirm compliance with State Aid legislation and public procurement regulations.
Clawback	<p>As is usual for a grant from the CA, in the event the project does not proceed, no draw down will be permitted.</p> <p>In the event that the project does not commence within 6 months of signing the Grant Funding agreement, then the CA reserves the right to repayment of any monies already drawn down if the Applicant has defaulted on the funding agreement.</p>
Default	<p>Circumstances that will constitute default will be agreed between the CA and the Applicant. Such circumstances will include but not be limited to:</p> <ul style="list-style-type: none"> • The Applicant using the funding for purposes other than for which it has been awarded; • Obligations unlawful or unenforceable; • Material adverse changes to the project, to the business or the purpose of either; • The Applicant delivering the project in a grossly or materially negligent manner, or if the CA, acting reasonably and in good faith, considers the future of the project to be in jeopardy; • The Applicant ceases to operate or becomes insolvent; and • The Applicant fails to commence the project within [6] months of the agreed start date or the applicant gives notice that it has abandoned the project.
Financing Documents	A grant funding agreement which will be developed with legal input.
Financial Close	The date of execution of the Financing Documents.
Planned Practical	The vehicle is being designed to continue beyond the initial project



Completion	<p>life by reinvesting the cash received from the initial investments in addition to fresh contribution from socially responsible investors. This may include additional requests to LCR CA in future to ensure the financial sustainability of the vehicle. The scale of future potential investment likely to be required will be determined prior to any final approval by the CA. We acknowledge that there may be variations to the project between the date of these Heads of Terms and the launch.</p> <p>The CA will work with the Applicant to develop a set of funding terms to accommodate these variations where possible. This will include:</p> <ul style="list-style-type: none"> • An agreement on a drawdown profile of the grant which best meets the needs of the Applicant within the parameters of Constitution of the Combined Authority.
Project Documents	<p>To include:</p> <ul style="list-style-type: none"> • Full Business Case; • Detailed financial and economic models; • Interim governance and constitution arrangements for the vehicle through Power to Change; and • Long-term governance structure for the vehicle.
3rd. Party Consents	Confirmatory that the project is state aid compliant.

4. Financing Facility

Drawdown Conditions	<p>Prior to drawdown of the capital funding elements of the grant, the following conditions must be satisfied:</p> <ul style="list-style-type: none"> • The vehicle for delivering the Project must be established as a separate legal entity; • The Grant Funding Agreement must have been novated from Power to Change to the separate legal entity; • Interim governance and constitution arrangements for the vehicle through Power to Change must be in place and agreed by the CA; • An outline plan and timescale for putting in place the long-term governance structure for the vehicle must be agreed; • The structure and accounting arrangements for the fund providing flexible finance to STO's is agreed between Power to Change and the CA including monitoring and reporting requirements. <p>Drawdown against eligible costs will be undertaken subject to the need of the entity to be able to continue operating.</p>
----------------------------	--

Availability Period	To be agreed with applicant
5. Due Diligence Requirements / Steps to Final Approval	
Due Diligence Requirements	<p>Due diligence requirements are currently anticipated to include:</p> <ul style="list-style-type: none"> • Review of the Applicant's final financial projections; • Review of the Applicant's Full Business Case in accordance with Green Book principles; • Credit and KYC checks on the Project Sponsor and subject to the governance structure key decision makers in the investment vehicle; and • Legal opinion that the provision of support is State Aid Compliant. <p>This is not an exhaustive list but is designed to give you an indication of the areas where we will seek further assurances.</p>
Due Diligence Costs	The Applicant will meet the CA's reasonable external costs.
6. Financing Covenants and Requirements	
Evaluation and Monitoring	The Applicant to agree an evaluation and monitoring plan with the CA to measure outcomes and outputs.
Conditions Precedent to First Drawdown	<p>Initial Drawdown (revenue funding to support set up) to include:</p> <ol style="list-style-type: none"> 1. All legal documentation between the CA and Applicant finalised and entered; 2. Evidence from the Project Sponsor of their funding match; 3. Due diligence completed; 4. Copies of all relevant Authorisations and Contracts (to be defined); and 5. Certificate of Incorporation and Articles of Association for Power to Change. <p>Drawdowns are to include:</p> <ul style="list-style-type: none"> • Agreed monitoring and reporting process; • Agreed claim process; and • All Representations and Warranties remain true.



	Payment within 10 business days of submission of valid documents
Publicity	<p>The Applicant shall comply with the CA publicity guidelines which include:</p> <ul style="list-style-type: none"> • Inclusion of the CA logo on the project website, and any other promotional materials.
Freedom of Information	Each party recognises the other's obligations under FOI.
Governing Law	English Law

Annex 2 – Options Considered

Option	Advantages	Disadvantages
Do nothing	<ul style="list-style-type: none"> - No cost. 	<ul style="list-style-type: none"> - Clear unmet need highlighted from research; - Inability to leverage additional finance for the sector; - Continued growth inequality.
Establish a new vehicle (Preferred option)	<ul style="list-style-type: none"> - Bespoke design that provides the missing links to a thriving sector; - Ability to empower the community through involvement in its creation and centring it around their needs; - Ability to attract additional funding by supporting STO's through the highest risk stages. 	<ul style="list-style-type: none"> - Details of the new approach being fleshed out in consultation with STO's; - Innovation brings risk and demand for the service needs continued testing; - Will need to fit seamlessly with existing programmes in order not to duplicate and be easy for users to navigate the various options.
Fund existing programmes, or expand existing organisations	<ul style="list-style-type: none"> - No additional infrastructure required; - Existing relationships with the social economy; - Track record of impact to date. 	<ul style="list-style-type: none"> - The gaps highlighted in the research e.g. around patient capital and early-stage high risk capital will not be addressed; - It will be harder to switch the focus to community-driven programme if starting from an existing entity with an existing purpose; - More of the same is less likely to make as much difference on the inclusive growth challenge.



Annex 3 – Criteria by which options were assessed

Based on consultations and wider research, the Consortium developed a criterion for assessing the different options that were considered;

1. Empowered – The solution needs to empower individuals in order to make it inclusive and sustainable
2. Tailored – The support needs to be tailored to the social economy and local area. Research to date has highlighted a need for more bespoke support that's different from the private sector and tailored to the stage in their journey
3. Gap-addressing – The support should not duplicate existing programmes where STO's can access similar support
4. Evidenced – The solution needs to be based on a support model that has a track record of having worked and learn from previous examples that haven't worked. There should also be scope for innovation
5. Resonates – STO's and other social economy participants need to have positively responded to the solution showing that it meets their needs. This criterion will continue to test the options in upcoming community consultation
6. Sustainable – It provided long term support to individual STO's and the sector as a whole. For this, it needs to be self-sustaining with minimal additional funding

Annex 4 – Theory of Change

Rationale	Objectives	Inputs
<ul style="list-style-type: none"> Devolution and the social economy cannot solve some of our key societal challenges without strategic and practical interventions; the creation of clusters of STOs by geography and sectors, supported by a co-ordinated vehicle, will grow and evidence social and economic benefits via STOs. The social investment market only invests in established STOs and not typically start-up or high growth/risk STOs; STOs are unable to access the right financial investment and support at the right time, in the right place and over the right period of time; unmet demand for STO investment and support will continue without a strategic approach. Community owned assets provide greater opportunities for STO growth and sustainability, but local asset transfer policy and support is lacking or disconnected. The STO sector consistently prefers, and benefits from hands-on and peer-to-peer support, and action learning networks which is not offered by mainstream business support; STOs do not currently access more mainstream business support provision because its not tailored to them. Social investment and related support are not strategically co-ordinated to benefit STOs or communities; investors and support providers need to 'mix the cocktail' of offers and be informed by the STO market. A new and sector-led approach to investment and support for STOs in the social economy is needed as there has been some failure in past approaches, especially when commercially or funder-led. Barriers need to be removed for people and communities to enable them start-up and grow STOs, especially from communities with the biggest societal challenges and outside of the City Centre where there are below average numbers of STOs. There is a commitment from Local Authorities and Combined Authority to work with the social economy to improve support for STOs to contribute to achieving an inclusive economy. 	<p>Support of the growth of the social economy, aligned to City Region challenges, will help us address some of the fundamental and structural issues across the City Region, creating an inclusive economy.</p> <p>Strategic Objectives:</p> <ul style="list-style-type: none"> Create or develop local government policy to support the growth and sustainability of STOs, such as asset transfers. 'Mix the cocktail' of investment & support for STOs for local social & economic benefit. <ul style="list-style-type: none"> Flexibly and iteratively support all life stages of STOs through continued relationships for long-term impact & sustainability. Improve Indices of Multiple Deprivation (IMD) in LCR via STOs in communities Sustainably grow the social economy in LCR for local benefit, especially through community asset ownership. Support communities to thrive in LCR via local economic activity via STOs. Invest in STO unmet demand at start-up and growth stages. Increase the pipeline of STOs seeking and gaining investment and support. Strengthen the balance sheets of STOs for their growth and sustainability. <p>The objectives and overall strategy will link with LCR Combined Authority's strategic plan to achieve a competitive, inclusive and environmentally protected economy.</p> <p>The activity will be monitored via operational SMART objectives, such as number of jobs created, new STOs outside of the city centre and buildings back into public use, and including the outputs and outcomes outlined below.</p>	<ul style="list-style-type: none"> Creation of a locally owned & governed vehicle for LCR The vehicle will be co-located with the social economy and local government, sharing resources, expertise and research. Patient risk capital available to STOs from a collaboration of funders – set-up with £5m+ in 2020 from SIF and Power to Change. Grant funding from SIF and Power to Change to set-up and run the vehicle. <ul style="list-style-type: none"> Non financial support available within communities and from peers to STOs. Partnership working with the public sector to enhance or create new policy to achieve an inclusive economy, such as asset transfers. <ul style="list-style-type: none"> Collaboration of funders and support organisations across sectors. Pooling of social investment to provide patient risk capital to STOs. Research into best practice and STO market in Liverpool City Region to inform delivery. Case studies of STOs and their life stages. Communications campaign across LCR. Innovative administration, governance and investment processes, aligned to vehicle. Capture of learning of early stage set-up and delivery to inform future delivery.
Activities		
<p>Activity 1</p> <p>Collective investment vehicle of patient risk capital for a variety of STO life stages, primary stages 1, 2 & 4 to plug gaps in the STO market in LCR.</p>	<p>Activity 2</p> <p>Via a Collaborating Communities approach provide non financial support to STOs to create and develop cluster networks by geography and sectors, alongside mainstream business support.</p>	<p>Activity 3</p> <p>Community asset ownership and transfer support to STOs for greater sustainability, and improved Local Authority Policy & practice with and for STOs on transfers.</p>
Outputs		
<ul style="list-style-type: none"> Increased number of STO start-ups, especially outside of Liverpool City Centre via loans, blended investment and equity. Increased number of growing STOs from start-up stage and at high growth stage via patient risk capital. New jobs created and existing job maintained for longer. Social investment from the vehicle increases beyond initial SIF & Power to Change investment. 	<ul style="list-style-type: none"> Increased number of STO start-ups supported in their local communities. Increased number of STOs support to move onto their next stage of growth or diversification. Partnership working with mainstream business support providers. Number of STOs being mentored in communities. Number of STO referrals to mainstream business support. 	<ul style="list-style-type: none"> Revised or new asset transfer policies in Local Authorities. Established LCR list of community owned assets and assets available for community ownership. Number of completed asset transfers into community ownership due to the vehicle. Bring a number of unused assets/buildings into public use.



Outcomes		
<ul style="list-style-type: none"> • More STOs, especially outside of Liverpool City Centre, established, providing social & economic benefits. • STOs see improved sustainability and resilience as a result of stronger balance sheets. • More residents & local communities, especially outside of Liverpool City Centre, engaged with more STOs for their benefit. • Social investment for LCR strategically co-ordinated for the benefit of LCR and STOs. 	<ul style="list-style-type: none"> • Increased number of existing STOs on a growth & sustainability pathways due to support. • Collaborating Communities non financial support complements existing mainstream business support for the benefit for STOs. • Better co-ordinated public, voluntary and private sector support offers for STOs, led by STO experience and needs, and backed by public sector policy. • Established and self-functioning cluster networks by sectors or geographies for STOs. 	<ul style="list-style-type: none"> • Improved delivery of Local Authority asset transfer policies, such as decreased average time in transferring assets from Local Authorities into community ownership. • More assets in community ownership to support locally owned regeneration. • Sustainability of STOs increased due to asset ownership. <ul style="list-style-type: none"> • Improved asset/building utilisation, supported by local policy and communities.
Impacts		
<ul style="list-style-type: none"> • Economic benefit of STO activities contribute to local and City Region productivity/economic growth. • Social benefits of STO activities contribute to tackling inequalities, e.g health, unemployment and skills issues in LCR. <ul style="list-style-type: none"> • Locally owned regeneration in communities via STOs for economic, environmental & social benefit. • Vehicle demonstrates best practice in co-ordinating social investment and support for STO and community benefit. <ul style="list-style-type: none"> • Significant contribution to making Liverpool City Region the country's most inclusive economy. • LCR recognised as an innovator in place-based social investment at a North West & national level. 		

Annex 5 – Appraisal Summary Table

Line Item	Preferred option
Present Value Benefits [based on Green Book principles and Green Book Supplementary and Departmental guidance (£m)]	There are no benefits calculated that are based on standard Green Book guidance, the benefits are based on a non-standard methodology.
Present Value Costs (£m)	The financial cost is £6.5 million (£5.5 million of SIF and £1 million from power to Change) which is in NPV terms. The further £6 million sought would be lower in NPV terms.
Present Value of other quantified impacts (£m)	£17.6 million
Net Present Public Value (£m) [A-B] & [A-B+C]	We are unable to assess this robustly, but it would, based on the current calculation methods be around £0
'Initial' Benefit-Cost Ratio [A / B]	0
'Adjusted' Benefit Cost Ratio [(A + C) / B]	Around 1 (but see commentary below)
Significant Non-monetised Impacts	There are potentially significant benefits which have not been quantified and monetised at present. These include: increased citizen participation and voluntary work; and enhancement in social/community solidarity and cohesion; maintaining and enhancing service delivery.
Value for Money (VfM) Category	See commentary
Switching Values & rationale for VfM category	See commentary
Financial Cost (£m)	£5.5 million for the CA
Risks	<p>There are several significant risks with the project that include:</p> <ul style="list-style-type: none"> • Whether the size of the potential market and so demand and take-up are as large as estimated • The ability to offer a differentiated offer for STO's that adds value to and does not duplicate existing provision • The ability to lever in the further £6 million identified as being needed • The recycling rate of the funds invested (70% is assumed) and the survival rate of STO's supported • The extent to which the STO's supported do deliver new valuable activity or maintain activity that supports a move to a more inclusive economy <p>The extent to which the jobs and other activity in STO's supported is net additional to LCR</p>



Other issues	The quantification of the economic costs and benefits needs considerable extra work at this stage as does the articulation and assessment of options
--------------	--

Annex 5 cont. – Appraisal Summary Table

Commentary:

The preferred option was the only one that was modelling for the submission of the business case. A key area of due diligence for the CA at the next stage will be to ensure that the economic case is more robustly developed. It should be noted that overall the appraiser was supportive of the project and many of the comments provided are reflective of the robustness of the economic assessment itself as opposed to the lack of value in the project. The appraiser was also evaluating the economic case against the level required for an OBC as opposed to an SOC. Therefore, the figures provided in the table should be taken in line with the comments below.

The economic case calculates the present value costs as £17.6 million. However, they are not in NPV terms and relate to a 20-year operating period during which a further £6 million of top up funding is received. Put broadly, the benefits as calculated would be roughly halved without the further £6 million top up. We have also identified several questions about the way these benefits have been calculated and more work is needed to make them robust.

It was not possible to calculate the VfM based on based on the state of development of the economic case what the value for money category is. On the basis purely of what has been quantified so far, the quantified value for money would be low (BCR of around 1). However, we consider that the wider benefits could be quantified, and the types of benefits have not been reviewed thoroughly. We cannot definitely say what value for money category the project will end up offering. For example, a key assumption was that jobs created remained static and did not take account of the variance in the number of jobs depending on the size of the investment or the indirect activities that STO's may carry out to support individuals in to the labour market via increasing skills or reducing barriers to employment.



Annex 6 – Consortium member profiles

Helen Heap is the founder of Seebohm Hill and has spent more than 2 decades working in the financial services industry as an investment analyst, equity salesperson and investor. She is an associate fellow of the Heseltine Institute and has been actively involved in much of the research on the social economy in LCR that has been published. Since 2011, Helen has worked with a number of social enterprises, social investors and the Cabinet Office. Helen will lend her technical expertise to the project and is currently leading on the development of the governance structure for the vehicle.

Erika Rushton has harnessed creativity and entrepreneurialism as a force for social inclusion, economic growth and place-based regeneration across the North West. She has been hugely influential in the renaissance of Liverpool, receiving the City Leaders Award from Liverpool University in 2014. Her impact in the Creative, Digital and Cultural sectors is evident at Ropewalks, Granby 4 Streets, Baltic Triangle and most recently North Liverpool. Erika is currently supporting the growth of creative clusters in Liverpool, Salford, Birkenhead, Cardiff and Wolverhampton. She runs The Beautiful Ideas Co, investing in innovations and enterprises that do some good. Erika is currently leading on stakeholder engagement for the vehicle and inputting her technical expertise in terms of seed funding, measuring the social impact of investment and community led regeneration.

Nicola Higham has delivery expertise in growing and developing over 30 social businesses in North Liverpool, of delivering innovation programmes marrying traditional manufacturing industries with digital makers to prototype new products and secure growth investments and has a background in health and wellbeing.

Christine Spriggs has over 30 years' experience of delivering community involvement and engagement in social, cultural and economy programmes.

Cathy Elliott has worked in Liverpool City Region for around 13 years, including previously as Chief Executive of the Community Foundations for Lancashire & Merseyside, a member of the City Region's LEP's Advisory Council and a member of Tate Liverpool's Advisory Council. As a member of the Working Group, Cathy is a representative of the match funder, Power to Change, in the role as consultant advisor and previous Trustee. Cathy undertakes a portfolio of work and is also the Chair of Bradford District Care NHS Foundation Trust and the independent Chair of HS2 Community & Business Funds



Annex 7 – Social Value Questionnaire

What is your approach to paying staff at least the real living wage? What is your approach to ensuring that your suppliers pay at least the real living wage?

The [real living wage](#) is £9.30 outside London. This is equivalent to £15k salary for 35 hour working week with 25 days holiday. Our HR policies will include a requirement to pay staff the real living wage and our budget reflects the funding to deliver on this.

We will require all applicants for funding/support to employ people at the real living wage as a condition of our partnership. We will require our suppliers to pay their employees the real living wage as a condition of contracting with Kindred.

What is your approach to zero-hour contracts, both directly and through agency staff? What steps do you take to ensure that your employees and employees in your supply chain are employed on fair terms?

Zero-hours contracts are defined as casual contracts, usually for 'piece work' or 'on call' work. This means workers are on call to work when you need them, you do not have to give them work, they do not have to work when asked.⁹

We oppose the use of zero-hours contracts and Kindred's HR policies will prohibit their use for our employees. We will require all applicants for funding/support to commit to avoid zero-hour contracts with workers as a condition of our partnership. We will require our suppliers not to use zero-hour contracts with workers as a condition of contracting with Kindred.

What procedures do you have to ensure workforce dialogue is possible at all levels of your organisation (e.g. staff forums, team meetings and union representation)?

Kindred is being set up to ensure dialogue not just within the workforce, but across the social economy. Consultation, collaboration and responsiveness to needs are core to our ethos and impact.

The latest [Workplace Employment Relations Study](#) showed a fall in proportion of organisations with collective arrangements for employee representation and voice. Kindred will follow the [CIPD](#) approach to ensure its employees 1) contribute to the way Kindred functions 2) highlight issues and 3) provide a sense of meaningful work.

In addition to fostering a culture where people are encouraged to speak up and make change, we will implement the following procedures:

- The team will be co-located and have weekly whole team meetings to ensure employees can contribute to and are aware of Kindred functions
- Each employee, including senior staff, will have a line manager. Part of the line manager role will be to listen and consult with the manages.
- There will be a nominated HR lead to be responsible for resolving issues that cannot be covered by a line manager, and to act as an alternative when the line manager is away or not a suitable option.

⁹ <https://www.gov.uk/contract-types-and-employer-responsibilities/zero-hour-contracts>



- There will be an anonymous 'suggestions box'

What is your approach to offering internships, apprenticeships and other pathways to employment, particularly for underrepresented and disadvantaged groups (typically BAME, people with disabilities and/or a mental health need, ex-offenders, service leavers and veterans, and, in certain sectors, women)?

Kindred's core mission is to drive a more inclusive economy. This is reflected in our eligibility criteria which will ensure we work with STO's to generate the highest local impact.

We will also reflect this goal in how we work. We will have an up to date diversity and inclusion policy that aims to prevent discrimination in all aspects of our work from recruitment to development to progression. It will be underpinned by the [Equality Act](#).

As a small business of what we expect to be only c. 5 FTEs, our ability to offer apprenticeships and internships will be limited. We fall well below the £3m annual wage bill threshold¹⁰ so are exempt from the Apprenticeship Levy. While we will aim to use apprentices or interns where possible, our main impact is likely to be through supporting growth in our partner STO's enabling them to take on additional employment.

How do you assure career progression for underrepresented groups in your organisation?

Kindred supports career progression for all its staff and recognises the additional barriers to progression experienced by underrepresented groups. To address these, we will follow the recommendations for employers [in CIPD's study on BAME employees](#). In addition to our Diversity & Inclusion policy, we will;

- understand our organisation by collecting basic workforce data and assessing staff sentiment during team meetings and through line managers.
- keep in mind intersectionality of groups in a single person
- celebrate diversity and promote awareness
- encourage employee voice (as described above)
- avoid unconscious bias (practical steps provided [here](#)).

In addition, underrepresented groups will benefit from organisation wide progression support laid out in our HR policies. Each staff member will have a line manager with whom they will set annual objectives and review them regularly (min every 6-months). Performance will be measured according to 360-degree feedback from within the organisation and from key stakeholders outside the organisation. Our stakeholders themselves are likely to include people from underrepresented groups.

We have allocated a training budget of up to £500k p.a. per FTE. Staff will be involved in discussions about how this training is best spent to meet their development objectives.

What is your approach to maximising local organisations' participation in your supply chain? How does your procurement approach maximise their participation? What is your

¹⁰ <https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work>



approach to encouraging local SMEs?

Kindred's mission is about building up local areas that have not benefited sufficiently from the city region's overall strong economic growth. Our eligibility criteria for our support/funding means we will exclusively partner with organisations from within LCR and select to work with those which can have the greatest impact on the inclusiveness of the local economy. Our analysis of demand suggests that the majority of our partners will be micro-businesses, defined as having 0-9 employees¹¹. Additionally, Kindred itself will be a small business based in LCR that aims to advertise and hire staff locally, using local fora and our own networks of STO's.

We aim to use local organisations in our supply chain and will do this by following the procurement advice within the [Social Value Act Review](#):

- Advertising locally for our service needs, including through our STO community network.
- Including relevant and proportionate Social Value outcomes in service specifications, including whether suppliers are based in and/or contribute to the local area.
- Selecting our supply chain partners based on their ability to meet these Social Value outcomes, as with other elements of the specification, in a transparent process.

How is your organisation responding to the climate emergency? How do you minimise your carbon footprint and environmental impact? What standards will your project reach (e.g. BREEAM Excellent for new construction)?

As a small business working solely in the local area and providing a service rather than products, Kindred expects its environmental impact to be limited. However, it will reflect its commitment to minimising its environmental impact and carbon footprint through an environmental policy based on [Green Element](#)'s advice. This includes guidance on recycling, energy use, energy supplier, alternative transport, and reduction paper and plastic use.

We are not considering third-party certification of standards such as BREEAM as these are typically aimed at large-product based industries such as infrastructure and construction.

If you receive SIF funding, and considering the answers you have supplied to the questions above, what measures may you commit to undertake in order to improve your performance in these areas? Please provide measures that are Specific, Measurable, Achievable, Realistic and Time limited.

We are a new organisation and want to optimise from the start. Our mission and theory of change is all about creating social value and will be central to all our activities. While Kindred will monitor its own impact, we hope to generate significantly more social value through the local STO's we support to grow sustainably. We will be tracking their social value performance as part of our core mission and reporting on their progress and our impact on making ever more inclusive economy in Liverpool City Region. This impact, and the financial returns associated, will allow us to help more businesses over the long term.

Kindred will have measurable and annual KPI targets and objectives. These will be aligned with the theory of change and will measure the end user impact, as well as interim / functional KPIs to test how effectively Kindred is operating. For example, measuring the different sizes of organisations that receive support, repayment success rates, improvement to local areas such as an improvement in the Index of Multiple Deprivation score, reduction in economic inactivity, and increase in number of jobs made available through STO's supported by Kindred.

¹¹ https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en



Liverpool City Region Combined Authority – Strategic Investment Fund

Final Business Case for February 2020 Investment Panel

Project Summary Table

Name of Project	Crosby Lakeside Adventure Centre (“CLAC”) Redevelopment
Sponsor	Sefton Metropolitan Borough Council
Nature of Applicant	Local Authority
Economic Sector	Economic Infrastructure – Land and Property
Indicative Funding Sought	£3.1m
Indicative Funding Source/Fund	LGF II (Subject to confirmation)
Location	Metropolitan Borough of Sefton
Call or Commission	Call

Combined Authority and LEP Project Team

SIF Investment Team Lead	Sophie Bevan
Investment Team Members	Mark Elliot
Legal Lead	tbc
CA Policy Input	Katie Dean, Nick Green



The purpose of this project, proposed by Sefton Council, is to provide a sustainable financial future for and to optimise the economic and social benefits from the Crosby Lakeside Adventure Centre (CLAC). This is a council developed and owned asset in Crosby Coastal Park, positioned at the gateway to the Antony Gormley's Another Place Iron Men statues and adjacent to Crosby Marine Lake.

The property currently comprises hospitality facilities in the form of a bar/bistro, conference room and 14 hotel bedrooms, together with a gym and watersports centre.

[REDACTED] Sefton to engage a Hospitality and Hotel consultant to review alternatives to the current business case. Sefton's preferred outcome is presented in the SIF application and summarised as follows:

- Undertake maintenance upgrades to the food and beverage (F & B) and mechanical and electrical (M & E) equipment (£1m);
- Undertake extension and refurbishment works to the hospitality facilities to allow for separate conference/wedding functions as well as public dining (£1.65m);
- Build a specific 36 bed dormitory for Community Groups (£0.45m);
- Enter into a JV company with a speciality hospitality operator (49/51 ownership structure, council minority stake), leasing the new building on a 10-year peppercorn lease;
- Alongside the SIF investment, the Council would undertake improvements to the coastal path, car parking, external landscaping and wayfinding, as well as investing in a new Changing Places facility and upgrades to the existing WC's (£0.35m Council Funded).

[REDACTED]
The investment team recognises the financial and social rationale for the project [REDACTED]

[REDACTED] As such, the panel is asked to consider approval to offering SIF support [REDACTED] s follows:

- Approve SIF grant of up to [REDACTED] subject to satisfactory completion of due diligence in respect of the capital costs and JV structure, with specific reference to the share of financial input and reward proposed for the JV partner. [REDACTED]

- [REDACTED]

2. Project Overview

2.1 Background

CLAC is owned and operated by Sefton Council and sits within Crosby Coastal Park, a ten-minute walk from Waterloo Station and adjacent to a council owned car park. From this, the main footpath leads to Crosby Beach where the “Another Place” statues are located.

The centre comprises several facilities, including a restaurant and bar area, events hall, 14 hotel bedrooms which are used by the general public as well as block bookings by community groups, together with a public gym. The centre enables access to the water sports facilities from the adjacent quayside.

This plan seeks to balance the need to maintain and improve the coastline, distribute visitors sustainably and identify how the coast can support a growing local economy and improve the health of communities. In addition, the tourism strategy for Sefton’s coastline highlights a demand for high quality hotel and self catering accommodation.

SIF funding is being sought for the design and construction works as per the summary cost schedule contained in the section below, totalling £3.1m. This would be based on a non-recoverable grant.

CAPITAL INVESTMENT IN THE BUILDING (up-front)	
£0.704m	Restaurant New bar and coffee area for 120 people Permanent restaurant extension on the deck, glazed and heated Modernised kitchen facilities to enable enhanced and increased offer, including ventilation, flooring and lighting Restaurant – fully refurbished, increased capacity, new dedicated entrance New lift + hot cabinets to enhance food service
£0.450m	Bunk Barn Self-contained and purpose built accommodation for young people - inclusive of furniture, fixtures and fittings
	Hotel Room Fitout Refurbishment of all bedrooms
	Events New event spaces x 4 New staff facilities – changing room, common room New rooftop space for outdoor gym activities/events; decking, garden, pop-up bar, heating Replacement and extension of decking
	Fit-out New fixtures and fittings for the restaurant and events space including wall, window and floor finishes, extended toilet facilities etc.

* the above include required mechanical and electrical infrastructure

2.2 Changes since Last Submission

This is the first presentation of this project to the Investment Panel.

2.3 Project Description

The business case proposed by Sefton Council incorporates the refurbishment, adaptation and extension of the restaurant, bar and events space, utilising the outdoor decking area to maximum effect. This reorganisation would allow separate functioning of the events space and public F & B area, to maximise revenue. To complement this offer, all 14 hotel bedrooms would be upgraded to a high standard and a new 36 person self catering bunk barn would be constructed, enabling group bookings to be separate or linked to the main facility.

Work is currently underway to source a suitable JV commercial operator and obtain planning approval. Subject to a conditional SIF funding award, Sefton would seek to appoint a contractor in April 2020. Building works are currently scheduled to commence in May 2020.



Figure 2.1 Illustrative design of the restaurant and bar/café area

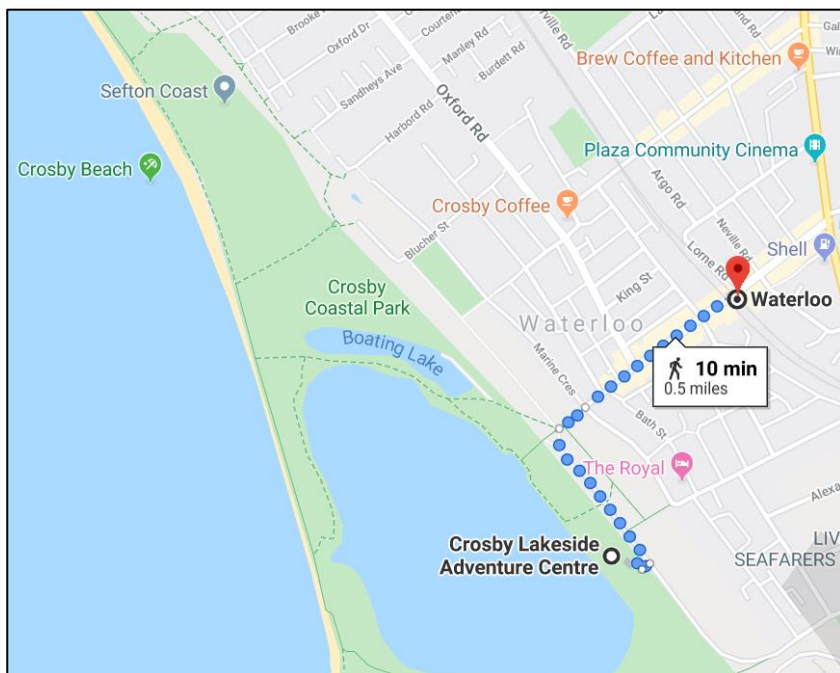
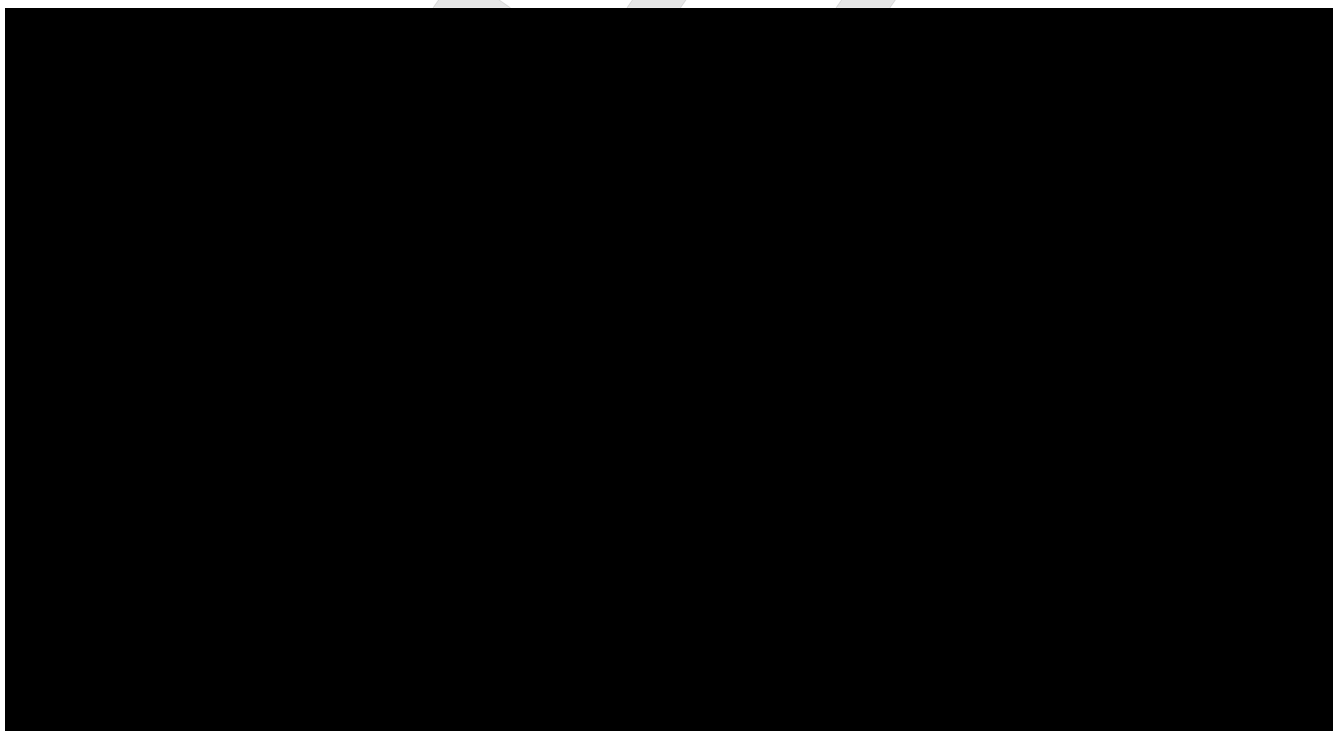
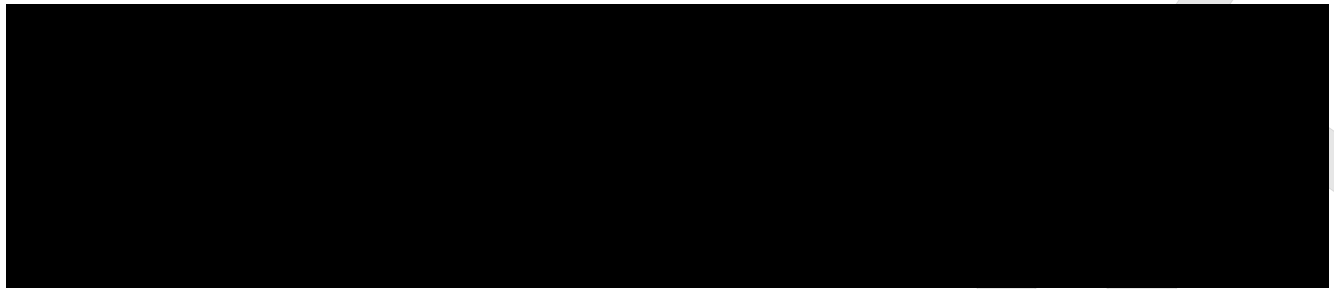


Figure 2.2 Distance from Waterloo Station to the Crosby Lakeside Adventure Centre

Sponsor and Stakeholders

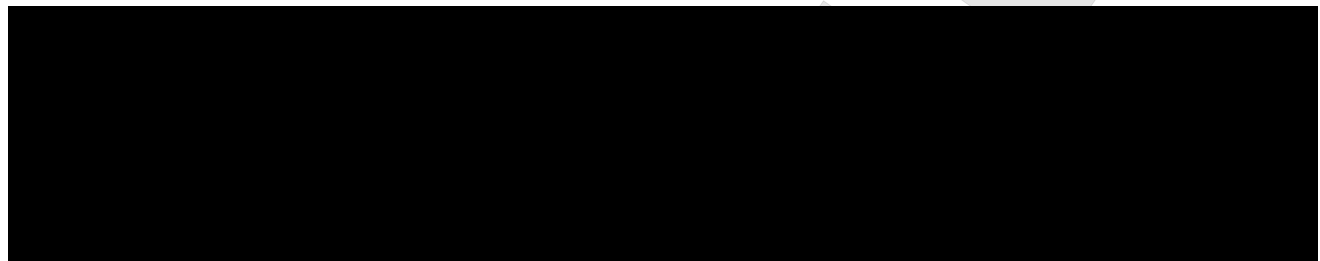
Sefton Council – Sefton Council’s Cabinet has already formally approved the Full Business Case for the delivery of this project. The submission of this bid has received the required approvals approved by the Council’s Economic Growth and Strategic Investment Board.





Development and Operation

Whilst refurbishment of the CLAC is undertaken, the gym and water sport activities will continue to operate. A detailed indicative timeline can be found below.



2.4 Indicative Timescales

Milestone	Period
Procurement of the contractor	Nov 19 – Apr 20
Application for planning permission	Nov 19 – Apr 20
Procurement of an expert hospitality operating partner and formation of the JVCo.	Nov 19 – Apr 20
Formation of JVCo	Apr 20 – Jun 20
Ready for start of building works	Apr 20
Site mobilisation	Apr 20 – May 20
Works on site	May 20 – Jan 21
Mobilisation launch of the new business	Mar 21 – Apr 21

3. Strategic Case

3.1 Fit with Investment Strategy and Case for Change

The project supports one of the CA's local authority partners in reaching a long term financially stable position on one of its assets.

The Investment Strategy supports the case for investing in an important facility within the visitor economy. Improved hospitality facilities, accessible toilets and improved public realm at this location will drive new and repeat visits to the centre as well as the

surrounding coastal park.

Public sector intervention in undertaking the refurbishment is deemed essential to avoid the need for selling a council-owned asset and the resultant loss of control over the non-hospitality elements of the centre.

The proposals also provide an opportunity to enhance the social benefits arising from the centre. The introduction of a bunk barn complex, geared to larger mixed groups, will permit greater use of the residential facility aligned to the watersports and outdoor activities. Having a council owned facility such as this, promoting physical activity and team experiences, in a different environment to that which many Sefton and North Liverpool residents usually experience, could be used to improve mental and physical wellbeing, resilience and aspiration amongst the youth population in particular. This aligns with the investment strategy of having a fitter, more skilled and engaged future workforce, offering participation to traditionally less engaged residents.

3.2 Fit with Other Priorities

The project aligns with the wider visitor economy/commercial strategy;

This would create a series of hospitality offers along the Sefton Coastline, bringing revenue to the council alongside ensuring a quality hospitality offer at coastal locations for visitors and residents.

3.3 Objectives

The CA's objectives align with those of the Council in seeking:

- To implement a hospitality operating model for CLAC which will provide a revenue neutral or revenue surplus position for the Council;
- To contribute directly to an improved and sustainable visitor offer for Crosby Coastal area in accordance with the Sefton Coast Plan 2017;
- To provide long-term benefits for the health and wellbeing of the local community and visitors to the Sefton Coast.

3.4 Outcomes of Options Analysis

Please refer to Appendix i for a summary of the options considered.

3.5 Critical Success Factors

The key success criteria are as follows:

- i. The delivery of an enhanced visitor facility at a key coastal gateway, which can be seen to be playing an important role in helping to:
 - attract more visitors;



- contribute to the local visitor economy; and
 - manage visitors in the most sustainable way (in-line with the Sefton Coastal Plan).
- ii. Provide a sustainable future for the Centre as a whole, which directly supports and promotes the Council's health and well-being priorities including enhancing accessibility to leisure and recreational services.
 - iii. Provide appropriate and affordable residential, activity and education facilities for community groups including Sea Cadets, Guides, Scouts and Schools.
 - iv. Provide increased numbers of locally employed people in jobs and careers that raise aspirations (through forming Joint Venture with a hospitality operator).

3.6 Equality and Diversity and Inclusive Growth

Sefton Council have provided responses to the CA's questionnaire (details contained within Appendix iii) and satisfied the CA in the following areas:

- The JV operator will be required to pay the Living Wage as a minimum and zero hours contracts will not be permitted;
- High quality training and apprenticeship opportunities will be available to staff;
- The JV operator will undertake to ensure that under represented groups have a fair opportunity of employment at the Centre; and
- Sourcing of supplies and services will be prioritised to maximise the benefit of local spending.

4. Economic Case

4.1 Appraisal Commentary

From a Liverpool City Region perspective, the project is unlikely to generate outputs of significance due to the high level of displacement and low levels of additionality. However, this intervention is likely to generate:

- Increased visitor numbers to the coffee and bar area over an extended trading period;
- Increased use of the wedding and conference venue function;
- Increased overnight hospitality offer room occupancy throughout the year; and
- Leading to increased employment at the centre itself and potentially through supplier or complementary local businesses. The JV company will also provide apprenticeship schemes.

An economic appraisal has been conducted which suggests that the investment is likely to return **a saving to the public purse** over a 10-year investment period. The

CA will undertake subsequent analysis of the estimated economic impacts.

The full CA economic appraisal can be found in Appendix iv.

4.2 Non-monetised Impacts

The project will provide a greater intervention via non-monetised impacts:

- **Community Groups** – The project enables a dedicated space for community groups such as Sea Cadets, Guides, Scouts and Schools via the development of the ‘bunk barn’ with its own self-catering facilities, segregated from the main commercial arm of CLAC.
- **Fitness, Health and Wellbeing** – Childhood obesity in Sefton is higher than the national and regional average. Approximately one in ten children entering primary school is obese and, by the time they leave primary school, one in five become obese. The project enables CLAC to continue in operation and allow Sefton to meet the objectives of their Local Authority Declaration on Healthy Weight to reduce child obesity and live a longer and healthier lifestyle.
- **Aspirations of Young People** – Personal trainers and coaches, such as those leading the outdoor pursuits, can have a positive influence on a young person’s long-term career aspirations. In an area of high deprivation (south Sefton/north Liverpool), the presence of such activities can help mitigate the impact of economic inactivity and social disadvantage.
- **Improvements to Public Realm** – As part of the wider project, lighting improvements along the route from Great Georges Road and South Road (S106 funded) will give increased safety to the Crosby Lakeside Centre and the surrounding beach area.

5. Financial Case

5.1 Business Plan

The sponsor has been working with an independent hospitality adviser/operator to ensure that the financial performance and projects are viable; a summarised P&L account can be found in Table 5-2. This forecasts that the business at the beginning of Year 2 of new operation will be generating total sales

There has been extensive engagement with key existing customers of residential leisure activities, including the principal customer which is the Sea-cadets. These organisations have had an input to the specific design of the bunk-barn as well as the pricing strategy.



Further, a survey and early promotional campaign has been conducted by the leisure team for future potential residential leisure users that resulted in a healthy level of enquiries. This provides strong confidence that the target levels of utilisation included in the business plan can be achieved or exceeded.

5.2 Funding Sought and Proposed Key Terms

The funding will be provided by the CA in the form of a grant. Heads of Terms have been drafted as attached in Appendix ii and under review between both parties.

Table 5-1 Table of Funding

Type of Funding	Sponsor & Others	Requested from SIF	Total
Proportion of Total	N/A*	100%	100%

5.3 Financial Projections

	1,169,612	1,316,371	1,369,269
	76.2%	77.6%	77.6%
	65,312	220,614	282,880
	4.2%	13.0%	16.0%

It should be noted that the total construction cost of [REDACTED] has been derived from a RIBA Stage 2+ cost plan. As the developed designs are refined in conjunction with a contractor through to detailed technical designs there may be some refinement of this cost. The NPV viability of the project will be reassessed at that point.

6. Commercial Case

6.1 Risks and Mitigation

Risks to CA

Risk	Probability & Impact	Potential Mitigation
Sponsor governance	Low Probability and Medium Impact	The Sponsor has an experienced team to deliver the project and meet the deadline set out in their proposal. The GFA will protect the CA's position regarding financial and legal responsibilities.
Cost overruns	Medium Probability and Medium Impact	The project has been costed to Stage 2+ RIBA designs. There is the possibility that costs may increase upon tendering. CA contribution would, however, be fixed.
[REDACTED]	Low Probability and High Impact	Project Sponsor confirms that soft market testing has already been completed, which indicates that there are several suitable partners that do consider the target business plan to be achievable.
Scheme is not state aid compliant	Low Probability and High Impact	The scheme requires confirmation of State Aid compliance prior to drawdown of funds.
Ability to achieve project's commercial benefits – market risk	Medium Probability and Medium Impact	The JVCo will be actively marketing the relaunch. A survey and early promotional campaign have been conducted by the leisure team that resulted in a very healthy level of enquiries providing strong confidence that the target levels of income included in the



		business plan can be achieved or exceeded.
--	--	--

Delivery Risks

Risk	Probability/ Impact	Potential Mitigation
Accuracy of future income modelling resulting in unviable project and / or delay.	Medium Probability and High Impact	Modelling carried out by external hospitality industry consultant, Council's Head of Commercial & staff from Leisure and Finance. Cautious forecasts with upside for improvement.
HR matters resulting in disruption to transition to new operation.	Medium Probability and High Impact	Early informal employee and union engagement and formal consultation if required.
Accuracy of construction costs due to uncertainty in the market resulting in value engineering and delay.	Medium Probability and High Impact	Early review by Council's Property and Asset Management Service to ensure robust costs. 5% contingency. Adopt JCT fixed price contract.
Design gaps (delays or cost increases) due to lack of existing information.	Medium Probability and Medium Impact	Sefton Council Asset Team to work with PM and Design Team to provide more data and surveys.
Planning permission: objections by Natural England / other consultees due to increased visitors & pressure on habitats.	Medium Probability and High Impact	Informal discussion with Natural England identified mitigation measures. More formal discussion required to firm up. Extension to existing building unlikely to create significant disruption.

6.2 Diligence and Legal Commentary

Sefton Council have provided the following information to assist the Investment Team in its due diligence:

6.2.1 Property Valuation - The fair value as at 31 March 2019 is [REDACTED] and has been audited internally and externally by Ernst and Young LLP.

6.2.2 Planning permission – A full application will be submitted by April 2020 and the GFA will be conditional upon receipt of approval.

6.2.3 State Aid – see Paragraph 8.1.

7. Management Case

Deliverability and Leadership

The Sefton Council team to deliver the project will be led by Christian Rogers, Chief Commercial Officer, reporting directly to the Chief Executive. Sefton Council's Regeneration Team will oversee the delivery of the project workstreams and be responsible for Project Management, Risk Management, Financial Management, Monitoring and Evaluation as well as reporting internally and externally to the CA. The Project team will be supported by Sefton Council's Property and Asset Management Team, Communications Team and Procurement teams to deliver the other workstreams.

Procurement for the contractor is currently underway and appointment is expected to be announced in April 2020.

8. Further Considerations

8.1 State Aid

There is a potential risk of the Council provides the [REDACTED] with an economic advantage that could have not been obtained under normal market conditions. The main areas of risk are:

- The provision of a lease for a peppercorn rent; and
- Providing a single partner the opportunity to participate in the JV

It is believed that the overall returns to the Council [REDACTED] will satisfy the market economy operator principle ("MEOP") in respect of the rent i.e. the Council would be unable to procure better returns from the market for the project including the peppercorn rent. The use of an EU compliant competitive process helps mitigate the risk of unfair advantage to the selected partner.

8.2 Outstanding Issues and Conditions to Funding

A Grant Funding Agreement will be based on the Heads of Terms attached as ii. These will be issued to the Sponsor subject to Investment Panel approval.



Appendix i – Options Appraisal

Option	Description	Advantages	Disadvantages



Option	Description	Advantages	Disadvantages



Option	Description	Advantages	Disadvantages



Option	Description	Advantages	Disadvantages



Appendix ii– Heads of Terms Sheet

1. Project Definition			
Project		Development of the Crosby Lakeside Adventure Centre ("CLAC")	
Property		Crosby Lakeside Adventure Centre	
2. Project Parties			
Sponsor		Sefton Metropolitan Borough Council ("The Council")	
Grantor		Liverpool City Region Combined Authority (the "Combined Authority" or "CA")	
Grantor Legal Advisor		CA in-house legal (TBA)	
Sponsor Legal Advisor		Sefton MBC in-house legal (TBA)	
Sources and Uses of Funding		These tables are indicative only until confirmed	
Uses of funding	£	Source of fund	£
3. The Grant			
Grant			
Structure of Investments			

Applicant Provided Funds	
Eligible Costs	<p>Capital costs related to the development of the property include any site clearance, structural construction, internal fit out costs of the building, equipment infrastructure, professional fees and other fit-out as required and as summarised under “Sources and uses of Funding” above.</p> <p>On receipt of tendered costs, the Combined Authority will finalise and agree with the Applicant eligible expenditure that the grant will support.</p>
State Aid	The Applicant will be required to confirm compliance with State Aid and public procurement regulations.
Clawback	<p>As is usual for a grant from the CA, in the event the project does not proceed, no draw down will be permitted.</p> <p>In the event the project commences but is not completed, then the CA reserves the right to repayment of any monies already drawn down if the Sponsor has defaulted on the grant funding agreement.</p>
Default	<p>Circumstances that will constitute default will be agreed between the CA and the Applicant. Such circumstances will include but not be limited to:</p> <ul style="list-style-type: none"> • The Applicant using the funding for purposes other than for which it has been awarded; • Obligations unlawful or unenforceable; • Material adverse changes to the project, to the business or the purpose of either; • The Applicant delivering the project in a grossly or materially



	<p>negligent manner, or if the CA, acting reasonably and in good faith, considers the future of the project to be in jeopardy;</p> <ul style="list-style-type: none"> The Applicant fails to reopen the facility within [6] months of the agreed start date or the applicant gives notice that it has abandoned the project.
Financial Close	The date of execution of the Financing Documents
Financing Documents	A grant funding agreement will be developed following legal input alongside procured rates and detailed designs.
Planned Practical Completion	<p>Practical completion of the refurbishment is anticipated in [Q1 2021]. We acknowledge that there may be variations to the project between the date of these Heads of Terms and the launch.</p> <p>The Combined Authority will work with the Applicant to develop a set of funding terms to accommodate these variations where possible. This will include:</p> <ul style="list-style-type: none"> An agreement on a drawdown profile of the grant which best meets the needs of the Applicant within the parameters of Constitution of the Combined Authority
Project Documents	<p>To include:</p> <ul style="list-style-type: none"> Full Business case (received) Detailed Financial models Cost plan and architectural drawings to at least RIBA stage 3 <p>In line with industry norms the budget of [£3.1m] includes a reasonable contingency allowance. This contingency will be used only for reasonable unforeseen costs which are in keeping with the original plans.</p>
3rd Party Consents	<p>We understand the necessary consents (planning permission etc.) will be sought in Q1 2020 and that the Applicant is expected to receive approval in [tbc] 2020.</p> <p>If the planning permission is not granted at the time of the Combined Authority and the Applicant agreeing the funding terms, then the planning permission will remain as a condition precedent in the funding agreement.</p> <p>In line with best practice, funding will not be drawn down until agreement has been reached on how all conditions precedent have been satisfied.</p> <p>All necessary consents will be subject to due diligence.</p>

4. Financing Facility

Drawdown Conditions	Drawdown against Eligible Costs will be undertaken [quarterly] payable in arrears.
----------------------------	--

Availability Period	To be extendable at the discretion of the Combined Authority (acting reasonably) if there are capital costs related to the Eligible Costs incurred after this date.
5. Due Diligence Requirements / Steps to Final Approval	
Due Diligence Requirements	<p>Due diligence requirements are currently anticipated to include:</p> <ul style="list-style-type: none"> • Independent review by a Quantity Surveyor of the construction and fit out costs and approach, including suitability of contractual mechanism and key risks; • Planning permission for the 36-bed dormitory and any additional planning consent required; • Review of any further permissions or statutory consents required to progress with the work; • Review of the Applicant's final financial projections; • Review of the Applicant's Full Business Case in accordance with Green Book principles; • Clarity of the proposed opening arrangements including an experienced venue operator with evidence of their endorsement of the project plan; and • Legal opinion that the provision of support is State Aid Compliant. <p>This is not an exhaustive list but is designed to give you an indication of the areas where we will seek further assurances.</p>
Due Diligence Costs	The Applicant will meet the CA's reasonable external costs.
6. Financing Covenants and Requirements	
Evaluation and Monitoring	The Applicant to agree an evaluation and monitoring plan with the CA to measure outcomes and outputs.



Conditions Precedent to First Drawdown	<p>Initial Drawdown to include:</p> <ol style="list-style-type: none"> 1. All legal documentation between the CA and Applicant finalised and entered into; <div style="background-color: black; height: 80px; width: 100%;"></div> <ol style="list-style-type: none"> 4. Due diligence completed; 5. Satisfaction of all pre-commencement planning conditions; 6. Copies of all relevant Authorisations and Contracts (to be defined); 7. Agreement of construction arrangements including normal collateral warranties from key construction parties/professional team, and appropriate step in rights in the event of default (Note: the land and property arrangements should also allow for this); 8. The payment of all fees, costs and expenses due under the various agreements. <p>Quarterly Drawdowns to include:</p> <ul style="list-style-type: none"> • Agreed monitoring and reporting process • Agreed claim process • All Representations and Warranties remain true • Payment within 10 business days of submission of valid documents
Publicity	<p>The Applicant shall comply with the CA publicity guidelines which include:</p> <ul style="list-style-type: none"> • Inclusion of the CA logo on site hoardings, and publicity materials; and • Fixing a plaque recognising CA support in the building entrance on completion.
Freedom of Information	<p>Each party recognises the other's obligations under FOI.</p>
Governing Law	<p>English Law</p>

Appendix iii – Social Value Questionnaire

1. *What is your approach to paying staff at least the real living wage? What is your approach to ensuring that your suppliers pay at least the real living wage?*

Sefton Council as a whole is committed to pay Real Living Wage as a minimum.

2. *What is your approach to zero-hour contracts, both directly and through agency staff? What steps do you take to ensure that your employees and employees in your supply chain are employed on fair terms?*

Sefton Council as a whole actively discourages the use of zero hours contracts.

3. *What procedures do you have to ensure workforce dialogue is possible at all levels of your organisation (e.g. staff forums, team meetings and union representation)?*

Each service area in the Council has team meetings to ensure that corporate information is disseminated to staff and that they have the opportunity to respond. The recognised Trade Unions meet with Sefton Council Personnel on a fortnightly basis to ensure that employees are represented in respect to any issues affecting the workforce.

4. *What is your approach to offering internships, apprenticeships and other pathways to employment, particularly for underrepresented and disadvantaged groups (typically BAME, people with disabilities and/or a mental health need, ex-offenders, service leavers and veterans, and, in certain sectors, women)?*

Sefton is a Disability Confident Employer and, as such, offers guaranteed interviews to disabled applicants who meet the essential criteria when applying for roles. The Authority also runs a Routeway Programme which offers guaranteed interviews to Sefton's young people and adults at risk of long-term unemployment who have been referred by Sefton@Work.



Council's own arrangements as a benchmark.

5. How do you assure career progression for underrepresented groups in your organisation?

There are a wide range training activities which are available to all employees which include apprenticeships. All employees have equal access to internal vacancies and to opportunities for promotion.

[REDACTED] submission, which will be compared to the Council's own arrangements as a benchmark.

6. What is your approach to maximising local organisations' participation in your supply chain? How does your procurement approach maximise their participation? What is your approach to encouraging local SMEs?

Our overall approach to securing a contractor will be from the local supply chain.

A select list from of local contractors suitable for the work will be derived from the Property and Asset Management's team's procurement experience.

It will be a requirement of tender returns that bidding contractors will have to demonstrate how they would intend meeting the requirements of social value and inclusion of local SMEs in delivery so that Sefton Council can maximise outputs and outcomes.

We would also stipulate a requirement for contractors to demonstrate and commit to a minimum percentage of employment and materials from within an agreed catchment.

A 'meet the buyer' event would be expected from contractors to reach out to the local market.

Part of the evaluation process will be to score these qualitative elements and weight them accordingly. In addition to this, there will be a number of smaller fit out and supply only contracts that will be sourced from local SMEs where possible.

7. How is your organisation responding to the climate emergency? How do you minimise your carbon footprint and environmental impact? What standards will your project reach (e.g. BREEAM Excellent for new construction)?

The Council declared a climate emergency in July 2019 and set a target to be net zero carbon by 2030 for its own operations. The strategy and action plan are to be issued by mid 2020, containing short, mid and longer term plans to achieve that target.

<http://modgov.sefton.gov.uk/moderngov/documents/s91557/ClimateChangeAmendsStephan.pdf>

Previously we have had a range of strategies and plans around energy and transport to drive efficiencies in fuel use and carbon savings, e.g. switching to electric vehicles, solar P.V. deployment and retrofit projects designed to reduce gas and electricity.

The centre was designed to BREEAM Very Good rating at the time of construction but it is deemed not feasible to increase the rating to Excellent for the proposals.

It is Sefton Council's opinion that the previous rating of 'very good' is only slightly higher than the building regulations. As far as energy efficiency and insulation are concerned, we wish to highlight that the current designs seek to maximise this so to lower the running costs as far as possible. Therefore, the building regulations should be identical to BREEAM in this instance.

The project is nearing the end of RIBA Stage 3 (subject to the review sent to Capita on 21st November) and about to start RIBA Stage 4. The redevelopment will fully comply with the building regulations for energy efficiency and will utilise the Council's Energy Team to advise on this. They have already made comprehensive comments at Stage 2 which have been carried forward.

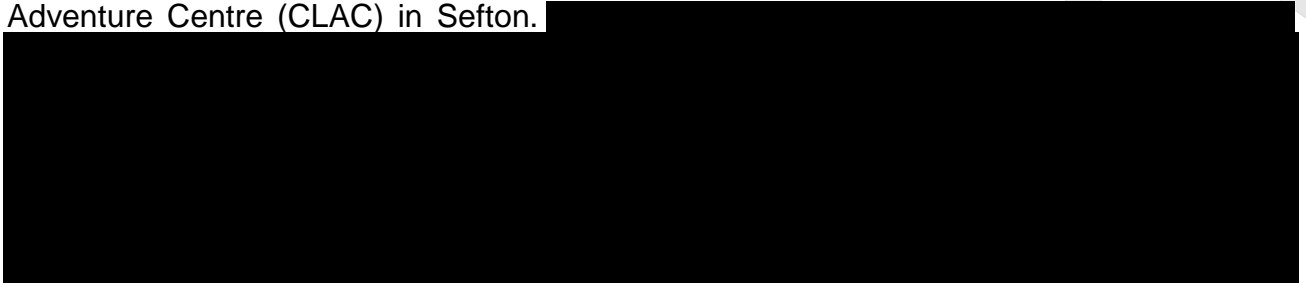
8. If you receive SIF funding, and considering the answers you have supplied to the questions above, what measures may you commit to undertake in order to improve your performance in these areas? Please provide measures that are Specific, Measurable, Achievable, Realistic and Time limited.

Commitment	Measure
Paying Real Living Wage	
Discouraging the using zero hours contracts	
Workforce Dialogue	
Support for under-represented and disadvantaged groups	

Maximising local organisations' participation in the supply chain	
Response to the Climate Emergency	

Appendix iv – Economic appraisal

An internal CA appraisal has been undertaken of the preferred option for Crosby Lakeside Adventure Centre (CLAC) in Sefton.



Intended Project Outcomes and Impacts

The main project outcomes are:

- Enhancing the facilities at a key coastal gateway (the Crosby Coastal Area), attracting a **greater number of visitors** and **expenditure** within the local economy sustaining and supporting **local employment**;
- Providing the facilities to promote **health and well-being** to the local community, supporting active lifestyles from both indoor and outdoor activities;
- Increase opportunities for community groups to partake in **educational activities**, through enhanced, fit for purpose residential facilities;
- Establishing a **sustainable business model** for further JV opportunities within the Council's hospitality portfolio.

Additionality

Whilst there is a reasonable likelihood of an increase in *local* economic activity as a result of the proposal, the level of additional economic activity generated in the *Liverpool City Region* by the preferred option is likely to be low. This is primarily due to the scale and nature of the change and the fact that much of the additional footfall and expenditure (at the facility itself and within the local area) is likely to be displaced from elsewhere – as is typical for the discretionary spend associated with the visitor economy.

For SIF investments, where additionality is measured at the LCR level, whilst the outcomes from the CLAC project are expected to have a positive value in terms of benefits, the net effect for the purpose of this appraisal is therefore qualitatively assessed as low.

Assessment of Value for Money

An assessment of Value for Money (VfM) has been undertaken following the principles set out in HMT Green Book. Given the relatively low levels of additional impacts, these have not been quantified, rather the assessment has focussed on establishing the level of savings to the public purse of the preferred option, compared to an assumed business as usual (i.e. what may reasonably be expected to happen in the absence of the investment in SIF).

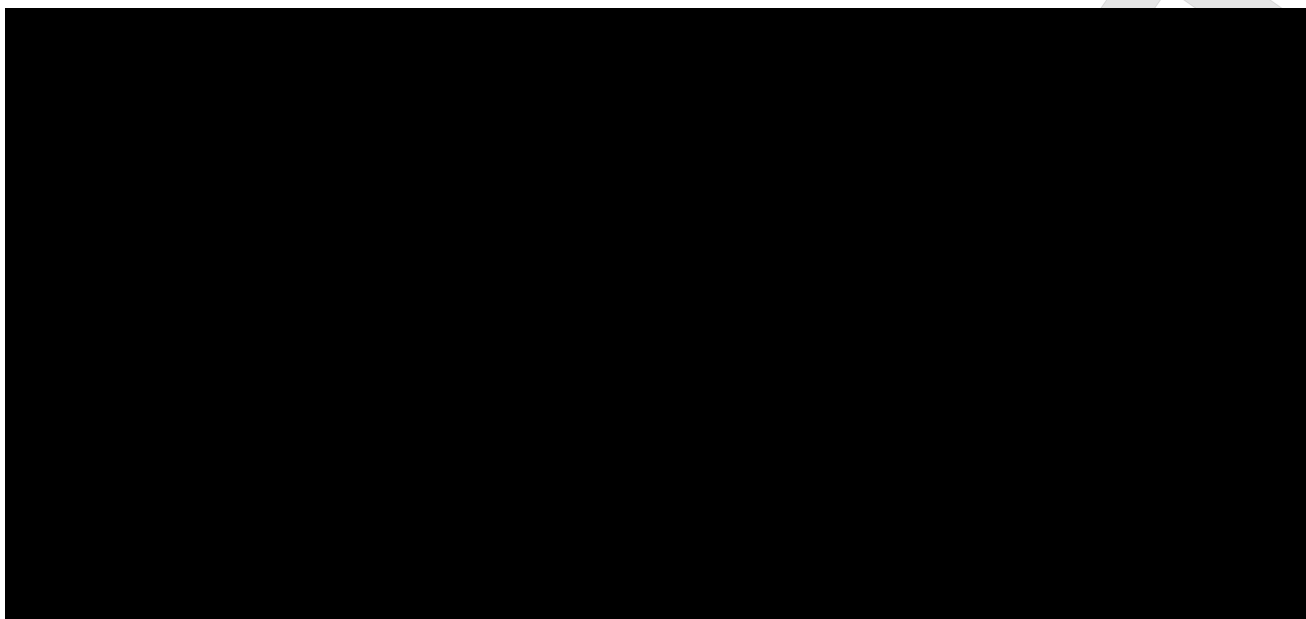
Table 1 sets out the assumptions used in the assessment.

Table 1 - VfM Assessment Assumptions

Item	Preferred Option	Counter-Factual
Appraisal Period	10 Years – in line with the length of the investment agreement with the JV	
Discount Rate	3.5% per annum	

Figure 1 illustrates the profile of costs based on the above assumptions – showing the SIF grant and the profile of savings that would be made by the Council under the preferred option.

Figure 1 – Profiled Costs (all costs at 2019 prices, discounted to 2020)



Where a project can be shown to reduce the costs to the public purse and does not impact negatively upon outcomes (i.e. has a present value of benefits of zero or greater), then the VfM category is defined as **very high and financially positive**.

Conclusion



There is a reasonable likelihood of increased visitor activity and expenditure in the local economy, noting the facilities location at a key point of entry to Crosby's coastline, however noting that the visitor economy can have high levels of displacement of activity from elsewhere, the impact on the LCR economy is most likely to be low. Nevertheless, additional outcomes of benefit to the local and wider community, such as the promotion of activities beneficial to health and wellbeing, should be recognised in the overall value for money category, which according to HMT Green Book principles is judged as very high and financially positive.



Appendix v – Historic Financial Performance

Hospitality

CIPFA Subjective	2017/18 Outturn	2018/19 Outturn	2019/20 Budget
Income	766,302	665,851	784,000
Employees	-519,166	-501,453	-445,200
Premises	-100,787	-162,897	-87,750
Supplies & Services	-320,177	-296,602	-383,250
Transport		-242	
Net Income	-173,828	-295,344	-132,200

Accommodation

CIPFA Subjective	2017/18 Outturn	2018/19 Outturn	2019/20 Budget
Income	123,936	157,964	110,000
Premises	-47,782	-79,674	-40,850
Supplies & Services	-39,058	-39,159	-15,800
Transport		-242	
Net Income			

Hospitality & Accommodation Combined

CIPFA Subjective	2017/18 Outturn	2018/19 Outturn	2019/20 Budget
Income	890,238	823,815	894,000
Employees	-577,663	-682,720	-602,500
Premises	-148,569	-242,571	-128,600
Supplies & Services	-359,235	-335,762	-399,050
Transport	0	-485	0
Net Income	-195,229	-437,723	-236,150

[illegible]

[illegible]

2021/22	2022/23	2023/24	Total
---------	---------	---------	-------

[Redacted Content]			
--------------------	--	--	--

This page is intentionally left blank



Liverpool City Region Combined Authority – Strategic Investment Fund

Final Business Case for February 2020 Investment Panel

Project Summary Table

Name of Project	Runcorn Station Quarter
Sponsor	Halton Borough Council
Nature of Applicant	Local Authority
Economic Sector	Transport
Indicative Funding Sought	£18.2m
Indicative Funding Source/Fund	Transforming Cities Fund (TCF)
Location	Halton
Call or Commission	Commission

Combined Authority and LEP Project Team

SIF Investment Team Lead	Paul Buntin
Investment Team Members	Sam Graham, Nick Green
Legal Lead	Jan Leong
CA Policy Input	Huw Jenkins – Lead Officer for Transport

1. Summary of Investment Team Considerations

The project was supported by external panel at concept stage in December 2019. The specific aspects addressed from concept stage are as follows:

- **Integration with wider development in the station quarter area:** The Investment team have worked with the sponsor and partners to ensure alignment with further development plans for Runcorn, set out in section 5.2.
- **Land dependencies:** The sponsor has provided further clarity on progress of land acquisitions related to the project (section 6.2). The Investment team are satisfied that this does not restrict the delivery of the RSQ project.
- **External appraisal:** An independent appraisal of the proposed investment has been undertaken on behalf of the CA. The appraisal recommended that the project be funded.



2. Project Overview

2.1 Background

In 2017 the Mersey Gateway project delivered a new highway crossing over the river Mersey between Runcorn and Widnes, alleviating pressure on the existing Silver Jubilee Bridge (SJB). The SJB is currently closed for re-configuration to promote sustainable travel including buses, walking and cycling, opening in Spring 2020.

Once reopened it is expected that up to 80% of traffic will use the Mersey Gateway Bridge with only 20% reverting to the SJB.

Historically, the SJB crossing was served by a range of significant highway structures in the area around Runcorn station, commonly known as the 'Trumpet Loop'. These structures separated Runcorn Old Town from the rail station, making travel routes convoluted and inconvenient for users. Passengers arriving at Runcorn are currently 'greeted' by a wall and 4-lane highway immediately facing the station.

The reduction in traffic using the SJB offers an opportunity to remove the highways structures on the approach to the crossing, including the trumpet loop. This process is known as 'de-linking'.

The removal of these structures opens up the station access and will significantly improve integration of transport modes within Runcorn, including walking and cycling. The enhanced access and connectivity to the Old Town aims to boost the local economy and offering new employment opportunities.

Having identified this opportunity, the Council has developed the Runcorn Station Quarter Masterplan that envisages a new gateway into Runcorn and the Liverpool City Region including improved access and connectability together with mixed use housing and commercial development.

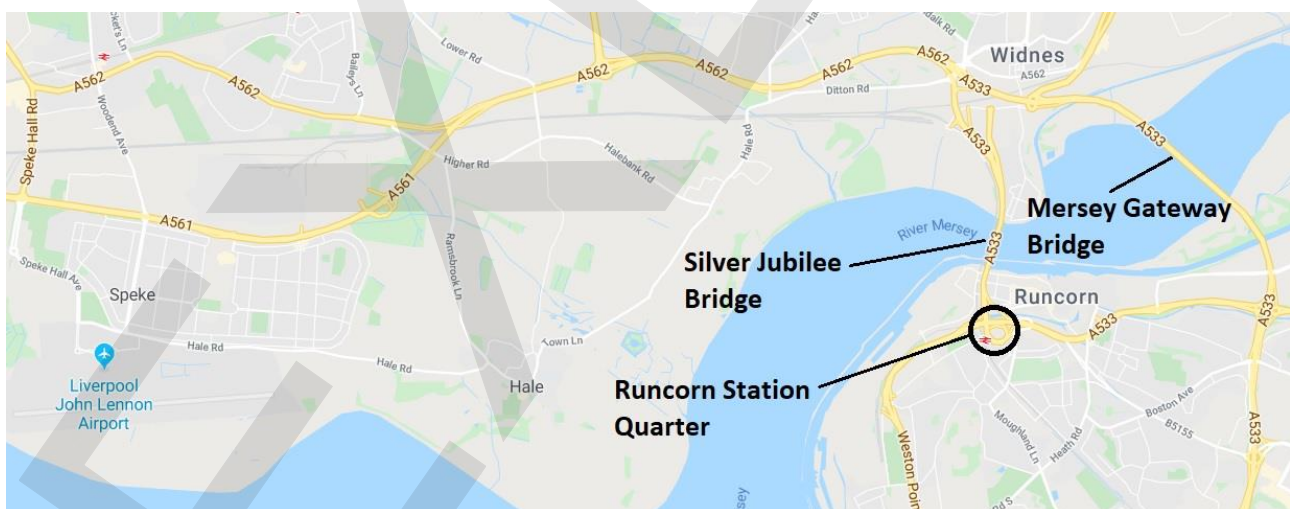


Figure 2.1 Location of the Runcorn Station Quarter project

2.2 Project Description

The Runcorn Station Quarter (RSQ) is a programme of works to improve access to Runcorn Station and regenerate the vicinity of the station.

The first stage of this programme is to deliver a transport hub that links the station to Runcorn Town Centre and facilitates greater mobility, connections and promotes active, healthier transport options for residents and visitors.

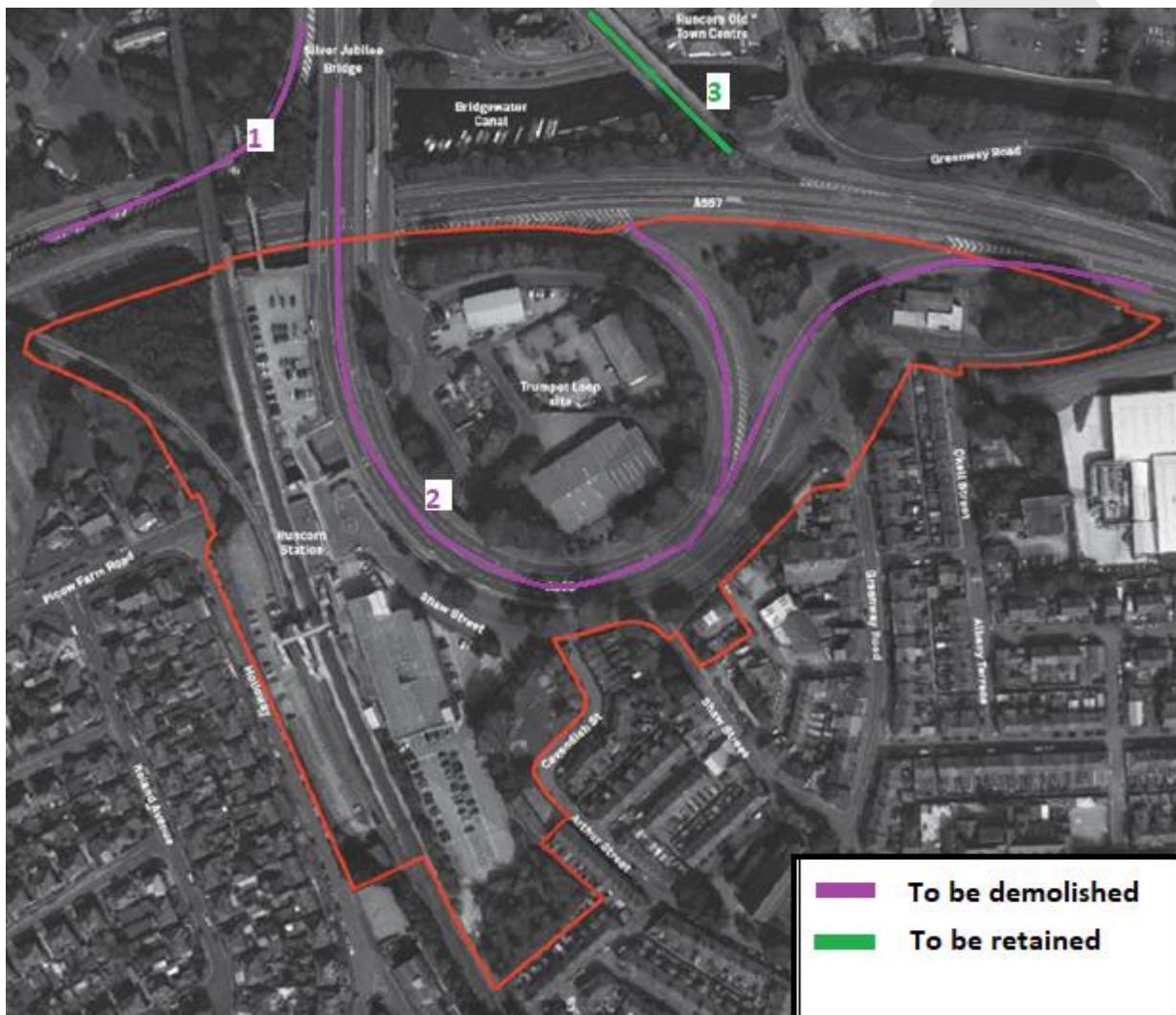


Figure 2.2 Focused Runcorn Station Quarter project map (before scheme)

This first stage itself comprises 2 elements; the de-linking and the station quarter implementation works:

De-linking

The de-linking works can be seen on Figure 2.2 and entail the removal of the Runcorn Approach Viaduct West (1 on map), the Station road Footbridge and the A553 Queensway Trumpet Loop (2 on map, including links to Station Road, Weston Point Expressway,

Bridgewater Expressway and Greenway Road). The Runcorn Approach Viaduct (3 on map) will be retained and will feed into a new roundabout on the Bridgewater Expressway.

Station Quarter implementation works

Works include construction of the Cavendish Street Link which involves highway improvements, including a new direct connection through to Shaw Street, an enhanced bus interchange and additional taxi stand facilities.



Figure 2.3 Focused Runcorn Station Quarter project plan (after scheme)

The works will also deliver a new 'Piazza' area outside Runcorn Station that will offer inviting, high quality public realm helping to deliver an improved sense of place and facilitate modal transfer between the station, buses and taxis calling at Cavendish Street. Improvements to footways and cycleways will also be delivered in the third phase of works that will enhance active mode connections between the Station Quarter and Runcorn town centre.

The high utilisation of private cars for journeys in the wider Runcorn area will be addressed through the prioritisation of pedestrians and cyclists and the implementation of a new bus service timetable that will increase the number of buses calling at Runcorn Station from 4 to 15 services per hour.

2.3 Indicative Timescales

Assuming external Investment Panel endorsement and completion of Full Business Case (FBC), we would look to take the project to the March CA meeting for approval.

Concept paper	December 2019
Final paper	February 2020
CA approval	March 2020
Grant Funding Agreement	April 2020

3. Strategic Case

3.1 Case for change

Runcorn Station is very well serviced by the train network, being a stop on the West Coast Main line (currently hourly service to London), and the Liverpool to Birmingham service (2 trains per hour) and new services from Liverpool to Chester and North Wales via the Halton Curve.

However, as a result of historic road links to the SJB:

- Access to the station and links between the station and Runcorn Town Centre (less than a half mile) are severely curtailed and unattractive – particularly for non-car use;
- Runcorn Old Town is isolated from its surrounding catchment area by the road network;
- The area suffers from poor air quality; and
- The economic advantages of the rail connectivity are not being maximised.

The realignment of the road network near the station and enhancement of public realm will significantly reduce pollution, congestion and private car usage, making conditions for walking and cycling more attractive. The removal of barriers to accessing transport services means more users will be able to realise the benefits of the transport connectivity offered by the RSQ scheme. A direct link between Cavendish Street and Shaw Street will connect southern neighbourhoods to the station quarter, broadening the community connectivity.

It also provides the opportunity for further economic development through bringing forward the opportunity for mixed use development which takes advantage of the rail connectivity at Runcorn.

3.2 Fit with Investment Strategy

The LCR was awarded £172m to fund innovative transport projects through the Transforming Cities Fund (TCF). The CA set out three key themes for projects to align with:

- Theme 1 – Improving and expanding the public transport network to meet new areas of demand
- Theme 2 – Improving the appeal of public transport, and particularly bus, against private transport
- Theme 3 – Intervening for health and wellbeing.

The RSQ project is a strong fit with all three themes:

- Themes 1 and 2 – The scheme will deliver additional bus service connectivity to the RSQ area that will take the existing service provision from 4 to 15 services per hour. The additional services will increase the appeal of buses and enhance connectivity with the train services at the station, further promoting the use of public transport;
- Theme 3 – Enhanced walking and cycling facilities at the RSQ will encourage users to be more physically active and adopt healthier lifestyles.

3.3 Fit with Other Priorities

Economic Development

The RSQ development is part of the wider masterplan for the station quarter area. The aim of the masterplan is to enable the regeneration of the RSQ area with a mix of land uses that are realistic and deliverable yet aspirational and transformational. The consortium currently working on the strategy includes Halton Borough Council, Regeneris and architects We Made That. Once the road alignment has been delivered it is envisaged that housing, offices and retail, amongst other land uses will prosper.

Walking and Cycling (phase 2)

As part of the ongoing investment in active travel, Merseytravel will look to bring forward the 2nd phase of their local cycling walking and infrastructure plan (LCWIP). The 2nd phase will cover 2 corridors, one in Wirral and one in Halton. The latter will see improvements made to a route starting just to the east of the RSQ and looping round to the Science and Technology park in Daresbury. Aligning with the RSQ, this scheme will improve accessibility to the centre of Runcorn and wider public transport links.

3.4 Objectives

1. **Improve links to Runcorn Old Town** – Current access links between the station and the Old Town are convoluted and confusing. Providing dedicated, and more direct access links will bolster the local economy by enticing visitors into the Old Town.

2. **Promote low carbon and active transport modes** – Encourage the use of mass transit systems such as rail and bus services which offer lower carbon footprint per user than personal car transport.

3.5 Outcomes of Options Analysis

Please refer to Appendix 1 for a summary options considered.

4. Economic Case

Quantitative Benefits

For the initial phase of the project, the scheme has been assessed as a 'transport project'. Quantitative benefits have been calculated based upon:

A) For the Station Quarter:

- Modal shift from passengers accessing the station by car to increases in walking, cycling and bus usage;
- Additional revenue accruing to bus operators with corresponding reduction in requirement for public subsidy;
- Improvement in journey quality through enhancements to the public realm;

B) For the delinking:

- Car drivers making local movements between Runcorn and Widnes will have shorter and quicker journeys as they are able to use the Silver Jubilee Bridge rather than Mersey Gateway;
- Bus journeys are also quicker, with buses now able to use the Silver Jubilee Bridge rather than Mersey Gateway;
- An increase in journey time reliability.

The monetised cost and benefits are summarised in Appendix 2.

4.1 Appraisal Results

The scheme has a Present Value of Benefits (PVB) of £71.92m against a cost to Public Accounts of £14.77m (in 2010 prices). This gives a **benefit cost ratio (BCR) of 4.87** which represents **Very High Value for Money** according to DfT criteria.

As a sensitivity test of this scheme also considers the wider impacts on land value of the proposed developments, along with journey time reliability have been included. The resultant test increases the PVB to £74.63m, with the costs to Public Accounts remaining the same. This results in a BCR of 5.05 which represents a Very High Value for Money.



5. Financial Case

5.1 Funding sought and proposed key terms

The total project cost is £20.0m, of which £18.2m of Transforming Cities Funding is sought, with £1.8m in local contributions. This will cover 90% of the costs, as a grant, Halton BC as sponsor will cover the remaining 10% (£2m). This is broken down as follows:

Table 5-1 Breakdown of costs

Type	Value (Real)
Item 1: De-linking	10,400,000
Item 2: Contribution to de-linking	1,800,000
Item 3: Walking/cycling pathways	1,514,192
Item 4: Runcorn Station piazza	2,550,920
Item 5: Footbridge Demolition	615,635
Item 6: Cavendish Street link improvements	2,285,646
Item 7: Project management and contingency	880,466
Total	£20,046,859

5.2 Business Plan

A summary of the delivery programme for the scheme is provided in table 5.2. The scheme is due to be completed by February 2022. The scheme has been appraised on the transport intervention alone, however the wider proposals to develop the land and the rail station are outlined in the following timeline:

Table 5-2 Project programme

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Items											
1: De-linking	TCF										
2: Cavendish Street link		TCF	TCF								
3: Piazza		TCF									
4: Demolition of walkway		TCF	TCF								
5: Walking and Cycling links		TCF	TCF								
6: RSQ land purchase											
7: RSQ Land & Property scheme					P1	P1	P1		P2	P2	P2
8: Network Rail station upgrade											

Network Rail have indicated that Runcorn Train Station will be developed in the future, with timescales dependant on wider issues including the development of HS2. There is no dependency between this development and the RSQ project.

Additionally, the council has plans to redevelop the rest of the RSQ site (excluding the station) as described in section 3.3. This is projected to be complete by 2030, with the council looking to compulsory purchase the land over the next 2 years. Additional funding will be required to support the relocation of current occupiers and site clearance. A mixture of public and private sector funding is proposed to fulfil the masterplan.

6. Commercial Case

6.1 Risks and Mitigation

Risks to CA

Risk	Probability & Impact	Potential Mitigation
The sponsor is not able to deliver scheme before end of TCF funding period	Probability – Medium Impact – High	Deadline is 31 st March 2023. The Investment team has agreed on a delivery timeline with the sponsor that is significantly earlier than this date. The investment team will assist the sponsor to ensure that issues such as land ownership are resolved.
Funds are not used appropriately by the sponsor	Probability – Low Impact – High	The Programme Management Office (PMO) will monitor the project once it is in the delivery phase and funds will be drawn down quarterly in arrears.

Delivery Risks

Risk	Probability & Impact	Potential Mitigation
Cost Overrun	Probability – Medium	Value engineering can be undertaken, particularly on materials
Land Acquisition	Impact – High	Agreements are being finalised in advance of the scheme commencement date.
Adverse Weather	Probability – Medium Impact – Low	Majority of work will entail outdoor civils related works. Works have been programmed around expected seasonal variations to create greater programme certainty to the extent that this is practical to do so.
Utilities	Probability – Low Impact – Low	The contractor would manage this risk through searches of the site with Cable Avoidance Tool (CAT) scanners. The cost of utility related risks will be passed through to the contractors as part of the contract. This is standard practice.
Unknown Ground Conditions	Probability – Medium Impact - High	The nature of the works within the RSQ scheme will require ground excavation and other subterranean construction activities.

6.2 Diligence and Legal Commentary

Legal Strategy

The sponsor has agreed to purchase a parcel of land on the Inflata Nation site. The transaction is currently with the Land Registry and completion is expected by the end of February.

A funding agreement has been issued to the sponsor, to which they have agreed to pending CA approval.

7. Management Case

7.1 Deliverability and Leadership

The Senior Responsible Officer for the scheme will be Ian Jones, Divisional Manager, Highways, as Project Director. He has extensive experience in managing the successful delivery of transport interventions across the Borough. John Gill will act as Project Manager, taking responsibility for the day to day management of the scheme, the contracts for delivery and generating all necessary reporting in respect to the requirements of the LCR SIF monitoring reports.

7.2 Procurement

The sponsor has opted for a single stage design and build approach for procurement. This is the most commonly used form of contract in the market. We support this approach as it minimises risk.

8. Further Considerations

8.1 State Aid

As delivery of transport and public realm improvements, there are no state aid implications for this project.

8.2 Inclusive Growth

The sponsor is committed to inclusive growth and sustainability through the following measures:

- All staff engaged in the delivery of the project will be paid more than the living wage

- Halton have educational policies which enable all aspects of career development being open and available to every staff member.

The sponsor has submitted the social value questionnaire to the Investment team.

Appendix 1 – Options Considered

Option	Description	Advantages	Disadvantages
Do nothing	No investment is made in the RSQ. Transport infrastructure will remain the same as the existing infrastructure conditions following the de-linking works.	No initial capital expenditure	Failure to invest will miss the opportunity to transform and revitalise the RSQ area.
Do Minimum	Construction of a new piazza, public realm enhancements and new road alignment in the station quarter area	Offers improved links south of the station Investment in a deprived part of Halton	Without de-linking area is still cut-off to walking and cyclists. Increasing bus patronage not possible with current structures in place
Preferred Option	Construction of a new piazza, public realm enhancements de-linking and new road alignment in the station quarter area	Will interface with the de-linking of the approach to the Silver Jubilee Bridge, works undertaken by Halton Borough Council. Offers improved links to the Old Town. Increase in bus connections between Runcorn and the wider city region.	High capital expenditure Disruption to the transport network while works take place
Do More Option	Construction of a new piazza, public realm enhancements de-linking, new road alignment and multiple pedestrian bridges in the station quarter area	Will interface with the de-linking of the approach to the Silver Jubilee Bridge, works undertaken by Halton Borough Council. Offers improved links to the Old Town and	Higher capital expenditure Disruption to the transport network while works take place



		greater pedestrian access over roads, improving safety.	Option not achievable before TCF deadline for funding (31/03/2023).
--	--	---	---

Appendix 2 – Appraisal Summary Table

Line Item	Option 1 relative to status quo (preferred option)
Present Value Benefits [based on Green Book principles and Green Book Supplementary and Departmental guidance (£m) [A]	71.919
Present Value Costs (£m) [B]	14.774
Present Value of other quantified impacts (£m) [C]	2.707
Net Present Public Value (£m) [A-B]	57.145
'Initial' Benefit-Cost Ratio [A / B]	4.87
'Adjusted' Benefit Cost Ratio [(A + C) / B]	5.05
Significant Non-monetised Impacts	none
Value for Money (VfM) Category	Very High

This page is intentionally left blank



Liverpool City Region Combined Authority – Strategic Investment Fund

Final Business Case for February 2020 Investment Panel

Project Summary Table

Name of Project	Music Industry Sector Development Pilot
Sponsor	Culture Liverpool (Liverpool City Council)
Nature of Applicant	Local Authority
Economic Sector	Culture
Indicative Funding Sought	Initial £250k towards a £2 million project
Indicative Funding Source/Fund	Gainshare revenue
Location	Liverpool City Region
Call or Commission	Call

Combined Authority and LEP Project Team

SIF Investment Team Lead	Antonia de Winter
Investment Team Members	Holly Petters
Legal Lead	Jan Leong
CA Policy Input	Sarah Lovell

1. Summary of Investment Team Considerations

1.1 Summary

In 2018, LCRCA and Liverpool City Council (LCC) jointly launched an independent LCR Music Board. The board, which reports directly to the Metro Mayor is responsible for growing and supporting the music sector. Its strategy and action plan have been endorsed by the LCRCA.

The Board's four strategic priorities which inform the action plan are:

1. To ensure the long term development and growth of the LCR Music industry;
2. To support the growth and development of a sustainable music tourism offer across the LCR;
3. To facilitate the coming together of the music sector and education providers to increase engagement in music and investment in, and development of, talent from all communities across the LCR; and
4. To ensure a sustainable and strong network of venues and to work with LCR local authorities to introduce and implement the "Agent of Change" principle.

The proposed project requests £2m of SIF funding towards a £5.2m pilot programme to enable delivery of specific activities to support delivery of the action plan: skills & talent development, bespoke business support, and development of the music sector ecosystem. The funding allocation for this project was referred to in the Mayoral Combined Authority Budget Setting Report 2020/21.

Subject to SIF funding approval, the Sponsor, Culture Liverpool, (a department within Liverpool City Council) will host the Music Office which will begin immediate delivery against the action plan.

1.2 Recommendations

The Investment Team recognises the potential benefits which are set out in the proposition, but also that further work is required in developing the business and economic case for the project. It is therefore recommended that the Panel provides an interim endorsement for the project for submission to the Combined Authority in March on the basis of:

- £250,000 to be initially provided from SIF II to retain the Music Office and to fund time-critical elements of the intervention. The balance to be funded from SIF III conditional on CA satisfaction with the business case and logic chain; and
- A condition of the balance of funding will be that the monitoring and evaluation of the activity is robust enough to provide strong economic evidence to assess the success of this trial, supporting future interventions.

2. Project Overview

2.1 Background

Liverpool was designated a UNESCO City of Music in 2015 alongside Glasgow. LCC bid for the title and cited music's "place in the heart of the city's life" in its submission. The City of Music award is part of UNESCO's Creative Cities Network, which was created in 2004 to promote "cooperation with and among cities that have identified creativity as a strategic factor for sustainable urban development."

Judges said the city is a "haven for music" with festivals such as its Liverpool International Music Festival, Sound City and Psych Fest events. Judge's comments noted the importance of the Royal Liverpool Philharmonic Orchestra and dance music institution Creamfields and the commitment to a "clearly defined" music, education and skills strategy for young people.

Since Liverpool's designated UNESCO City of Music status in 2015, considerable work has been done to identify how to support the long-term development and growth of the sector.

This has crystallised in:

- The establishment of an industry led LCR Music Board;
- The development of a sector strategy endorsed by the Combined Authority; and
- The appointment of a music officer.

Through the work of the LCR Music Board and strategy development, there exists a better understanding of the sector, its potential, and challenges (a SWOT analysis is included in Appendix A).

Ongoing work, supported by BOP Consulting (an international consultancy specialising in culture and the creative economy), identifies that, for a relatively low level of intervention, the music sector ecosystem can be improved so far as that a 'real', leading cluster develops in the City Region. The intervention required is deemed to be lower than that required to develop clusters across other sectors in the LCR yet could deliver the UK's first music cluster outside of London here in the City Region.

The benefits of this cluster development are:

- Productivity gains with increases in employment and GVA;
- Inclusive growth – increasing demand for talent and skills will widen opportunities for entrants from all parts of the city region, and from communities hitherto underrepresented in the sector; and
- Legacy - awareness of opportunity acting as a spur to the creation of new businesses, identification of Liverpool as a music hub on a national and international scale attracting inward investment.

2.2 Project Description

The project sponsor requests £2m of SIF funding for a pilot project to develop a music cluster in the Liverpool City Region. This will trial and test new initiatives and tailored support for the sector to deliver skills and talent development, new business creation, business growth and inward investment. These initiatives will overcome observed growth constraints and provide the growth and critical mass needed for cluster development.

Extensive consultation with the sector has been completed during the strategy development process and further engagement by the Music Board through its working groups. This consultation has identified three thematic areas of support required to deliver continued growth of the sector. These are skills development, business support and eco-system development.

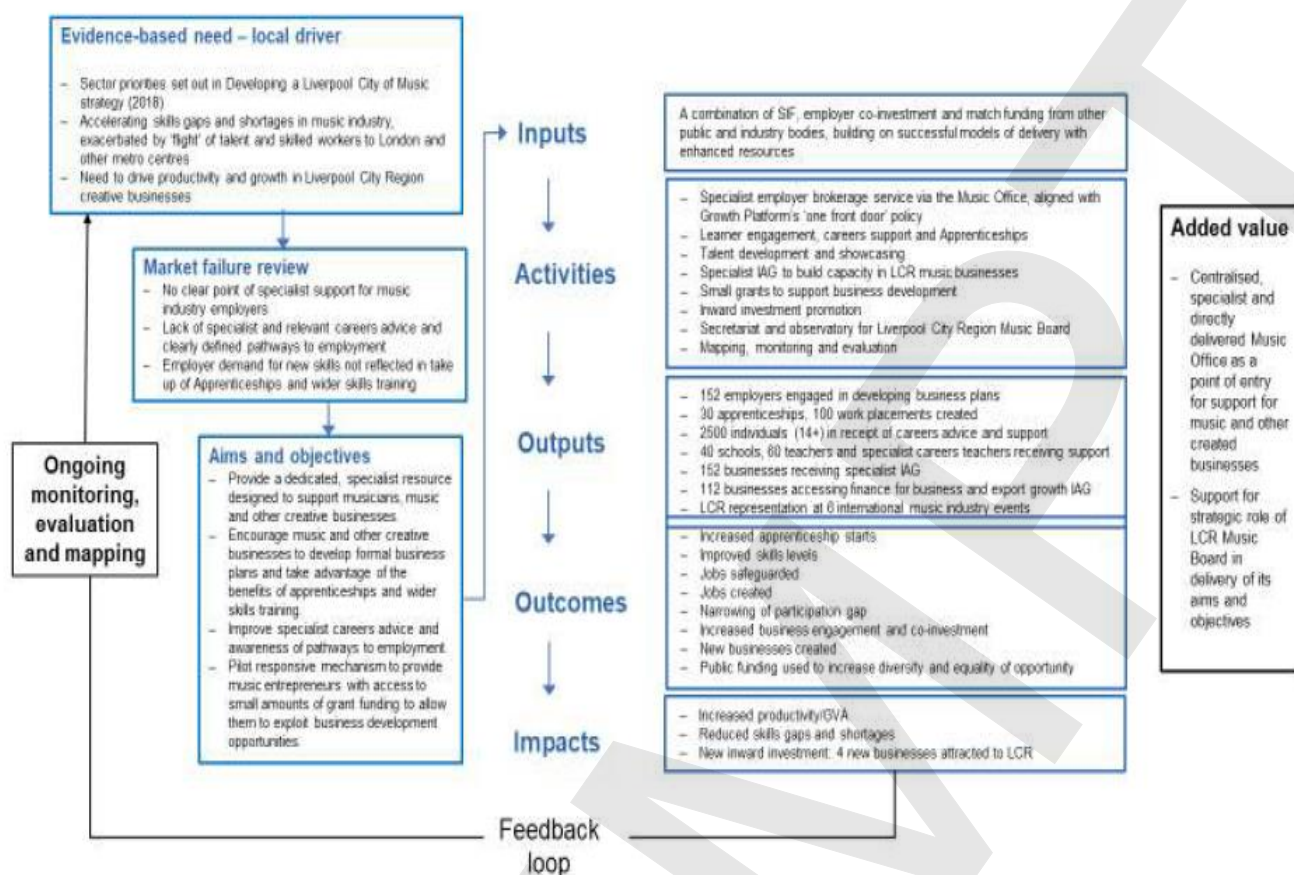
A range of interventions will be piloted across these thematic areas, with the overarching objective of increasing the size and effectiveness of the sector and, ultimately, to develop the first music cluster in the UK outside the City of London. These interventions include:

- **Skills development:** learner engagement, careers support, apprenticeships, talent development and showcasing. These interventions will be aimed at improving links between education providers and industry, delivering a co-ordinated approach to skills and training across the sector, promoting careers in the sector, and providing the pipeline of future talent and skills needed to support the growth of the sector.
- **Business support:** small grants and specialised information advice and guidance, tailored to specific needs of businesses in the industry. These interventions seek to build capacity and support business start-up and growth.
- **Ecosystem development:** developing the proposition of the sector, providing dedicated focus on building a narrative around the successful LCR music businesses and the available talent supply. This will develop a strong inward investment proposition, to attract new businesses in the sector to the City Region.

There is a further capital element to the project, Future Yard, which will provide a new facility in Birkenhead. This will act as a physical hub for talent and eco-system development.

The project activities will also be delivered in a way that ensures inclusivity and diversity, with a focus on narrowing the participation gap.

A logic model for the project is shown overleaf.



Location

The remit is LCR wide. There will be a concerted effort to ensure all the LCR boroughs benefit from this project, to be evidenced at the end of the programme.

Sponsor and Stakeholders

The Sponsor is Culture Liverpool which was established after Liverpool was named the European Capital of Culture. Its aim is to champion culture across the LCR.

Stakeholders are the LCR Music Board (which includes representation from University of Liverpool), various LCR based music institutions including the Royal Liverpool Philharmonic, The Growth Platform, the Music Education Hubs, LCRC Skills Team and national music organisations such as the PRS Foundation.

Legal structure

The Music Office (based within LCC) will be responsible for the management of the programme. The team is accountable to LCC and to the LCR Music Board. LCC will be the recipient of the grant which will be drawn quarterly in arrears.

Delivery and operation

Delivery will be undertaken by various organisations under the auspices of the Music Office. Delivery will be monitored on a 3 monthly basis. The delivery mechanism for each strand of activity is explained in the Management Case section 7.

Quantum and measurement

The CA is projected to be a minority contributor to the project (38%). Of the remainder, 24% of match will be via companies and employers participating in the programmes (for example apprenticeships), formal match confirmation has been received for 31%. Confirmations for the remaining 6% of match have yet to be received. On signing the GFA, value for money (VFM) metrics will have been agreed through the monitoring plan to directly quantify the on return of investment of each activity.

Alignment with Growth Platform

All interventions have been designed to align with the Growth Platform. Both the Growth Platform and the CA confirmed that the formal creation of a Music Office was appropriate as a vehicle to deliver the programme and to be the 'one front door' for specialist music (and some other creative industries) brokerage within the Growth Platform. A Music Office will provide a single point of entry for specialist brokerage and triage for music businesses across the whole city region. This will allow the Music Office to signpost appropriate generic business support already available through the Growth Platform and to specify more specialist forms of support needed by music enterprises. The alignment between the two organisations will allow both to quickly and easily cross-refer enquires from music enterprises according to need. This is important, as past experience and survey data shows that creative enterprises are less likely to take up business support than those in other sectors.

2.3 Indicative Timescales

FBC Submission	Feb 2020
Combined Authority Meeting	March 2020
Agree HOT's and complete legal agreement with LCC (Culture Liverpool)	April 2020
Delivery commences	May 2020
Updated Business Plan and Appraisal	July 2020
First year evaluation	April 2021
End of project	April 2022

2.4 Changes since Last Submission

The Internal Panel endorsed the progression of the bid once clarity was provided on;

- Outputs especially GVA and job creation.
- A review of how the Growth Platform and LCRCA Skills Team would work with the Sponsors to deliver the project.
- Culture Liverpool specify non-SIF funding resources and provide evidence of match

These have been satisfied. Given the relative size of this bid, the project has proceeded straight to FBC.



3. Strategic Case

3.1 The Case for Change

The rationale for the project is to pilot a range of interventions to develop the first, real music cluster in the UK outside of London. The benefits of cluster development are well evidenced and widely accepted. Analysis of the sector completed by BOP Consulting considers that, given recent growth in the sector, a low level of intervention is now needed in the City Region for a music cluster to form and for significant benefits to be captured. Critical to achieving this will be supporting the sector to overcome the challenges which are constraining growth.

3.1.1 Summary of sector analysis

Music is a growing sector in the LCR, with annual growth forecasted at 3.4%, it is set to grow faster than other industries in the City Region including financial services, manufacturing, and logistics. In the year 2018/19, the sector had an annual turnover of £100.5m, and provided 2,581 jobs. Pockets of excellence exist within the sector including sound recording and music publishing, which have grown significantly in recent years.

The recent growth of the sector has led to increased employment density in the City Region as measured by employment Location Quotients (LQs). LQs show the concentration of employment in a sector locally, compared to national levels. There has been a rapid advance in the Location Quotient (LQ) for sound recording and music publishing activities from 0.2 to 0.9 between 2015 and 2019. In Creative Industries, an LQ of 1.0 or greater is an indication of cluster formation.

While the sector is strengthening, and has demonstrated growth over recent years, it needs to be better supported to overcome challenges to consolidate these gains and build a more sustainable, effective music ecosystem which will enable cluster development.

3.1.2 Barriers to growth and cluster development

Culture Liverpool's work in developing the LCR Music Strategy, and subsequent work of the LCR Music Board identified the barriers to growth the sector faces. These barriers can be summarised as:

- A lack of awareness of young people regarding career opportunities that exist in the sector;
- Demand for skilled workers exceeding supply of workers resulting in skill shortages;
- A low provision and uptake of apprenticeships in the sector;
- A lack of tailored, demand-led business support for the sector to complement the more generic support available;
- A lack of co-ordination across the sector to showcase its successes;
- A lack of specialist workspace and training facilities outside of the City Centre;
- Limited access to finance for SME's in the sector.

The activities piloted through this project will seek to overcome these barriers and support the growth, agglomeration and co-ordination that is required for cluster development.

Other areas face similar challenges and also recognise the benefits of overcoming them. These areas are attempting to follow a similar path to the Liverpool City Region. For example, Manchester City Region's Mayor announced the establishment of a Music Board in summer 2019 but this is still in the very early stages of development. The Sheffield City Region Music Board was established in 2018 but has yet to articulate a clear strategy or action plan. There is a real opportunity for the LCR to achieve a first mover advantage in developing the UK's first leading music cluster outside of London.

3.2 Strategic Fit

3.2.1 Alignment with Draft Local Industrial Strategy

The project has strong strategic alignment with the draft LCR Local Industrial Strategy (LIS). The LIS identifies cultural activities as a driver of economic development in the City Region and recognises the benefits that can be secured, economic and otherwise, through investing in culture.

The project's focus on narrowing participation gaps and its work with BAME communities has strong alignment with a further ambition set out in the LIS for the LCR to become the home of the most inclusive economy in the UK.

The project could also contribute to addressing some of the key challenges set out in the LIS, specifically:

- The need to improve overall skills levels in the City Region;
- The low levels of business density in the City Region and need for inward investment;
- The low levels of high growth firms in the City Region and the need for bespoke tailored support to support companies to scale.

3.2.2 Alignment with LCR Skills Strategy

The Growth Strategy and LCRCA Skills Strategy (2019) highlights the importance of improving LCR skills and talent. The project identifies apprenticeships as an important pathway to employment, increasing awareness, growing opportunities and addressing barriers to entry to employment in a range of music-related activities for individuals of all ages across the City Region. It is the first strategic attempt to leverage existing frameworks and funding for apprenticeships as part of a growth programme for the creative industries in LCR and, if successful, should be influential in persuading creative employers (which have historically demonstrated lower level of take up of these opportunities) of the benefits of this route to staff recruitment, training, retention and development.

3.2.3 Alignment with LCR CA Investment Strategy

The SIF Investment Strategy sets:

- The priorities for investment within specific sectors are those which will foster a productive and sustainable, competitive business base, being precise about the



relevant drivers of growth and productivity within the city region, such as innovation, infrastructure, skills, inward investment.

- The cross-cutting priority of skills and employment is important for all our sectors and businesses and also in driving inclusive growth and fairness, by providing our residents with opportunities to develop skills that will help them participate and succeed and providing support to secure, retain and progress in employment.

This project seeks to deal directly with both objectives, delivering sector specific specialist business support, a dedicated apprenticeships programme, specialist careers advice and support for teachers, inward investment promotion and talent development schemes. The project aligns with more than one of the key sectors, including the Digital and Creative Sector, Professional and Business Services and the Visitor Economy.

3.2.3 The Skills for Growth Action Plan for Digital and Creative 2018 - 2020

The action plan focuses on digital and tech skills which are key to the music sector. Companies like Sentric and Ad Lib use digital technology to drive their product development and market growth. The Action Plan is clear that take up of IT-related Apprenticeships has fallen across the city region. The skills development pillar of the Music Sector plan looks to address and reverse that trend across a range of creative, digital and technical pathways to employment-based training at Level 3 and 4.

3.3 Critical Success Factors

Critical success factors for this phase involve co-ordination of activity leading to:

- An increase in apprenticeships, take up of careers events and IAG, volume, spend and dispersal year-on-year;
- Evaluation of each activity shows a clear value for money with local spend; and
- An increase in business survival rates and inward investment.

4. Economic Case

The routes to impact of the proposed activity are set out in the Logic Model. The different strands of activity will engage with new and existing businesses and individuals, the future workforce for the sector and potential inward investors.

The outputs this will deliver are:

- 152 employers engaged in developing business plans;
- 30 apprenticeships and 100 work placements delivered;
- 2500 individuals engaged in careers advice and support;
- 152 businesses receiving specialist IAG;
- 112 businesses accessing finance for business and export growth; and
- LCR will be represented at six international music industry trade events.

A profile of outputs is provided in Appendix C.

The outcomes this will secure include new business starts, growth of existing businesses, new jobs created and increased skills development. This is in addition to narrowing the participation gap and increasing diversity and equality of opportunity. The impacts of the programme will include sector growth and development and increased GVA.

An economic impact assessment has been completed by BOP consulting, based on what is stated as the best available evidence. This impact assessment has applied return on investment (ROI) multiples delivered by other schemes, to activities that will be delivered through the pilot programme. It should be noted through close monitoring and evaluation of the pilot programme, a better evidence base will be developed to understand better the impact of interventions in the sector, and to inform future, long-term investment.

The methodology used estimates that the proposed intervention will deliver £11.6m of net economic value, therefore the programme generates a BCR of 2.3:1, delivering good Value for Money. However, the methodology used is not considered to be robust.

Despite this, given the low level of funding requested, the proportion of funding leveraged from other sources, the anticipated outputs, and the focus of the activities on interventions that typically generate good value for money (particularly the provision of apprenticeships and sector specific business support), there is confidence that this programme will deliver Value for Money.

A condition of grant funding should be that further works is completed to demonstrate the specific impacts this programme of interventions can deliver.

5. Financial Case

5.1 Business Plan

The operating activity of the programme is set out against 3 themes set out above. The financial table below breaks down the cost of each of the activities. A full profiled financial plan is set out in Appendix D.

As set out previously, it is proposed that an initial amount of £250,000 is allocated to the project to secure time critical elements, namely the retention of the Music Office and further development of the proposition & economic case.

Further funding will be conditional upon receipt of such economic case to the satisfaction of the Combined Authority including ensuring that monitoring and evaluation of the activities proposed, is robust enough to provide strong economic evidence of their impact.

5.2 Funding Sought and Proposed Key Terms

If fully implemented, the £2m project will have a 2-year funded lifespan, following which a more sustainable self-funding operation will be developed (see 5.4).

The funding terms (Appendix F) are being developed with the applicant, but the CA will seek to reflect the progress against the Critical Success Factors as a condition of funding instalments being provided – i.e. evidence of website delivery, more year-on-year apprenticeships, spread of spend and dispersal.

The CA will also make provision of SIF award instalments conditional on meeting performance targets for a steadily increasing sector activity through the project.



Table 5-1 Table of Funding

Type of Funding	Provided/Sourced by Sponsor (£,000)	Request from SIF (£,000)	Total (£,000)
Skills Development	999	650	1,649
Talent Development	438	550	988
Growing the Music Ecosystem	1,751	800	2,551
	Total match	Total SIF	Total
	3,188	2,000	5,188
Proportion of Total	61.45%	38.55%	100%

Appendix D details the spend and match for each line of activity. At this stage match funding has not been formally secured but is evidenced by letter. Finalisation of these commitments will be a condition of drawdown of funding.

Section 7 notes the delivery organisation for each strand of activity. LCC will have overall control of the spending, and have robust processes in place to monitor spend, match, outputs and financial flows.

5.3 Future Financial Viability

The aspiration is to make the Music Office self-sustaining, so it is in a position where it can continue to co-ordinate activity, support industry networks, lobby on the sector's behalf and secure further public/industry funding for activities where appropriate.

The Head of UNESCO City of Music who leads this project, has experience of successfully achieving this from within the public sector – for example with Baltic Creative and Sound City (an annual Music Festival).

Exploring and assessing the viability of sustainability options will be a key task for the Music Office and LCR Music Board over the next 12 months.

Options in this regard include:

- funded by a membership model (like Manchester Digital); and/or
- sponsorship from music industry partners.

Progress reporting in this regard will be requirement of the GFA.



6. Commercial Case

6.1 Risks and Mitigation

Risk	Probability and Impact	Potential Mitigation
Combined Authority Risks		
Delays in approval of SIF Funding	<p>Low-medium impact of risk occurring</p> <p>Medium impact on project delivery if risk occurs.</p> <p>The formation of the LCR Music Board has raised the anticipation of activity taking place throughout the sector. The Music Board will lose credibility and impetus with members leaving.</p>	<p>Expectations on timescales were set at the music consultation session in May. This was followed by further messaging through appropriate channels. Members of the music board engaged where appropriate with involvement in detailed planning over project delivery while funding confirmation is awaited.</p>
Over concentration of impact in Liverpool city centre given the concentration of assets in the City Centre	<p>High probability of occurrence, medium overall impact can be managed</p>	<p>While much activity will remain Liverpool focused, there will be a spread of music business incubators /clusters and infrastructure spread across the whole of LCR. Stakeholder engagement and Music Hubs will work across LCR to provide business support and talent development.</p> <p>Specific work will be delivered on the Wirral through Bido Lito.</p> <p>Activity will be monitored to ensure a full representation across the LCR and corrective action taken if needed</p>
Delivery Risks		

Lack of strategic buy in from the music sector and/or local authorities	<p>Low probability of risk occurring</p> <p>High negative impact on project delivery if it occurs, particularly if sector doesn't buy in</p>	<p>LCR Music Board which has a reach across all of the sector will help mitigate against this risk. During the task and finish groups that took place between Feb –April 2019 other appropriate members of the sector were invited to take part, and this has also increased the reach of the Board. In May, the whole sector was invited to a consultation session. Attendance was very good, and parties gave a clear re-affirmation of LCR priorities and proposed actions. Discussions have taken place with relevant parties across all the Local Authorities. This bid will ensure that benefits accrue across the whole of the LCR with increased opportunities for residents irrespective of where they live.</p>
Lack of specialist IAG about talent development programmes e.g. apprenticeships and training, results in poor take up of apprenticeship opportunities or training offers	<p>Medium probability of risk occurring</p> <p>Medium impact over all</p>	<p>Mitigated by provision of specialist support to teachers, alignment with LCRCA Skills and Apprenticeships Hub and the Growth Platform.</p>
<p>Lack of specialist IAG about access to finance leads to sector assuming no support available from Growth Platform or local authorities, leads to negative press; and</p> <p>A lack of demand from business involvement</p>	<p>Low probability of risk occurring</p> <p>Low impact over all</p>	<p>Alignment with Growth Platform will mitigate this risk as will concentrated marketing of the offer through website and appropriate streams (including Music Board)</p>
<p>Delay/ loss of match funding</p>	<p>Low probability of risk occurring</p> <p>High negative impact on individual lines of project</p>	<p>Match funding confirmation has been obtained. Draw down of SIF will be conditional on evidence of matched spend.</p> <p>LCC will manage the process and</p>



	delivery if it occurs	are experienced in controlling match and release of funding.
Lack of similar past interventions is limited - therefore our evidence base is constrained to estimate impacts	Medium probability and High negative impact	Impact of lack of data to compare to and to demonstrate success. Detailed monitoring arrangements will be in place to evidence delivery and to provide evidence to support further activity.

6.2 Diligence and Legal Commentary

The following has been completed:

- Reviewed external evidence on music sector numbers and impact;
- Established that external public and private contributions for, at least, year 1 reflect initial dialogue and reviewed formal evidence of support;
- Reviewed Music Board strategy and terms of reference;
- Review and confirmation of alignment with Growth Platform and LCR Skills Strategy by way of meetings and process agreement; and
- Legal review of state aid.

7. Management Case

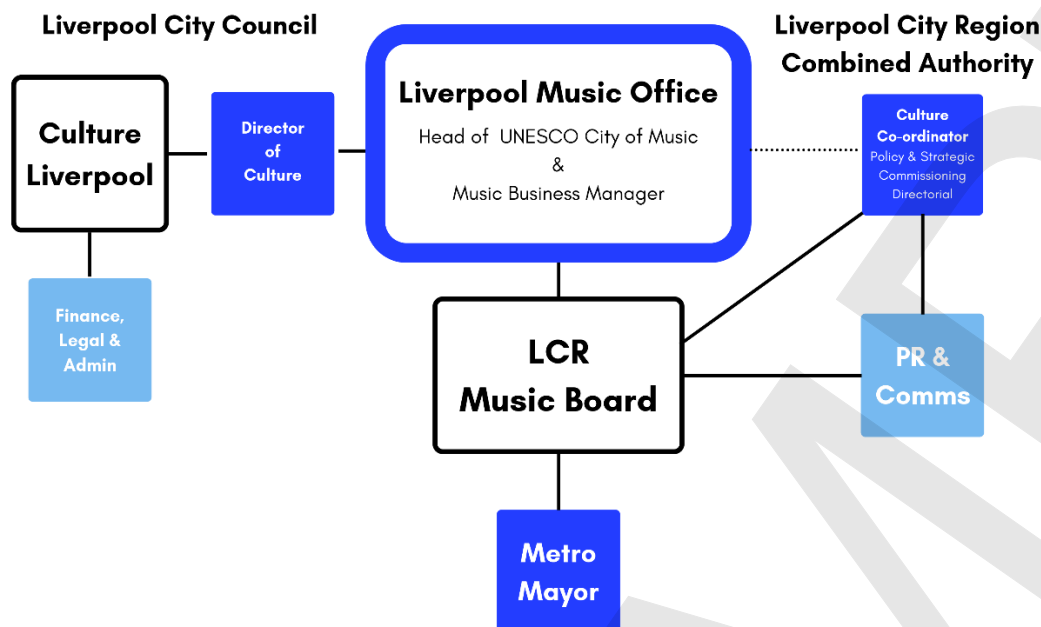
7.1 Deliverability and Leadership

The project will be managed by the Head of UNESCO City of Music post holder (Kevin McManus) based within Culture Liverpool. Kevin reports to the Director of Culture. All financial and legal responsibilities will lie with LCC which has substantial experience in managing public funds from both a financial and legal point of view and is familiar with SIF reporting mechanisms. LCC has experience of managing externally funded projects including currently as an Arts Council England National Portfolio Organisation (NPO) receiving annual funding and the Liverpool Film Office SIF bid.

Kevin McManus has 20 years of experience of managing large projects across LCR. As Creative and Digital Sector Director, he delivered a sector strategy and managed three ERDF funded projects worth over £7m. One of these projects was the highly complex Creative Advantage/Creative Bias bid which involved multiple partners. He has been involved in the music industry locally and nationally for over 30 years in various capacities and has a track record of achievements delivered from within the public sector. Highlights include establishing Baltic Creative CIC which has gone on to be a significant success and acted as a catalyst for the development of the Baltic Triangle. This year, he helped LCC successfully commercialise the LIMF (Liverpool International Music Festival) model.

7.2 Governance

Figure 2: LCR Music sector development governance structure

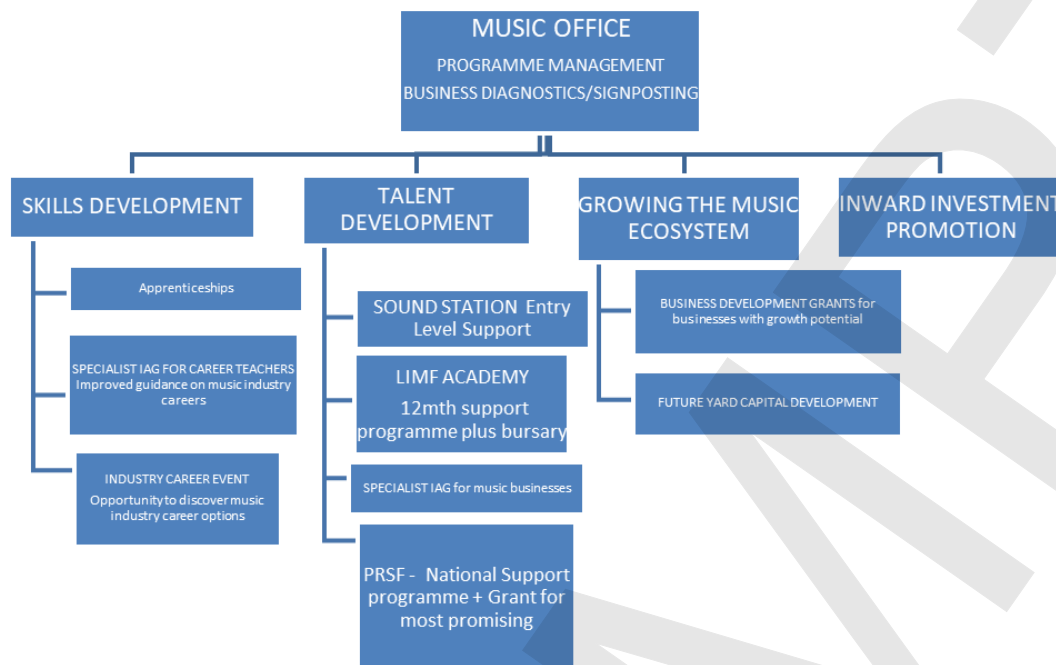


The City of Music post holder will be advised by, and report back to, the LCR Music Board. The Board will ensure the CA will be informed of plans and developments. The LCR Music Board is an advisory Board to the LCR CA (Metro Mayor) and Liverpool City Council Mayor. The Music Board is a voluntary body whose members were selected by the CA and LCC after a rigorous application process. The Board has no legal standing but has established detailed Terms of Reference. It reflects the wide-ranging nature of the music sector across the LCR and is chaired by the CEO of The Royal Liverpool Philharmonic Orchestra.

The City of Music post holder works closely with the CA's Lead Officer, Culture Co-ordinator, which facilitates links into the appropriate people in each of the LCR Local Authorities.

7.3 Delivery

Each strand of activity will be delivered by an experienced LCR based organisation, overseen by the UNESCO Music Office, noted in Appendix E.



7.4 Dependencies & Permissions

This bid has the full support of LCC who currently fund the Head of Music post, the CA who support the LCR Music Board and the stakeholders represented by the Music Board (including UK Music and the Musicians Union). No further dependencies have been identified.

8. Further Considerations

8.1 State Aid

LCC provided their state aid opinion based on experience of managing similar funding activity. LCC will ensure compliance with State Aid requirements across all strands of the delivery of the Music Sector Development bid. LCC have not identified any state aid challenges. External lawyers have been engaged to formally confirm this position and this will be completed before the CA meeting.

8.2 Outstanding Issues and Conditions to Funding

A Grant Funding Agreement will be based on the Heads of Terms attached. These will be issued to the Sponsor subject to Investment Panel approval. As set out above, an initial £250,000 will be provided to secure time-critical elements of the project.

Appendix A – LCR MUSIC BOARD SWOT ANALYSIS

Strengths

Extremely successful sector that provides a great foundation to build upon – national institutions (RLPO) and major players in distribution (Sentric), Production Services (Ad Lib), labels and publishing (Modern Sky, Ditto), festivals (Cream/Live Nation, Sound City), music education (universities, LIPA) and artist management.

Access to talent, premises, finance and collaboration within sector network

Opportunities

Describe and advocate what is already here in order to promote networking, collaboration and inclusion across the city region

Music industry on a global level is in a growth period, with disruption and entrepreneurship an extremely hot area of opportunity

Jobs and access to information on jobs isn't yielding applications at the same rate as usual industry publications - get the LCR engaged with publications that the industry are used to marketing in

Provide better and more up to date information to careers officers to help them communicate this a desirable and achievable sector to work in within LCR

Sector-based opportunities for education and industry to collaborate (e.g., placements and apprenticeship) and provide exposure to what opportunities exist within music

Introduce practical experience in running music businesses as a part of the school curriculum

Weaknesses

Different parts of the music supply chain don't understand who else is in the sector and therefore don't naturally network with each other, e.g. in the way that the Film Office promotes its entire supply chain

Sector doesn't shout about the strong existing 'ladder' of talent development from grass roots level to commercial opportunities, e.g. Merseyside Arts Foundation, Sound City Artist Development Programme, LIMF Academy

Public funding needs to address diversity and inclusion to reduce perception and risk that the same companies and a limited number of music genres receive most of the benefit

Despite having a seemingly thriving music sector, there are fewer full-time employment opportunities in music than in other cities and salary levels aren't equivalent of what you may see in equivalent roles in other sectors

Sector doesn't promote itself; potential investors do not see Growth Platform / Invest Liverpool as a conduit to investment within LCR

Threats

Lack of specialist careers advice and mismanagement of expectation within education on jobs that are available within LCR music sector

Lack of specialist information, advice and guidance (IAG) about talent development programmes e.g. apprenticeships and training, results in graduates competing with apprenticeship opportunities

Lack of specialist IAG about access to finance means that sector assumes that there is no support available from Growth Platform or local authorities, provides negative press and looks elsewhere

Appendix B – Background

The UK's music, visual and performing arts grew by a combined 51% between 2010 and 2016 and generates over £8 billion in GVA. The core music sector in LCR is estimated to generate over £100m annual turnover and employs over 2,300 people (excluding live events) 2016/17. Of this, box office sales and publishing activities accounted for £48.4m and £22m respectively. The Music Board's Strategy compares the relative size of the components of LCR's music economy to the wider UK sector (using the data from UK Music's report, Measuring Music) as follows:

- Live Music: 44% of output in Liverpool, compared to 23% in the UK
- Labels and Publishers: 20% in LCR compared to 25% across the UK;
- Musicians: 15% LCR compared to 46% overall; and
- Recording studios: 1% vs 3% UK.

The impact of music tourism is also important for the Region. In its "Wish you were here" report, UK Music estimated that direct music tourism spending in LCR was £98 million p.a and indirect spend, £135 million (based on 2016) from approximately 416,000 music tourists, of which 20,000 were estimated to be from overseas. This estimate closely reflects the findings of the 2015 IPM report, which stated the total impact of the Beatles alone was £81.9m per year; and suggested that this figure was growing by 5-15% each year. This can be reviewed in the context of a 33% increase (to £500m) in total direct and indirect spend by music tourists in the North West between 2015 and 2016 (source: UK Music).

The UK music sector is growing rapidly. In the 2019 Music UK report, it estimates that music contributed £5.2 bn to the UK economy in 2018 and the total export revenue was £2.7 bn, employment was 191,000 (FTE) and music tourism contributed £4.5bn up 12% on 2017.

See overleaf Figure 1: Box office spend across LCR 2016:

REGIONAL BREAKDOWN



SEFTON

£929,000
BOX OFFICE SPEND
22,834 ATTENDEES



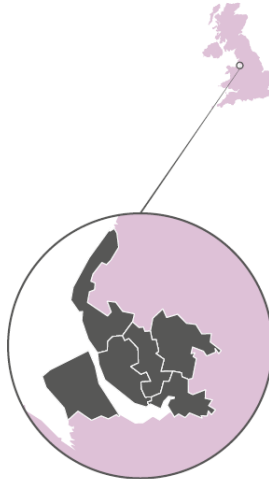
WIRRAL

£1.2 MILLION
BOX OFFICE SPEND
40,498 ATTENDEES



LIVERPOOL

£44.7 MILLION
BOX OFFICE SPEND
833,020 ATTENDEES



KNOWSLEY

*£ BOX OFFICE SPEND
*ATTENDEES



ST. HELENS

£1.2 MILLION
BOX OFFICE SPEND
25,460 ATTENDEES



HALTON

£313,000
BOX OFFICE SPEND
14,976 ATTENDEES





Appendix C – OUTPUTS TABLE

Activity	Output s Q1 2020/2 1	Output s Q2 2020/2 1	Output s Q3 2020/2 1	Output s Q4 2020/2 1	Output s Q1 2021/2 2	Output s Q2 2021/2 2	Output s Q3 2021/2 2	Output s Q4 2021/2 2	Tota l 100
Enterprises in receipt of 12 hours	4	6	8	10	12	15	20	25	100

IAG									
Enterprises in receipt of 30+ hours IAG	2	4	6	8	8	8	8	8	52
Enterprises developing new business plans	6	10	14	18	20	23	28	33	152
Enterprises in receipt of PRS Foundation awards	2	2	2	2	2	2	2	2	16
Enterprises in receipt of LIMF Academy grants	2	3	2	3	2	3	2	3	20
Enterprises in receipt of export support	2	2	4	4	6	6	8	8	40
Enterprises in receipt of business development awards	2	2	4	4	6	6	8	8	40

Appendix D – Financial Plan

See attached spreadsheet.

Appendix E

Delivery Mechanisms

1. Skills and Apprenticeships

Delivered by the Music Office. The focus is on growing apprenticeship opportunities and addressing barriers to entry to employment in a range of music-related activities across the LCR. It is the first LCR strategic attempt to leverage existing frameworks and funding for apprenticeships as part of a growth programme for the creative industries.

The Bazalgette Review of the Creative Industries recommended that “an attraction strategy is needed to inform and excite young people, their teachers and parents about careers in the Creative Industries. Government and industry should ensure approaches to apprenticeships are optimised for individuals and employers”. The report highlighted the barriers to take-up of apprenticeships in the creative industries, including high rates of freelancing, short-term contracts and project working.

The project aims to overcome those barriers and others (both real and perceived). If successful, the bid anticipates it could be influential in persuading creative employers (which have historically demonstrated lower level of take up of these opportunities than other sectors) of the benefits of this route to staff recruitment, training, retention and development. The activity will align sector specialist delivery of apprenticeships to the Growth Platform Skills & Apprenticeship pathway. The Growth Platform offers a diagnostic that can identify three types of training: Apprenticeships; Adult Education (learner-led) and Bespoke skills training. SIF funding will provide small grants to employers in music and other creative sectors, ranging from 20% to 50% of the cost of a full-time apprenticeship. The intervention levels have been set in line with advice provided by the LCRCA. All aspects of the management of this activity will be handled by the Music Office in close alignment with the Skills and Apprenticeship Hub.

- **Specialist IAG for Careers teachers**

Music Education Hubs (MEHs) will deliver the activity using music professionals and digital specialists. Contracted by the Hubs with Music Office involvement as appropriate. The activity will be funded by SIF and MMEHA (match confirmed).

The Hubs are groups of organisations (local authorities, schools, art organisations, community or voluntary organisations) working together to create joined-up music education provision, respond to local needs and fulfil the objectives of the Hub as set out in the National Plan for Music Education. Funding is provided by Department of Education through grants managed by Arts Council England. The Music Office will deliver the activity through the Merseyside Music Education Hub Alliance, or MMEHA, which is a conglomerate of regional Merseyside Music Hubs working to ensure that all young people LCR have access to quality music education.

- **Industry Careers event**

Royal Philharmonic Liverpool (RPLO) already run a careers event. The proposal is to increase attendance from 150 to 1000 young people. This will capitalise on the improved careers advice activity delivered by the Music Education Hubs and be co-funded by RPLO (confirmed) and SIF.



2. Talent Development

This is a cohesive programme of talent development stands which complement each other. All are inclusive in approach. SIF funding will allow the expansion and improvement of existing LCR activity.

- Merseyrail Sound Station

Delivered by Bido Lito via a funding agreement with LCC. This is an entry level innovative artist development programme which has received sponsorship from Merseyrail for the last 6 years. Match is provided by Merseyrail sponsorship (£30k p.a. Year 1 confirmed). The Music Office are confident of securing the year 2 match on this basis.

- LIMF Academy

Selected artists benefit from an intensive 12-month programme of specialist industry support and a bursary to be spent on supporting the business plan they develop during the programme. The specialist support is focused on under-represented genres and artists from minority / excluded communities. The Academy provide occasional support after the 12-month programme. Some industry masterclasses will be opened up to those outside of the Academy. LIMF Academy is delivered by Culture Liverpool the Music Office who will monitor, delivery, expenditure and outputs on the project.

- PRS Foundation

PRSF is the charitable wing of PRS for Music, one of the key music industry bodies in the UK. PRSF run a national funding programme supporting talent development, enabling songwriters and performers to realise their potential and reach global audiences. LCR artists have benefitted previously from PRSF funding but only to a very limited amount. This is a highly competitive national programme with a finite annual budget. The SIF funding will allow an element of PRS to be ring fenced for LCR artists. Match (confirmed) is financial and in-kind. The Music Office will manage the in-kind match which PRSF will evidence.

- Specialist AIG

The Music Office will provide a single point of entry for brokerage and triage for music businesses across the LCR. 152 business are targeted for support. Specialist provision (for example, legal, financial, sectoral advice) based on the enterprises' business plan and needs. The process has been agreed with the Growth Platform. The Music Office will signpost to already available generic support through the Growth Platform while other Growth Platform brokers will refer music enterprises to the Music Office. The specialist advice will be openly procured by the Music Office through a Framework process approved by the Growth Platform.

3. Growing the Music Ecosystem

- Music Office

The Music Office will manage the overall SIF funded programme. LCC finance will process claims and monitoring. The Music Office will work closely with the Growth Platform. They will manage the sector mapping and monitoring and evaluation processes. Any external services procured will be with Music Board involvement via LCC procurement processes.

LCC support various LCR music activity at institutions such as RLPO. The Music Office will be the conduit of this funding. SIF funding will support the costs of the two employees of the Music Office, not the funding of other institutions. LCC have written to the LCRCA confirming their financial support.

- **Inward Investment**

Inward investment marketing will build upon UNESCO City of Music Status and promote the growth of a complete music ecosystem within the LCR. Funding will pay for an LCR presence at key trade events e.g. SXSW (Austin), MIDEM (Cannes), Reeperbahn (Hamburg), and support for music businesses to take up showcasing, networking and business development opportunities. The Music Office will work closely with DIT on their international music trade missions, prioritising support for those enterprises looking to support artists into international markets and music businesses looking to grow their exports. Match will come from music businesses involved in these programmes who will provide evidence of their own spend on attending events. The Music Office will track outcomes such as new contracts earned as a result of attendance.

- **Business Development Awards**

Music enterprises in receipt of the specialist support procured via the Growth Platform will be expected to make a 35% contribution to the total cost of the specialist IAG they receive. Where the business has insufficient operating revenue to cover this cost, the Music Office may award a small grant (between £5k and £15k). £285k of SIF funding will support this. The process for assessing specialist IAG support will reflect that developed for the SIF Training Fund as part of the Skills and Apprenticeships Hub and it will be managed through LCC using the same process as the Liverpool Film Office.

- **Future Yard**

Based in Birkenhead this is a new focus for music industry development outside Liverpool City Centre, building on an emerging ecosystem of promoters, managers, venues and record labels in the Wirral. This new physical campus will be the hub for the expanded Merseyrail Sound Station programme allowing early career artists and businesses to come into direct contact with other organisations operating within the music supply chain. Future Yard have been working closely with Wirral MBC as this is a legacy project that has been developed following Wirral's successful Borough of Culture. SIF will provide capital funding towards the development. The Music Office will manage the claims process and ensure that all and any planning permissions are in place before funding can be drawn. Match of £101k is confirmed against SIF funding of £85k.

- **Website, sector mapping and Monitoring and Evaluation**

£100k of SIF funding is allocated to supporting the Music Office activity and website.

a. Monitoring and Evaluation

The Music Office will be responsible for monitoring and evaluation of the scheme, including feedback into the strategic planning cycle of Culture Liverpool, the Liverpool City Region Music Board, Growth Platform and the Combined Authority. The Head of the Music Office will be responsible for completing monitoring of delivery, contract and change management within terms of the Funding Agreement. The bid includes a small amount (1% of total funding requested) to carry out an evaluation of the project, which will be separately procured from an independent provider with relevant experience and specialist knowledge to assess the economic, social and environmental impact of its delivery. This is an essential activity to help provide the robust evidence needed to support future activity.

Appendix F –

Music Industry Sector Development

Indicative [draft] Terms for the provision of a grant from the Liverpool City Region

February 2020

This is a working document for a discussion about possible structuring and due diligence items.

This document does not constitute a commitment or an offer to commit to any transaction or financing by

The Liverpool City Region Combined Authority. The entering into such a commitment or the making of such offer is subject to, inter alia, approval by the Combined Authority, satisfactory completion of due diligence, availability of funds to the combined authority and execution by the Borrower of legal documentation acceptable to the Combined Authority.

Project Definition			
Project	Music Industry Sector Development		
Location	LCR		
1. Project Parties			
Applicant	Culture Liverpool / Liverpool City Council		
Lender / Grantor	The Liverpool City Region Combined Authority (the “Combined Authority” or “CA”)		
Grantor Legal Advisor	Internal LCR Team		
Applicant Legal Advisor	TBA		
Sources and Uses	These tables are indicative only until confirmed		
Uses of capital		Sources of capital	
Future Yard refit	186,150	Paul Hamlyn Foundation – Ideas and Pioneers Fund	10,500
		Magenta Housing Association	7,500
		Arts Council England	32,650
		Reach Fund	12,500
		Future Yard funds	38,000
		SIF grant	85,000



Total capital	186,150	186,150
---------------	---------	---------

Uses of revenue		Sources of revenue	
Skills development Apprenticeships & training costs	1,407,000	SIF grant	444,000
		Employer match	963,000
Specialist IAG - careers teachers	206,000	SIF grant	176,000
Industry Career Events	36,000	Match – Music hubs	30,000
		SIF grant	30,000
		Match - RLPO	6,000
Total skills	1,649,000		1,649,000
Talent development Merseyrail Sound Stations	120,000	Merseyrail	60,000
		SIF grant	60,000
PRS direct awards	235,000	PRS funding	115,000
		SIF grant	120,000
LIMF business support	173,000	LIMF	103,000
		SIF grant	70,000
Specialist IAG - via Growth Platform	460,000	Employer match 35%	160,000
		SIF grant	300,000
Total talent development	988,000		988,000
Music ecosystem UNESCO City of Music Office	1,630,000	LCC	1,400,000
		SIF grant	230,000
Inward investment promotion	200,000	Participating companies	100,000
		SIF grant	100,000
Business Investment Awards	435,000	Participating companies	150,000
Music Office Website	60,000	SIF grant	285,000
Sector Mapping	20,000	SIF grant	100,000
Monitoring and Evaluation	20,000		
	2,365,000		2,365,000
Total Music ecosystem			
Total project costs	5,188,150	Total project funding	5,188,150



2. The Grant	
Grant	A grant from the Strategic Investment Fund (“SIF”) of up to £2,000,000 be drawn down against eligible spend, the “eligible costs”.
Facility	n/a
Structure of Investments	<p>The Grant may be drawn down against eligible costs which will be clearly identified in the final two-year financial analysis. This analysis will cover the cash flow and drawdown of the funds for the project. It will identify the categories of expenditure, the identified providers of capital and revenue support for each of those costs and the timing of the drawdown</p> <p>The applicant anticipates the total project costs will be in the order of £5,188,000 in line with the submitted Business Case and refined financial case. The CA acknowledges that the project costs are subject to refinement.</p> <p>The Applicant will produce and submit a detailed plan for securing [confirming] the process of securing each source of match funding. The CA notes that the match funding for certain elements of the project will be secured as training is delivered. The CA notes that it has sight of certain matched funding confirmation letters.</p> <p>The Applicant will confirm to the CA the process for control and reporting the release of funds/securing employer match. The CA would seek to finalise this in the Grant Agreement. The drawdown of SIF funding will be conditional on this.</p>
Applicant Provided Funds	<p>All remaining funds required for the delivery of the Project will be secured by the Applicant. This will include:</p> <ul style="list-style-type: none"> • LCC contributions • Employer match
Eligible Costs	<p>To co- finance capital costs related to the Future Yard music hub fit out</p> <p>To co-finance revenue costs relating to Skills and talent development and inward investment promotion.</p> <p>To co- finance revenue costs of the Music Office and infrastructure</p> <p>On receipt of the final and agreed detailed costings, the CA will finalise the agreed eligible expenditure that the grant will support. This will be detailed in the Grant Funding Agreement.</p>

Clawback	<p>Usual for a grant from the CA: in the event that the project does not proceed, no draw down will be permitted.</p> <p>In the event that the project commences but is not completed, the CA reserves the right to repayment of any monies already drawn down if the Applicant has defaulted on the funding agreement.</p>
Default	<p>Circumstances that will constitute default will be agreed between the CA and the Applicant. Such circumstances will include but not be limited to:</p> <ul style="list-style-type: none"> • The Applicant using the funding for purposes other than for which it has been awarded; • Obligations unlawful or unenforceable; • Material adverse changes; • The Applicant delivering the project in a negligent manner or if the CA considers the future of the project to be in jeopardy; • The Applicant ceases to operate or becomes insolvent; and • The Applicant fails to commence delivery of each strand of the project within [3] months of the agreed start date or abandons the project.
Financial Close	The date of execution of the Grant Funding Agreement.
Planned Practical Completion	<p>Delivery is anticipated to commence in [April 2020]. We acknowledge that there may be variations to the project between the date of these Heads of Terms and the commencement of delivery.</p> <p>The Combined Authority will work with the Applicant to develop a set of funding terms to accommodate these variations where possible. This will include:</p> <ul style="list-style-type: none"> • agreement on a drawdown profile of the grant which best meets the needs of the Applicant within the parameters of Constitution of the Combined Authority
Financing Documents	A grant funding agreement will be developed following legal input.
Project Documents	<p>To include:</p> <ul style="list-style-type: none"> • Outline Business case (received) • Full Business case • High level financial summary (received) • Sign off from LCC Finance Department of the process of drawdown by LCC from the CA – this will be detailed in the Grant Funding Agreement • Confirmation of match funding (where not yet



	<p>received)</p> <ul style="list-style-type: none"> Confirmation of process of recording and monitoring spend and matched funding
3rd Party Consents	<p>We are not aware of any third-party consent being required other than possible planning consents regarding Future Yard. Funding drawdown for this capital grant will be conditional on satisfaction by both LCC and the CA that all consents are in place.</p>
3. Financing Facility	
Drawdown Conditions	<p>Drawdown against Eligible Costs will be undertaken [quarterly].</p>
Availability Period	<p>Drawdown to commence no later than [x] months after the project receives Combined Authority approval. The first tranche of Funding (£250,000) will be available from SIF II and subject to its own drawdown conditions. The remaining grant will be available from SIF III. The grant should be drawn in full within (24 plus X months] following CA approval (to be agreed on timing of the final claim timings). Any non-utilised element of the Grant will be cancelled at this time (and no further non-utilisation fee shall be payable).</p>
4. Due Diligence Requirements / Steps to Final Approval	
Due Diligence Requirements	<p>Due diligence requirements prior to drawdown are currently anticipated to include:</p> <ul style="list-style-type: none"> Review of the third-party financing and evidence of support as appropriate; Sign off of the appropriate legal agreements between LCC and its delivery partners for this, setting out the nature of the activity being delivered and the timescales and format of that delivery. Sign off of the appropriate legal documentation between LCC and the Growth Platform for the co-delivery of the brokerage agreement [to be discussed re appropriate documentation to formalise the arrangements] Review of any further permissions or statutory consents required to progress with the work; and External legal opinion that the provision of support is State Aid Compliant. <p>This is not an exhaustive list but is designed to give you an indication of the areas where we will seek further assurances.</p>
Due Diligence	<p>At this stage the CA does not anticipate any external</p>

Costs	costs.
5. Financing Covenants and Requirements	
Evaluation and Monitoring	<p>The Applicant to agree an evaluation and monitoring plan with the CA to measure outcomes and outputs. Key targets and requirements will include:</p> <ul style="list-style-type: none"> • Website system developed in the first 6 months • Increase in apprenticeships, take up of careers event and IAG, volume, spend and dispersal year-on-year • Distribution of activity across LCR • Evaluation of each activity shows a clear value for money with local spend • An increase in business survival rates and inward investment • Quarterly updates on the progress towards a self-sustaining financial model for the Music Office
Conditions Precedent to Drawdown	<p>Initial Draw down: To include:</p> <ol style="list-style-type: none"> 1. All legal documentation between the CA and Applicant finalised and entered into. 2. The CA being satisfied that the Applicant has secured or agreed the process for the co-funding 3. Due diligence completed. 4. The CA being satisfaction with the Final Business Case; 5. The CA being satisfied that all agreements for delivery are in place with the various delivery bodies <p>Quarterly Draw Downs, to include:</p> <ol style="list-style-type: none"> 6. Agreed monitoring and reporting process 7. Agreed claim process 8. All Representations and Warranties remain true
Publicity	<p>The Applicant shall comply with the CA's publicity guidelines. This includes:</p> <ul style="list-style-type: none"> • Inclusion of the CA logo on site hoardings and publicity materials; and • Fixing a plaque recognising CA support in the building entrance on completion.
Freedom of Information	The Applicant recognises the Combined Authority's obligations under Fol.
Governing Law	English Law

This page is intentionally left blank

[illegible]

This page is intentionally left blank