

Access to Halsnead Garden Village – Project Summary

1. PROJECT DESCRIPTION

- 1.1 Halsnead Garden Village (Halsnead), located near Whiston in Knowsley, is one of 14 sites in England which have been awarded Garden Village status by the Government. Halsnead is a significant housing and employment site for the City Region with the potential to deliver approximately 1,600 homes and 22.5 hectares of employment land.
- 1.2 SIF investment is sought to deliver essential off-site transport infrastructure to help unlock these tangible economic benefits. The scheme focuses on building adequate capacity and resilience within the surrounding highway network and improving access to the Halsnead site. Specifically the improvements involve:
- Fox's Bank Lane/Cronton Road – signalisation works and road widening;
 - Lickers Lane/Fox's Bank Lane – signalisation works, footway improvements and vegetation removal;
 - Stoney Lane/Cumber Lane – signalisation works;
 - Stoney Lane/Dragon Lane – carriageway widening and creation of a new right turn;
 - Windy Arbor Road/Greene's Road – reconfiguration of existing signalised junction;
 - Lickers Lane/Windy Arbor Road – carriageway widening and signalisation;
 - Tarbock Island – carriageway and bridge widening on Windy Arbor Road, quadrant widening to the gyratory and additional lane provision on the M57 approach and signalisation of existing arms.
- 1.3 The total project cost of this first phase of infrastructure work is estimated to be £12.142m. The applicant, Knowsley Metropolitan Borough Council (KMBC), is requesting a SIF grant for the full amount. The works are expected to take c. two years to complete.
- 1.4 An independent appraisal of the project has been commissioned by the Combined Authority and the findings are summarised in section 3 below.

2. CHANGES SINCE OUTLINE BUSINESS CASE

- 2.1 In September 2017, following appraisal of the Outline Business Case (OBC) for the project, the Combined Authority invited KMBC to progress to Full Business Case. The OBC requested c£18m SIF grant to support both the provision of off-site and on-site junction works linked to Halsnead. Combined Authority members are asked to note, that the appraisal of the Full Business Case now considers the off-site works only totalling (£12.142m).
- 2.2 The reduction in scope of works and associated costs reflects the development of the wider delivery structures for the scheme by KMBC since OBC, together with state aid considerations relating to previously promoted on-site junction works.

2.3 The benefits associated with the project remain unchanged.

3 ACCESS TO HALSNEAD GARDEN VILLAGE – APPRAISAL

3.1 SIF investment will be used to deliver a comprehensive package of infrastructure works to build capacity and resilience in the existing highway network and create a platform for future private sector development. Specialist transport and infrastructure consultants Steer Davies Gleave have undertaken the WebTAG appraisal on behalf of the Combined Authority.

3.2 Core Criteria: Fit with SIF Prospectus, Growth Strategy and other relevant strategies

- i. The appraisal concludes that the project demonstrates a **very good strategic fit** with the LCR Growth Strategy and the priorities in the SIF Prospectus.
- ii. The appraiser notes that the project demonstrates alignment with the Growth Strategy's three pillars; productivity, people and place. Specifically future employment opportunities facilitated by public sector intervention towards upfront infrastructure work will enable productivity gains and provide job prospects for areas of regeneration need. The development of a Garden Village will make a very positive contribution to the place agenda by supporting the Combined Authority's objective of extending the supply and mix of housing stock in the City Region. In addition, there is clear alignment to the priority of '*improving physical connectivity*' and delivering the housing and regeneration theme within the SIF prospectus.

3.3 Core Criteria GVA and Jobs: a clear case that the project will deliver relevant activities and outputs that will lead to GVA and Jobs

- i. The rationale for public sector intervention is to invest in a package of infrastructure works to create a viable and deliverable platform for future commercial development. GVA and job creation impacts are predicated on the private sector activity coming forward and the SIF activity is seen as a key facilitator of these future economic benefits.
- ii. The expectation is that 22.5 hectares of employment land will be brought forward within the boundaries of Halsnead. Indicatively the employment land could accommodate c. 175,000m² of commercial floorspace which would directly support 1,022 gross (454 net) jobs by 2027. Once the employment land is developed out the potential GVA impact will be c. £20m per annum.

3.4 Core Criteria Additionality: a clear case that the intervention would not otherwise take place or would take place at a reduced level, happen later or be of lower quality

- i. Whilst the location of Halsnead has strong strategic connectivity, funding for transport infrastructure works is required to unlock future on-site housing and commercial development. There is a requirement to meet upfront off-site improvements to enable suitable access and incentivise development. There is a very strong argument that without public sector pump-priming, the ambitions for Halsnead are unlikely to be realised.

- ii. The appraiser shares the opinion that development will not proceed without road network enhancements as there is currently insufficient value to be generated for the private sector to meet the cost. The appraiser notes that employment and GVA impacts are highly unlikely to materialise without public sector support which presents a strong additionality argument.

3.5 Core Criteria Value for Money: ratio of net additional GVA to net public sector cost (SIF funding only)

- i. The proposed scheme, as judged by the appraiser, will deliver the economic benefits displayed in the table below. Note that indirect impacts relate to the delivery of wider commercial development.

LCR Level	Gross Impact	Net Impact
FTE Jobs (including indirect employment effects)	Indirect – 1,022	Indirect – 454
GVA (£million)	Indirect – £20m per annum	
Public sector cost per job (SIF cost only)	Indirect – £11,880	Indirect – £26,728
BCR (WebTAG)	1.92 (Medium)	

Hurdle Criteria

- 3.6 The LCR appraisal assurance framework includes several hurdle criteria. These criteria are applied and assessed to establish if the applicant has the necessary management and financial capability to deliver the project. This includes demonstrating that the project has met all statutory requirements and is capable of defraying SIF expenditure in the timescale set out.
- 3.7 There is a strong need for the project in that Halsnead will supplement the City Region’s housing offer and bring forward additional employment land. Market studies suggest that the site is well positioned to generate strong demand. An appropriate options analysis has been undertaken and appropriate project management and delivery structures are in place.
- 3.8 A state aid review has been undertaken confirming that the SIF investment is contributing to general public infrastructure. The scheme also appears to be deliverable; project design is well advanced (RIBA Stage 4) and the project activities do not require planning permission.
- 3.9 Overall the appraiser’s view is that the project demonstrates a very good strategic case with good alignment against City Region priorities. The economic benefits from the intervention offer a satisfactory value for money position. Appropriate financial processes and procurement arrangements have been presented. Consequently, the project is recommended for approval subject to the following conditions:
 - i. The total SIF investment is contingent on the conclusion of discussions between the applicant and Highways England. Any funding secured for the M62 junction works will be reduced from the SIF investment;

- ii. A revised development programme is provided with the timescales reflected in the Funding Agreement;
- iii. All necessary statutory approvals/agreements are signed;
- iv. The applicant will be responsible for any cost increases to the budget or overruns during delivery. Cost savings should accrue 100% to SIF;
- v. No project expenditure incurred pre-CA approval will be eligible for SIF funding;
- vi. An approach to monitoring and evaluation to be agreed with the Combined Authority.

Investment Panel Advice

3.10 The LCR Investment Panel (the Panel) met on 13 December 2018 and considered the project and the appraisal of the FBC. The Panel recognised the strategic value of the proposal and the benefits it will bring to the City Region. The Panel noted comments regarding the options analysis and was content that the rationale for the preferred option was acceptable. The Panel acknowledged that the Benefit Cost Ratio (BCR) of 1.92 is below the Combined Authority’s target BCR of 2; however, having considered the strategic value of the scheme and the potential for outputs to improve over time, the Panel were willing to proceed. In addition, it was noted possible cost savings at tender stage could see the BCR increase. The Panel endorsed the recommendations of the independent appraisal report, but suggested the CA should explore opportunities for overage provisions with KMBC.

4 RESOURCE IMPLICATIONS

4.1 Financial Implications

4.1.1 Approval of the access work at Halsnead will commit a maximum of £12.142m SIF grant funding which is currently forecast to be claimed per the profile below:

FY 2018/19	FY 2019/20	FY 20/21	Total
£0.607m	£3.086m	£8.449m	£12.142m

4.1.2 The LCR CA will monitor the delivery of the project within the funding envelope agreed through established provisions in the Funding Agreement.

5 RISK AND MITIGATION

5.1 The applicant has submitted a risk assessment which sets out a realistic range of risks to the project.

5.2 The independent appraisal has identified a number of risk areas to be carefully monitored and has provided appropriate conditions to help the CA manage these risks (see section 3.9). They relate to delivery programme, cost management and wider consents.

- 5.3 The SIF funding is sought to unlock the wider realisation of Halsnead. As such, the impacts and benefits are contingent on the delivery of the wider Garden Village (1,600 homes and 172,000m² of commercial floorspace). The wider Halsnead Garden Village initiative is a large scale and complex development project; ultimately led by third party development, largely outside the direct control of KMBC. Careful ongoing monitoring and evaluation of the delivery programme for Halsnead will need agreeing with KMBC as part of the monitoring and evaluation process.

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