

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Metro Mayor and Members of the Combined Authority

Meeting: 12 April 2019

Authority/Authorities Affected: All

EXEMPT/CONFIDENTIAL ITEM: No

REPORT OF THE CHIEF EXECUTIVE OF THE COMBINED AUTHORITY

POLICY AND INVESTMENT UPDATE

1. PURPOSE OF REPORT

To link recent opportunities for Liverpool City Region (“LCR”) delivery with resource required.

2. RECOMMENDATIONS

It is recommended that the Liverpool City Region Combined Authority (“CA”):

- (a) Note the opportunities arising and need for the LCR to prepare for their associated resource requirement;
- (b) Delegate authority to the Combined Authority Chief Executive to operationalise the proposal contained in Section 3.8 of this paper (with due collaboration with local authority chief executives of the CA’s six constituent councils on point 'C' of Section 3.9); and
- (c) Recognise that the use of SIF pre-development funding outside the guidelines approved by the CA in October 2018 but remains a valid use of the funding proposed and within the boundaries of the approved assurance framework.

3. BACKGROUND

3.1 The Liverpool City Region, through its CA, has new delivery and funding opportunities that were not visible at the time of budget setting in 2018. In order to capture them, the City Region needs to plan its resources carefully and be prepared to deliver.

3.2 New opportunities the CA has accessed include:

- (a) a housing partnership with Homes England (noting that Homes England’s view is that the CA lacks the resource necessary to access its funding);

- (b) the recently announced HS2 / NPR station commission;
- (c) funding behind the Local Industrial Strategy should the CA build a more comprehensive evidence base for support; and
- (d) urban impact and place making funding through the LCR Local Enterprise Partnership / Strategic Investment Fund (“SIF”)

3.3 At the same time, LCR’s performance in delivering previously approved Local Growth Fund projects requires renewed commitment to maintain the recent upturn in performance. Leaders, Mayors and the LEP Chair are clear that the City Region needs to address its capacity constraints meaningfully in order to exploit current opportunities and prevent lost opportunities for our residents.

3.4 In order to deliver on existing opportunities, and to be ready for future opportunities, the City Region needs to strengthen its capacity in policy commissioning as well as project development, management and investment.

3.5 Sources of Funding

The additional funding the CA has received, and are likely to receive, is in the form of capital. This allows the CA to commit to new commissions and investments but provides limited help in assembling internal teams to prepare those commissions and investments.

3.6 Internal teams require revenue funding, which is scarce across the CA and within our six local authorities (“LAs”).

3.7 The CA’s only source of near-term funding is SIF pre-development funding.

3.8 Estimated Requirement

Exploiting the opportunities described above requires a continuum of policy commissioning, project/programme development and investment expertise, as well as funding to develop investible propositions. It also requires careful consideration of where to place additional resources.

3.9 The CA proposes to:

- (a) Allocate £2.5 million of the £6.4m SIF pre-development funding approved in October 2018 towards increased delivery resource, and return for a further £2m in 2020/21.
- (b) To allocate up to 100% the £2.5m available annually under the Single Transport Budget to the development of SIF transport interventions (esp. Transforming Cities interventions) and the HS2 Commission, noting that this budget sits outside SIF at present.
- (c) Include from the pre-development funding additional capacity in our LAs to develop economic development projects and act as local counterparts for SIF funding.

- 3.10 This proposal does not fit entirely within the SIF pre-development funding guidelines approved by the CA in October 2018, chiefly because those guidelines limit the internal resource cost to be met. It does, however, fit the use of pre-development funding established by the SIF assurance framework and approved in December 2018.

4. RESOURCE IMPLICATIONS

4.1 Financial

4.1.1 The proposals within this report allow for the draw-down of a number of sources of funding within the overall Strategic Investment Fund. In particular, the unallocated element of the Single Transport Fund will be used to support the development of strategic transport interventions while revenue funding from within the overall Gainshare allocation from government can support wider capacity and delivery issues.

4.1.2 The CA has successfully negotiated the ability to use 40% of its overall Gainshare allocation for revenue activities from 1 April 2019 (previously 25%). It is a condition of this that the additional revenue can only be used to support programme delivery and not for general running costs.

4.1.3 This provides the CA with greater flexibility in managing the overall programme without reducing the amount available to support ongoing programmes.

4.1.4 As such, all costs contained within this report are funded within the overall envelope of the Strategic Investment Fund and do not have implications for the Mayoral Precept nor do they increase the net budget provision of the LCRCA in 2019/20.

4.2 Human Resources

The proposal is to increase CA capacity and LA capacity through the retention of staff, consultants and secondments.

4.3 Physical Assets

N/A.

4.4 Information Technology

N/A.

5. RISKS AND MITIGATION

- 5.1 Failure to deliver the programme of work and outcomes associated with the devolution deal is the CA's largest corporate risk. Within this, capacity and capability is a significant factor.

- 5.2 There is also a clear risk that capacity constraints in some key areas may result in the City Region being unable to take advantage of further opportunities that will present themselves within the current and future rounds of devolution and through post-Brexit financial arrangements for City Regions.
- 5.3 This paper seeks to provide the CA with the ability to manage this risk by ensuring that appropriate resources are available to deliver.
- 5.4 There are financial risks associated with this proposal in that increased investment in capacity may not lead to improved delivery, and that anticipated external funding from government may not materialise. These risks are managed within this proposal through:
- (a) Linking the draw-down of funding from the SIF to delivery timetables
 - (b) Ensuring that the CA is able to exit from any contractual arrangements – including contracts of employment – should funding no longer be available
- 5.5 In this way, any risk to local taxpayers through the Mayoral Precept is low.

6. EQUALITY AND DIVERSITY IMPLICATIONS

The standard and well established equality and diversity consideration will apply through the recruitment of additional staff, as proposed in this report.

7. COMMUNICATION ISSUES

Officers will work internally and with chief executives from the constituent councils to ensure that both the necessary resources and the identified opportunities for delivery are aligned.

8. CONCLUSION

- 8.1 The City Region needs resource to capitalise on recent opportunities. We must also recognise that our resource requirement is not static but will continue to grow and change with new responsibilities and funding. Recognising this will help us keep pace with our potential rather than chase behind it.

8.2 The paper provides a recommendation to release pre-development funding to increase our delivery capacity centrally and that of our LAs, with a request that details be delegated to the CA Chief Executive to operationalise the approval.

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