

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Metro Mayor and Members of the Combined Authority

Meeting: 6 December 2019

Authority/Authorities Affected: All

EXEMPT/CONFIDENTIAL ITEM: No

REPORT OF THE PORTFOLIO HOLDER FOR INCLUSIVE GROWTH AND THIRD SECTOR AND DIRECTOR OF COMMERCIAL DEVELOPMENT AND INVESTMENT

STRATEGIC INVESTMENT FUND - QUARTERLY UPDATE

1. PURPOSE OF REPORT

This report provides a quarterly update on the Strategic Investment Fund.

2. RECOMMENDATIONS

It is recommended that the Liverpool City Region Combined Authority

- (a) Note the quarterly update
- (b) Agree the proposed approach to continuing project approvals, in advance of future funding
- (c) Approve the inclusion of the hydrogen buses proposal as a Transforming Cities scheme
- (d) Note the projects approved in line with the agreed criteria for pre-development funding in the table set out at paragraph 5.
- (e) Agree changes as outlined in Section 6 of the report to the following projects:
 - (i) M58 Junction 1 Improvement Scheme
 - (ii) Silver Jubilee Bridge Steady State Maintenance Scheme (Year 3)
 - (iii) Women's Technology Training Limited
- (f) Note the project changes outlined in Appendix 1 of the report agreed by officers in accordance with the agreed SIF change control criteria
- (g) Consider the revisions proposed to the SIF change control criteria as set out in Section 8 and note that, if approved, the revised criteria will be reflected in a revised CA Constitution

3. BACKGROUND

The CA provides a quarterly update on Strategic Investment Fund activity:

1. **SIF Round I** – projects approved from 2013 to end 2018, using Local Growth Fund and Gainshare sources, including under the original methodology of the CA
2. **SIF Round II** – a request for projects up to £90m in total launched in November 2018, using Local Growth Fund and Gainshare sources not used in SIF Round I, plus a minority of Regional Growth Funds and ERDF
3. **Skills Capital** – a request for projects up to £18m in total launched in April 2019, using previously unclaimed Local Growth Funds
4. **Transforming Cities Fund** – commissioned projects for up to £172.5m of dedicated transport funding

4. ACTIVITY UPDATE DECEMBER 2019

4.1 SIF Round I

- 4.1.1 SIF Round I refers to projects approved up to year end 2018. The CA and its member local authorities are focused on moving remaining projects under SIF Round I from approval into delivery.
- 4.1.2 The Combined Authority continues to engage positively and robustly with strategic schemes where delays have been experienced. This includes engaging on delivery timetable, potential obstacles and risks, and offering support where appropriate. The active approach and positive collaboration has resulted in an increase in the release of funding.
- 4.1.3 Nevertheless, the timing of disbursements is key to maintaining a good track record with HM Government, particularly as future funding allocations are negotiated. The CA will move to transfer SIF Round I funding from delayed projects towards those that can deliver faster.

4.2 Skills Capital

- 4.2.1 The CA released a call to meet £18m in Skills Capital funding, intended for the maintenance, improvement and expansion of further education institutions, in April 2019. A separate item at this Combined Authority meeting requests approval for £19.7m in total eligible schemes, to be delivered by March 2021, and thereby exhausting the Skills Capital funding provided under Local Growth Funds. The CA has sought to over-programme against funds available and may increase this level of over-programming.
- 4.2.2 The CA will monitor disbursement of funds carefully to assure progress.

4.3 SIF Round II

- 4.3.1 SIF Round II is a call for projects designed to allocate all remaining funding from Local Growth Funds, Growing Places Funds, the first tranche of Gainshare and, potentially, the new “urban development fund”, for up to £90m in total.

4.3.2 The table below highlights the strong and continuing demand for funding under this round. The level of demand materially outstrips funding available with two consequences:

- The City Region needs significant additional funding to meet its pipeline of projects, which will benefit both local residents as well as contribute to “UK PLC”. The number and breadth of projects is testament to the potential of our City Region
- There is competition amongst projects, forcing the CA to make difficult choices. Value for money, deliverability and strategic fit are key decision criteria.

Call / Commission	SIF Round II <i>Figures in £m</i>	
Launch date	Nov-18	
Funds available (up to)	90	
Deadline for spend	Mar-22	
Gross pipeline	429	
Qualified pipeline	207	
Cumulative progress	Count	Amount, £m
Passed SOC	31	158
Passed FBC	15	86
CA approved	14	81

4.3.5 In order to maintain a strong pipeline of schemes, the SIF 2 process is currently and significantly over-programmed. As a result, the CA needs to balance SIF approvals with its ability to fund its commitments.

4.3.6 The CA is anticipating the next round of Gain share, at £150m, and an unknown sum of future devolved money, potentially stimulus money in response to Brexit. On the other hand, there is no benefit in making commitments the organisation cannot keep. The CA therefore proposes:

- To continue progressing and approving projects under SIF Round II but to make all approvals above £100m subject to funding becoming available. This provides for a level of over-programming for both SIF Round I and SIF Round II, and assumes that projects approved but not funded under these rounds will be funded by future sources
- To balance the focus of its resources between progressing new projects and moving already approved projects from approval to delivery
- To continue using panels such as its Town Centres panel and Housing Delivery panel to add to its medium-term of investible economic development schemes

4.4 Transforming Cities

- 4.4.1 The CA agreed its list of commissioned projects in September 2019. Merseytravel as transport executive is now developing each scheme for approval and funding.
- 4.4.2 These include schemes such as the extension of the Merseyrail Network to Headbolt Lane, enhancements to passenger experience on the new rolling stock and investments in smarter ticketing.

4.5 Commissioning of Hydrogen Buses

- 4.5.1 The CA agreed to commission TCF schemes on a rolling basis, to respond to changing circumstances and priorities, and ensure that the £172.5m is committed effectively and in a timely manner.
- 4.5.2 The first list of commissioned projects was agreed in July 2018, followed by a second round of projects in September 2019.
- 4.5.3 Since the last commissions were agreed, the Mayor's commitment to roll-out a fleet of highly innovative, hydrogen-powered buses, with fuelling facilities, has been progressed in depth with delivery partners, and a need for TCF funding to match the related £6.4m OLEV (Office for Low Emission Vehicle) grant has been identified as part of the financial and commercial case being developed, in order to realise the full benefits of the project.
- 4.5.4 This activity fits comfortably with the principles that govern TCF, and in particular, with theme two of the fund which seeks to improve the appeal of public transport, particularly bus, via technological enhancements to secure more competitive journey times, operational efficiencies, lower levels of congestion and improved air quality.
- 4.5.5 The CA therefore proposes to admit the hydrogen buses project as a commission.

4.6 2019 Approvals

The CA is on track to approve circa £180m in strategic investment this financial year.

5. PRE-DEVELOPMENT FUNDING

The table below shows projects approved for pre-development funding in the last three months:

Project title	Project description	Ask (up to)	Status
SAFE Regeneration –	To deliver new community facilities in the form of a Creative and Digital hub (inc. business incubation units, start up support, artist studios, guest accommodation), 177 residential dwellings (inc. extra care, shared ownership and affordable rent), canal side eatery and guest	£188,724	Accepted by internal panel

	accommodation.		
Social Investment Vehicle –	A Collective Vehicle offering investment and a support programme will grow the number and scale of *Socially Trading Organisations (STO's) and build *Collaborating Communities (CC's) to deliver more inclusive growth and community wealth.	£62,000	Accepted by internal panel
Bio inspire	Increase jobs, focusing on skills and innovation in health and life sciences, advanced manufacturing and creative and digital industries	£40,000	Accepted by internal panel
Glass Futures	The delivery of a National Centre of Excellence for hot glass production, located within St Helens for use by both academia and industry for R&D trials, testing and short commercial runs.	£720,000	Accepted by internal panel
Festival Gardens	For a Contractor to undertake the pre-remediation material processing trials (1,000 m ³), to provide increased certainty on ground conditions and reduce cost risk.	£150,000	Accepted by internal panel

6. CHANGES REQUIRING COMBINED AUTHORITY CONSIDERATION/APPROVAL

Three changes currently warrant consideration and determination by the CA. The first change relates to M58 Junction 1 Improvement Scheme, the second relates to Silver Jubilee Bridge Steady State Maintenance Scheme (Year 3), the third relates to Women's Technology Training Limited.

6.1 M58 Junction 1 Improvement Scheme

6.1.1 The M58 Junction 1 Improvement Scheme is located in Sefton and sponsored by Sefton Council. It involves the construction of new motorway slip roads at junction 1 of the M58, providing a northbound off slip and a southbound on-slip. As well as improving journey times between Maghull and North Liverpool, the scheme will reduce traffic on the A59 and some residential roads and facilitate potential future development in the Maghull area.

6.1.2 The sponsor requests an extension to the agreed Project Works Completion Date as the project has experienced significant delay following prolonged land assembly issues. The project is currently progressing on site, with practical completion of the project forecast to take place by 30 June 2020. The project scope remains the same and the outputs and outcomes of the project remain as originally specified.

As a consequence of the delay referred above, the expenditure profile set out in the Grant Funding Agreement requires a re-profile into 2020/21 and Sefton Council has requested an increase in the SIF funding allocation of £500k towards the increase in construction costs (amounting to £943k approx.) that have been experienced following the delay. This would increase the total funding allocation to £6m.

6.2 Silver Jubilee Bridge Steady State Maintenance Scheme (Year 3)

6.2.1 Silver Jubilee Bridge (SJB) Steady State Maintenance Scheme (Year 3) is a project sponsored by Halton Metropolitan Council. The project includes a programme of maintenance works on the Silver Jubilee Bridge and its approach viaducts. The improvements had originally been planned to be made over a three year period from April 2016 through to March 2019, seeking to ensure that this critical regional infrastructure can continue to support growth in the Liverpool City Region.

A number of delays have however been encountered within the programme. With a number of the projects scheduled to run concurrently within the locational constraints of the Runcorn Bridge Complex, this left little room for any project slippage without it having a knock on delay impact. For example, the Runcorn de-linking projects, steel arch superstructure painting project, and a programme of sustainable transport enhancements had all been scheduled to be delivering work on the SJB or its associated approach roads at the same time. Due to the location, delays in one project, could impact adversely on others. The falling out of sync of some of the projects has therefore been a key factor leading to delay. The project has also been affected adversely by inclement weather.

In total, the project which was expected to complete on 31/03/2019 has been delayed by approximately 12 months and completion of the works is now forecast to be late spring, early summer 2020. The outputs and outcomes of the project are unaffected and remain as originally specified.

6.2.2 Due to savings of approximately £900k, made as a result of value engineering, Halton Borough Council is also requesting that any anticipated project underspend be used to extend the scope of the original project in order to undertake cyclical and other maintenance works that were unforeseen at the time of the original bid. If agreed, these additional tasks will extend the scope of the project and will enhance the predicted outputs and outcomes by further preserving the integrity and extending the lifespan of the Hutchinson Sidings Bridge, which is a structure within the SJB complex. In previous inspections, a number of defects within the reinforced concrete deck and supports were observed. In order to preserve the long-term integrity of the structure these defects will need to be repaired.

6.3. Women's Technology Training Limited

6.3.1 Women's Technology Training Limited (WTECH) has been awarded £1,961,976 by Liverpool City Region Combined Authority to deliver the Enterprising Futures 2 project. The project was originally based on the completion of work on two properties, the first a refurbishment at Blackburn House to create a digital and creative training facility, and the second a refurbishment of a training facility at Falkner Street. Land assembly issues prevented the second property progressing at pace, resulting in a change of scope which was approved by the CA in October 2018.

6.3.2 These land issues have now been resolved, and there is now an opportunity to bring additionality to the project in terms of an increase in outputs including an additional 300m² of skills floor space being utilised for training, resulting in an increase in associated learner numbers and traineeships.

- 6.3.3 This project sponsor however seeks an extension to the original project completion date which will take project completion through to March 2020, and an increase in scheme costs of upto £150k is requested which will allow the Falkner Street facility to be fitted out with digital training equipment.

7. DELEGATED PROJECT CHANGES

There are a number of changes to projects that have been agreed under delegated powers. These are listed in Appendix 1.

8. PROPOSED REVISIONS TO THE CHANGE CONTROL CRITERIA

- 8.1 Members will recall that change control criteria (the “Change Control Criteria”) were approved at the meeting of the CA in May 2019. The purpose of the Change Control Criteria is to delegate to officers some flexibilities to deal with schemes and projects that have already been agreed by the CA.
- 8.2 Indeed, this report in earlier sections outlines the operation of the current Change Control Criteria as currently designed and approved.
- 8.3 Officers have now had the opportunity to work with the current criteria, consider it would be helpful to update the criteria and to make them more readily understood by all parties both internally and externally.
- 8.4 To that end, the following wording is proposed in the constitution to replace the wording currently included in Part 3, Section G, Standing Delegations to Officers (SIF Decision Making).
- 8.5 The Liverpool City Region Combined Authority has delegated authority to deal with changes that may occur whilst a project is being delivered as follows:

Immaterial Changes

Changes to SIF funded projects that are immaterial to the financing, delivery or risk of the proposition approved by the Combined Authority, may be approved by agreement of a Director and the Treasurer or Monitoring Officer.

For this purpose:

1) Immaterial includes:

- a. financial increments up to the greater of £100k or 5% of the value of the SIF funding approved;
- b. changes in outputs which in the opinion of the Director of Commercial Development and Investment (or a nominated delegate) amount to an immaterial change; and
- c. delays in timing in excess of the original funding end date (for either funding and/or outputs) of up to 10%.

Such decisions will be reported to the Combined Authority as part of the SIF monitoring arrangements in the quarterly update.

Intermediate Changes

Changes to SIF funded projects that are intermediate in nature to the financing, delivery or risk of the proposition approved by the Combined Authority may be approved by a Director or the Monitoring Officer and the Treasurer on the recommendation of the Internal Investment Panel.

For this purpose:

2) Intermediate includes

- a. Financial increments up to the greater of £250k or 10% of the value of the SIF funding approved;
- b. changes in outputs which in the opinion of the Internal Investment Panel amount to an intermediate change; and
- c. delays in timing in excess of the original funding end date (for either funding and/or outputs) of up to 20%.

Such decisions will be reported to the Combined Authority as part of the SIF monitoring arrangements in the quarterly update.

Material Changes

Changes in excess of the above mentioned thresholds shall be approved by the Combined Authority on the advice of the Internal Investment Panel. If desired, the Internal Investment Panel may seek the views of the External Investment Panel in considering a change request that may constitute a material change.

8.6 The key changes in the text include:

- (a) The removal of the financial threshold and reliance on the a proportionate and percentage based approach to each project.
- (b) Clarification on the role of some officers (e.g. Directors, Monitoring Officer and Treasurer) and the Internal Investment Panel
- (c) A possible option to escalate consideration of a change to the External Investment Panel

8.7 The power for the Combined Authority to deal with all material changes to previously agreed SIF projects remains the same.

9. RESOURCE IMPLICATIONS

9.1 Financial

This paper requires no decision to be made on finances, it rather provides an update on a range of SIF associated issues and requests approval for a proposed constitutional change.

9.2 Human Resources

N/a.

9.3 Physical Assets

N/a.

9.4 Information Technology

N/a.

10. RISKS AND MITIGATION

Top Three Issues and Remedial Action

Issue	Change since last report	Remedy
Delay in major schemes	N/A	Major SIF Round I schemes are subject to delay resulting from dependence on external bodies (like Highways England), need to acquire key sites (with risk of compulsory purchase order) or commercial funding availability. This reflects the challenging nature of strategic projects. The CA's ideal position is to support positively and to reallocate funding internally to improve delivery because cancellation of funding is not appropriate at this time.
Delivery under SIF Round II	N/A	The SIF Round II pipeline is strong and will lead to reasonable over-programming. Nevertheless, the CA must select schemes most likely to deliver and monitor their progress actively.
Shortage of future funding	N/A	The CA has no visibility over future SIF funding: the next gainshare round is outstanding; UK Shared Prosperity Fund consultation is delayed; and the delivery mechanism for the Towns Fund is unknown. Against this, the City Region has a ~£600m gross pipeline that needs to be serviced. The CA is engaging with HM Government on future funding; in any case, it is clear that future rounds will be more competitive than previous rounds.

11. EQUALITY AND DIVERSITY IMPLICATIONS

Equality and Diversity Implications are addressed through project implementation.

12. COMMUNICATION ISSUES

Any communications in relation to the report will be considered by the communications team as necessary.

13. CONCLUSION

The report provides a quarterly update on SIF activity. This demonstrates improving performance and a significant total approval record for the year. It also provides for an update to SIF change controls designed to clarify and increase processing efficiency.

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Appendices:

Appendix 1 - Delegated Project Changes

The table below summarises project changes the CA has agreed under delegated authority in the last three months:

Project	Summary of Change
Hugh Baird Health Engagement Hub	Transfer of funds between expenditure headings and change to grant end date.
Alchemy Phase 3	Re-profiling of funding and acknowledgement of an underspend.
Key Route Network (A58/A580)	Extension of project completion date.
North West Training Council – Advanced Manufacturing Centre	Re-allocation of budget lines.
Key Route Network (Bank Lane)	Financial re-profiling and change to completion date.
Cultural Events	Change to project end date.
STEP Programme Baltic Triangle	Re-profiling of funds following slippage.
Key Route Network UTC Project	Re-profiling of spend and notification of underspend.
Enterprising Futures Blackburne House	Extension of financial completion date pending delivery of equipment.
Key Route Network Kingsway Tunnel	Extension of financial completion date.
Key Route Network Intelligent Transport System	Acknowledgement of slippage and re-baselining of milestones.
STEP Programme	Extension to end date and inclusion of wider project partners.
Halton Curve	Extension of financial completion and re-profiling of spend.
M6 Study	Re-profiling of funding and extension to end date.
Town Centres Fund	Extension of project timelines.