

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:

Appendix 1 - Economic Review – Exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972

Appendix 2 – Revised Business Case – Exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972

Key Decision

REPORT OF THE DIRECTOR OF COMMERCIAL DEVELOPMENT AND INVESTMENT AND PORTFOLIO HOLDER: INCLUSIVE ECONOMY AND THIRD SECTOR

LIVERPOOL CITY REGION SINGLE INVESTMENT FUND – GROWING BUSINESS VISITS AND EVENTS UPDATE

1. PURPOSE OF REPORT

- 1.1 This report updates the Combined Authority on the Growing Business Visits project and requests a decision on a £1,000,000 extension to the project.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Liverpool City Region Combined Authority:

- (a) Note that the LCRCOA agreed at its meeting on 11 January 2019, to invest a £572,833 revenue grant in the Growing Business Visits project to support the development by the Growth Company of a strategy and a commercial model to sustain conference subvention in the Liverpool City Region;
- (b) Approve an increase in Strategic Investment Fund (“SIF”) revenue grant funding support from £572,833 to £1,572,833 for use in the period set out in 3.9 below; and
- (c) Delegate authority to the Director of Commercial Development and Investment, in consultation with Monitoring and Treasurer officers, to finalise negotiations of detailed terms of the funding materially in line with the existing grant funding agreement which was signed by all parties on 8 August 2019. Any material variations to the project as detailed in this report are to be referred back to the Combined Authority for consideration.

3 BACKGROUND

- 3.1 The original business case was to develop a business tourism strategy for the Liverpool City Region, underpinned by a commercial subvention model to sustain funding for the conference sector. The business case provided for additional resources for both the Southport Convention Bureau and The Arena and Convention Centre Liverpool (ACCL).
- 3.2 It included time limited subvention funding for attracting international/national multi-day conferences to the City Region over a 3-year period. For ACCL this subvention amounted to £400,000 to assist them to attract in the region of 5/6 large scale conferences per annum by 31 May 2022 and a total of 18 conferences in that timeframe.
- 3.3 It is noted that ACCL is the only venue within the City Region with the capacity to host large scale (2,000+ delegates) conferences.
- 3.4 Performance to date:
 - 3.4.1 Consultants (The Right Solution) for the development of the commercial subvention model were appointed in September 2019. They have completed most of their partner consultations, benchmarking and desk research, to enable them to start scoping the preliminary commercial model which is ready to be piloted from May 2020.
 - 3.4.2 Resources for the Southport and Liverpool Convention Bureau have now been appointed. The new posts will work on a pipeline of conferences and establish an approach to generating sales leads and meeting commercial targets.
- 3.5 An addendum to the Full Business Case application (“the original project business case”) has been received from the Growth Company for the Growing Business Visits and Events project. An internal economic appraisal has been undertaken in line with the Single Investment Fund Assurance Framework. This is attached as Appendix 1 and summarised in 3.11.
- 3.6 The internal Investment Panel considered both the appraisal report and the addendum. The Panel endorsed the project to proceed to the Combined Authority for consideration. The Panel noted that the original project business case contemplated a proof of concept to improve co-ordination and to build a subvention model with a view to informing future, more streamlined delivery mechanisms and that this application conforms with that ambition.
- 3.7 The Panel also noted that the extension will adhere to the terms and conditions of the current grant funding agreement. Within this, the ACCL are required to provide a profit share statement for each conference being supported by the subvention funding provided by this project. Based on the agreed profit share calculation, any resulting funds will be paid into a Profit Share Account that will be used as subvention funding for future LCR conferences.

- 3.8 The LCR Visitor Economy Strategy to 2025, targets the specific priority of attracting large scale conferences to the Region and increasing mid-week hotel occupancy from 70% to 74%. The Addendum forecasts that the total project will deliver 62 conferences in total by the end of financial year 2026/27.
- 3.9 The Addendum requests an:
- Extension to the project from a project end date of 31 May 2022 to 31 May 2027;
 - Additional revenue funding of £1,000,000.
- 3.10 This will deliver in the period to 31 May 2027:
- additional SIF supported conferences per annum 2020/21 to 2026/27, 14 in total, (or an equivalent of 28,000 delegates);
 - 84,000 bed nights in the City Region;
 - **a benefit: cost ratio of 35:1** representing a **very high value for money**; and
 - £35,280,000 net additional expenditure creating net 653 jobs.
- 3.11 The appraisal adheres to the agreed Single Investment Fund appraisal criteria, which is compliant with the HMT Green Book Guidance. The appraisal has considered all aspects of the business case.
- 3.12 The main risk highlighted by the Appraisal concerns the ability of the private sector to commit sufficient funding to sustain the commercial model once planned reductions in subvention funding to the ACCL have been reduced to zero. This risk has been mitigated but not eliminated by the inclusion of the private sector in developing the commercial subvention model and by retaining the services of the consultants to test and refine the model until May 2022.
- 3.13 It should be noted that this represents a Key Decision due to the community impact of the project. A Key Decision Notice has been prepared and published for this project.

4 RESOURCE IMPLICATIONS

4.1 Financial

The Combined Authority Treasurer has confirmed that the proposed funding request can be accommodated as part of the overall Single Investment Fund allocation.

4.2 Human Resources

The Investment Team and Legal Team will lead the implementation of the amendments to the funding agreements. The Programme Management Office will continue to have responsibility for managing the delivery of the investment.

4.3 Physical Assets

The approval of funding will not give rise to the creation of physical assets.

4.4 Information Technology

The approval of funding will not give rise to Information Technology issues.

5 RISKS AND MITIGATION

- 5.1 There are risks associated with any funding stream, in the event that funds are misused or not fully committed, which can lead to a risk of funding being clawed back, legal proceedings and/or reputational damage.
- 5.2 The grant funding agreement between the Combined Authority the Liverpool City Region Growth Company sets parameters to ensure that funds are used in an appropriate and effective manner, including in relation to State aid.
- 5.3 Individual project risks are identified and considered as part of the independent appraisal process. The Programme Management Office will be responsible for ensuring that, during delivery, risks are understood and that the applicant takes necessary steps to mitigate these.

6 EQUALITY AND DIVERSITY IMPLICATIONS

- 6.1 Equality and Diversity Implications are considered as part of the appraisal process and relevant considerations are set out in the appendices.

7 COMMUNICATION ISSUES

- 7.1 All projects approved will be subject to the Combined Authority's branding guidelines and publicity requirements placed upon them as part of the grant funding agreements. In addition, through its adopted communication protocols, the Combined Authority will publicise the award of funding to the projects and the associated envisaged outcomes.

8 CONCLUSION

- 8.1 This report presents the extension to the Growing Business Visits and Events project for approval. This represents very high value for money. It requests the Combined Authority delegate approval to the Director of Commercial Development and Investment to proceed with the negotiation of the amendments to the grant funding agreement.

MARK BOUSFIELD
DIRECTOR OF COMMERCIAL DEVELOPMENT AND INVESTMENT

COUNCILLOR P HACKETT
PORTFOLIO HOLDER: INCLUSIVE ECONOMY AND THIRD SECTOR

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Appendices:

Appendix 1 Internal Appraisal Report of Addendum to the Full Business Case – Exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972

Appendix 2 Addendum to the Full Business Case. – Exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972

Background Documents: Combined Authority meeting 9 January 2019, agenda item 7.