

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Metro Mayor and Members of the Combined Authority
Meeting: 26th November 2021
Authority/Authorities Affected: All
EXEMPT/CONFIDENTIAL ITEM: No
KEY DECISION No

REPORT OF THE INTERIM EXECUTIVE DIRECTOR STRATEGIC COMMISSIONING AND DELIVERY AND PORTFOLIO HOLDER: INCLUSIVE ECONOMY AND THIRD SECTOR

STRATEGIC INVESTMENT FUND - QUARTER TWO 2021/22 UPDATE

1. PURPOSE OF REPORT

This report provides a quarterly update on the Strategic Investment Fund (SIF) at the end of Quarter Two (September) 2021/22.

2. RECOMMENDATIONS

It is recommended that the Liverpool City Region Combined Authority:

- (a) Note the disbursement performance for SIF Funds at Q2 2021/22;
- (b) Note the update on pipeline development schemes as detailed in section 3.3.11 below;
- (c) Note the new funding awarded to the Liverpool City Region as described in section 3.3.16;
- (d) Consider and approve the recommendation set out in section 4.1 of the report to approve the expansion of the scope of the Inward Investment Facilitation Fund to include large companies;
- (e) Consider and approve the recommendation set out in section 4.2 of the report to fund £200,000 of Kickstarter Grants as part of the Peepl Network project from SIF Funds;
- (f) Note the changes approved under delegated powers as set out in Section 5 with detail in Appendix 1.

3. STRATEGIC INVESTMENT FUND OUTLOOK

3.1 Recap of Funding Available

Table 1 below summarises the sources of funding available to LCR for the purpose of economic development. This excludes funding made available for transport or housing only which are shown in Table 2.

Table 1: Funding Available

Funding Source	Amount £m	Investment deadline	Allocation route
Local Growth Funds	313	Mar-21	
Gainshare	300	Mar-26	SIF Rounds I & II
Growing Places Fund	20	On-going	
Chrysalis Fund	34	On-going	Externally managed
Urban Development Fund	24	Dec-23	Aligned with SIF priorities
Getting Building Fund	26	Mar-22	CA Commissioned

Table 2: Other funding available for Housing and Transport

Funding Source	Amount £m	Investment deadline	Allocation route
Transforming Cities	172.5	Mar-23	Commissioned
Brownfield Land	46	Mar-24	Call

3.2 Allocations

- 3.2.1 The Combined Authority has approved and/or committed all Local Growth Funds and Gainshare Tranche I under SIF Rounds I and II. Growing Places Funds were initially allocated but, due to portfolio management and switching of projects between sources, can now be applied to future rounds and are taken up as part of Gainshare Tranche II below.
- 3.2.2 Chrysalis and the Urban Development Fund provide repayable investment to building and low carbon development projects across the LCR. Chrysalis is managed entirely by a third-party investment manager consortium led by Igloo Investment Management; the Urban Development Fund is part managed by this consortium and part by the Combined Authority.
- 3.2.3 The Combined Authority agreed to apply its Getting Building Fund (GBF) monies to four projects in July 2020. The projects included Halsnead South commercial development, Liverpool School of Tropical Medicine capacity development; Littlewoods Studios (temporary and permanent buildings); and Glass Futures National Centre of Excellence. Combined Authority Members were advised on 24th September 2021 that to ensure disbursements and the impact of the GBF is maximised, additional, already approved projects would be brought within the scope of the GBF, in line with the flexibilities offered by a single pot approach.

3.2.4 Transforming Cities Fund includes a number of transport related projects. Many of which are now in delivery, with the remaining currently at various stages of maturity in the pipeline.

3.2.5 Brownfield Land Fund has a number of projects in delivery and at various stages of maturity. Furthermore, a report is being presented to the Combined Authority on 26th November (elsewhere on the agenda) which seeks the approval to fund a further 15 projects from the Brownfield Fund.

3.3 Disbursement Position

3.3.1 Table 3 below demonstrates disbursement progress against SIF funding streams

Funding stream <i>All figures in £m</i>	Local Growth Fund	Gainshare Capital	Gainshare Revenue	Get Building Fund	Transforming Cities Fund	Growing Places Fund	Brownfield Remediation Fund
Award date	Nov-14	Nov-15	Nov-15	Jul - 20	Nov-17	May-19	Jul-20
Deadline for spend	Mar-21	Mar-26 (soft)	Mar-26 (soft)	Mar-22	Mar-23	N/A	Mar-24
Available	312.6	193.5	106.5	26.1	172.5	19.5	46.0
Approved not committed	0.0	75.7	13.3	29.8	45.4	0.0	1.5
Committed	312.2	127.1	71.8	4.9	141.3	11.6	11.2
Disbursed	312.6	54.0	27.4	4.2	44.8	11.6	11.2
Complete	188.8	20.6	12.0	0.0	0.3	11.6	0.3
Disbursed last Quarter (Q2)	0.0	11.5	1.0	0.5	4.3	0.0	0.1
Forecast last Quarter (Q2)	0.0	12.6	3.0	2.3	8.6	0.0	0.0

Table 3: SIF Disbursements

3.3.2 In Q2, £17.7m has been disbursed across the above funding streams. The table above demonstrates that despite delivery challenges associated with the pandemic, funding streams have performed fairly well against forecasts for Q2. Under achievement of spend does place delivery pressures on subsequent quarters as we attempt to 'catch up' on disbursements to meet end of year forecasts.

3.3.3 For Gainshare Capital, £12.8m has been disbursed to projects. Around £11.5m in capital and £1.3m in revenue has been disbursed to a range of projects within the delivery phase. This takes the total value of disbursements from this fund to around £78.2m. Projects such as LCR Digital Connect Network (£3.3m) and Festival Gardens (£2.8m) are two of the biggest claims submitted in this period. Both projects are significant with LCR Connect helping make the Liverpool City Region the most digitally connected area in the UK, and Festival Gardens project reported to be one of the UK's biggest site remediation schemes which once complete will prepare the site for development of around 1500 new homes.

- 3.3.4 The value of LGF completed projects has increased by £1m in the last period, largely due to skills capital projects completing and evidencing contribution spend. This figure is expected to increase as the remaining LGF projects submit evidence of defrayed local contributions towards total project costs. In Q2 we have also seen the completion of Phase One of the City Centre Connectivity Strand project, and the Phase One Kirkby Town Centre works have completed with the new Supermarket opened to the public. Positively, the Tower Road project is also now being actively marketed to prospective businesses looking for office space in Wirral Waters.
- 3.3.5 The Getting Building Fund spend profile is heavily weighted towards spend near the end of the programme. This is due to the short notice/timescales provided by government for the deployment of the funds together with factors such as materials shortages throughout the construction market industry and site-specific issues identified during enabling works.
- 3.3.6 Despite this, remediation works are currently on-site at the Glass Futures site in St Helens. The Liverpool School of Tropical Medicine (LSTM) project is also on site as planned, with a completion date expected in the summer of 2022. The Littlewoods pop up studios project has recently concluded, and it has now been handed over so filming opportunities can commence from Autumn 21.
- 3.3.7 Since the last Q1 update £0.5m disbursements have been made to GBF projects. This amount was largely against the LSTM project. Once complete the LSTM project will deliver new teaching/lecture space in the City Centre with a focus on infectious disease research. To ensure disbursements and the impact of the GBF is maximised, it is intended to maximise the freedoms and flexibilities afforded to this funding pot.
- 3.3.8 The Transforming Cities Fund has a spend deadline of March 2023. This leaves around 16 months of delivery time, to disburse the remaining funds. Over this year around £5.3m of works have been delivered to date which leaves around £21.3m still to be disbursed over the remainder of this year. Since the last report there have been £4.3m in disbursements to TCF projects.
- 3.3.9 Work on the Piers and pontoons workstream funded by TCF has progressed since the last report, with the new passenger linkspan bridges to the Seacombe landing stage successfully installed. The rolling stock TCIS and battery trial have also reported positive developments. The battery trials included new class 777 trains being equipped with new innovative battery technology, and then being tested on the Northern Line. It is reported that the batteries outperformed expectations during the trials over the summer of 2021. Once built, the battery powered trains will be utilised to allow access to the new Headbolt Lane station, without a need for third rail lines.
- 3.3.10 The Brownfield Land fund is predominately housing land focused but is time limited, with a disbursement profile agreed with the funder. The first tranche of funds has largely been advanced to project sponsors and £0.1m funds have been disbursed since the last update report. There are a number of phase 1 projects currently on site. Denford Road in Liverpool is due to see the first properties handed over in November, and Moss Nook in St Helens has completed the necessary infrastructure/access roads to allow the development to progress. Halton Court is well into the build phase, with handover of 8 properties expected by end of October.

Pipeline Updates

- 3.3.11 Consistent with a best practice Portfolio Management approach, officers are undertaking a sector-by-sector review of policy, evidence, research and intelligence to articulate priorities and objectives that can be used to prioritise CA resources, including both SIF funding and officer time in developing, delivering, lobbying or bidding for, and engaging on projects. This is being progressed in tandem with improvements to investment and project governance processes and the outputs of this review will be presented early in the new year, in tandem with the piloting of the first Delivery Boards.
- 3.3.12 At its meeting on 23 July 2021, the Combined Authority agreed a Transport Pre-Development Thematic Fund of £16.77m to cover expenditure on transport pipeline projects in the FY 21/22. Since that meeting, grant funding agreements have been issued to all non-CA sponsors, with commissioned outputs clearly defined for delivery in the current financial year. At the end of Q2, 15 of the projects now have funding agreements in place and are reporting into the Combined Authority's Programme Management Office for assurance purposes. Three projects have been issued with funding agreements which are awaiting signatures from the project sponsors.
- 3.3.13 A further two projects have also made applications for pre-development funding. These include a £600k application from the Integrated Transport Directorate to develop a programme of activity surrounding improved access to rail stations. This will build on the work already undertaken as part of the Transforming Cities Fund and is consistent with the Metro Mayor's commitment to continue to make our transport network step free. The second application is a request for support to develop a series of design options for improvements to Runcorn Station. This work would complement the work already underway on the Runcorn Station Quarter project, which has been funded utilising both Local Growth Funds and the Transforming Cities Fund.
- 3.3.14 The SIF Internal Investment panel at its meeting of 14th October 2021 approved both funding requests. In accordance with agreed governance of the thematic pot, the funding approval for activity to improve access at rail stations has subsequently been published as a key decision, with an officer decision report to follow.

New Funds awarded to the Combined Authority

- 3.3.15 The Combined Authority has recently received notification that it has successfully secured £2.8 million from the UK Community Renewal Fund, to support five projects across the Liverpool City Region. The government introduced the fund as it prepared for the launch of the UK Shared Prosperity Fund in 2022, which will replace EU Structural and Investment Funds (ESIF). The intention of the fund is "to support people and communities in need across the UK. It will invest in skills, communities, businesses, and by supporting people into employment.
- 3.3.16 Three of the five bids are for projects based in St Helens, which was the only area of the Liverpool City Region identified as one of the government's 100 "priority places" when the fund was launched. The invitation to bid to the Community Renewal Fund was extended to the whole of the Liverpool City Region, but applicants were made aware that, within the city region, St Helens was the only place identified amongst the government's 100 "priority places" across the UK.

- 3.3.17 As a lead authority, Liverpool City Region Combined Authority was responsible for inviting, assessing and selecting bids sent to the government for consideration and will pay grants to the successful projects and manage their performance. In selecting the bids forwarded to the government for consideration, Liverpool City Region Combined Authority prioritised those with the greatest potential to deliver against the following key local growth priorities: Investment in skills; Investment in local business; Investment in communities and place; Supporting people into employment.
- 3.3.18 Combined Authority Members will be asked to approve acceptance and allocation of the Community Renewal Fund in a separate report being presented elsewhere on the agenda at this meeting.

4. SIF PROJECT CHANGES REQUIRING COMBINED AUTHORITY APPROVAL

4.1 Inward Investment Facilitation Fund

The Combined Authority on 4 October 2019, approved £4,500,000 for the establishment of an Inward Investment Facilitation Fund. The aim of the fund was to attract inward investors to help drive productivity and higher value employment across the City Region. The fund was originally established to support SME entities only. However, it is recognised that the Combined Authority is approached from time to time to support inward investment by large entities and flexibility in this respect would support the achievement of the fund's objective.

It is therefore recommended that the scope of the fund is widened to support inward investment by large entities where such inward investment is of significant scale and considered strategically important.

4.2 The Peopl Network

The Combined Authority approved a total of £1,100,000 of funding for the Peopl Network project at its meeting on 26th February 2021. The aim of the Peopl Network project is to support SMEs in the hospitality sector in the Liverpool City Region through its payments technology platform and sustainable delivery service. The Peopl Network allows independent SMEs access to an ethical, sustainable and low-cost business model to build community and resilience amongst independents in the sector. The proposal approved by the Combined Authority was for development and implementation costs of up to £500,000 to be funded from SIF, with £600,000 of "Kickstarter" grants being paid directly to SMEs using Additional Restrictions Grant (ARG) monies to support their recovery from COVID-19 restrictions.

As a result of changes to guidelines and priorities for ARG and following consultation the Local Authorities, it is suggested for Member consideration that the ARG monies earmarked for Peopl Network are now refunded back to the ARG pot. This will be distributed by population formula to each Local Authority as previously agreed. For members information the remainder of the ARG Pot will now be known as the LCR Trading On Scheme.

Notably, there remains a need for Kickstarter Grants to be funded as part of the Peopl Network project to secure the intended benefits for LCR SME's. Following discussions with Peopl Limited, it is proposed that £200,000 of SIF Funds will be used to fund Kickstarter Grants. Whilst this is a significant reduction from the

£600,000 originally proposed, the greater flexibility offered by SIF compared to ARG will enable Kickstarter Grants to be targeted where the greatest benefit can be achieved and without the strict timescales and administrative requirements attached to ARG spend.

It is therefore recommended that the Combined Authority approves the allocation of £200,000 of SIF Funds to provide Kickstarter Grants as part of the Peopl Network project, in place of the £600,000 of ARG previously approved.

5. CHANGES APPROVED UNDER DELEGATED POWERS

Nine changes have been approved under delegated powers in this period. These can be found summarised in Appendix One.

6. RESOURCE IMPLICATIONS

Financial

Section 4.2 proposes to allocate £200,000 of SIF Funds to provide Kickstarter Grants as part of the Peopl Network project. This is in place of the £600,00 ARG funding previously approved.

Human Resources

No immediate HR considerations arise from the content of this report.

Physical Assets

There are no CA asset implications associated with the update.

Information Technology

No information technology implications associated with the update.

7. LEGAL IMPLICATIONS

Legal Services will advise on the finalisation of any outstanding Funding Agreements, or changes to existing agreements to enable projects to progress successfully whilst protecting the Combined Authority's financial position.

8. RISKS AND MITIGATION

At the project level, risks and mitigations will be addressed in individual submissions in accordance with the approved assurance framework.

9. EQUALITY AND DIVERSITY IMPLICATIONS

Equality and diversity form a core theme of the LCR economic recovery plan. There is a need to consider the potential impact that any new projects or activities will have, from an equality perspective, throughout the project development and implementation lifecycle. During the development of transport proposals, we currently adopt a proportionate approach to assessing Equality and Diversity that is in line with the guidance in the Department for transport's Transport Analysis Guidance. There is a process that is followed that provides a social impact appraisal along with a distributional impact assessment- the latter element determining who may be impacted by the transport proposals. This approach then informs the economic case for a project and form part of the Appraisal Summary Table within the business case.

For non-transport related schemes, equality and diversity implications are considered during the investment process. The Combined Authority currently utilises a social value questionnaire as part of the investment process. Colleagues involved in the development and implementation of projects at the Combined Authority are attending Equality Impact Assessment Training.

10. PRIVACY IMPLICATIONS

No privacy implications are thought to be associated with the update.

11. COMMUNICATION ISSUES

Any communications in relation to the report will be forwarded for consideration by telecommunications team as necessary.

12. CONCLUSION

This report provides an update on SIF funds at end of Q2 2021/22.

Dr Aileen Jones
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Appendices:

Appendix One – Changes approved under delegated powers

Appendix 1: Changes approved under delegated powers since last update

Project Name	Approval Route	Summary of Change
Magazine Point	Immaterial	Project underspend returned to SIF funding pot.
LCR UTC Communication Upgrade	Immaterial	Extension to completion date and virement of funds from 20/21 to 21/22
MYA - Skills Strand 3	Immaterial	Reallocation of underspend from Strand 3 to Strand 2 project.
MYA Skills Strand 2	Immaterial	Reallocation of budget across MYA project lines.
Silver Jubilee Bridge	Immaterial	Extend project completion, forward profile local contribution into 2021/22 and seek the reinstatement of SIF funds that were previously returned via Change Request.
Astmoor (predevelopment)	Immaterial	Additional predevelopment works agreed utilising underspend from original award
Shakespeare Rail	Intermediate	Extension to practical and financial completion dates
Eureka	Intermediate	Extension to project end date and re-profile spend to 22/23
Moss Nook	Immaterial	Re-profiling of spend across financial years