

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Metro Mayor and Members of the Combined Authority

Meeting: 21st January 2022

Authority/Authorities Affected: All

EXEMPT/CONFIDENTIAL ITEM: No

KEY DECISION YES

REPORT OF THE EXECUTIVE DIRECTOR FOR INVESTMENT AND DELIVERY AND PORTFOLIO HOLDER FOR INCLUSIVE ECONOMY AND THIRD SECTOR

REQUESTED CHANGES TO PREVIOUSLY APPROVED STRATEGIC INVESTMENT FUND (SIF) PROJECTS

1. PURPOSE OF REPORT

- 1.1. To consider and agree changes requested by applicants in relation to previously approved Strategic Investment Fund (SIF) projects.

2. RECOMMENDATIONS

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

- (a) consider and agree the changes requested by the applicant Knowsley Metropolitan Borough Council with regards to an extension in timescales for the Access to Halsnead Garden Village project as referenced in paragraphs 3.8 to 3.11 of this report;
- (b) consider and agree the changes requested by the applicants Halton Borough Council for the Walking and Cycling Project funded by Transforming Cities Funding (TCF), specifically a movement of funding from Halton BC to Wirral MBC as referenced in paragraphs 3.12 to 3.15 of this report;
- (c) consider and agree the changes requested by the applicant Liverpool City Council in relation to the Music Industry Sector Development Fund Project, including changes to output delivery and financial completion as referenced in paragraphs 3.16 to 3.25 of this report;
- (d) consider and agree changes requested by the applicant Merseytravel with regards to the Mersey Ferry Piers and Terminals project funded by TCF as referenced in paragraphs 3.26 to 3.28 of this report;
- (e) consider and agree the changes requested to the Skills and Apprenticeship Hub Project currently in delivery by the Combined Authority and part funded from the Strategic Investment Fund as referenced in paragraphs 3.29 to 3.32 of this report;

- (f) consider and agree the changes requested by the applicant Merseytravel to the timeline and finances for the Headbolt Lane new station project as referenced in paragraphs 3.33 to 3.37 of this report;
- (g) consider and agree the changes requested by the applicant Merseytravel to timelines and finances to the Rolling Stock projects funded by TCF as referenced in paragraphs 3.38 to 3.45 of this report; and
- (h) consider and agree the changes requested by the applicant Cambridge Road Community Learning Hub to the timeline and finances for Cambridge Road Skills Project as referenced in paragraphs 3.46 to 3.48 of this report.

3. BACKGROUND

3.1. Members will recall that in December 2019, a revised change control threshold was approved for the LCRCA. This set out the thresholds/ criteria to deal with changes that may occur in the life of an approved SIF project.

3.2. For ease of access the agreed change control criteria is set out below.

Immaterial includes:

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

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

Intermediate Changes:

3.4. 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. This includes:

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

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

Material Changes

3.6. 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.

- 3.7. In this period, nine changes warrant consideration and determination by the Combined Authority, as material changes.

Halsnead Garden Village Project

- 3.8 Halsnead Garden Village is the largest combined housing and employment site in the city region. It has national significance as one of only 14 sites in England awarded Garden Village Status by the Government. Halsnead will deliver approximately 1,600 homes and at least 22.5 hectares (ha) of employment land (securing in the region of 920 net jobs and £40.5m of new Gross Value Added (GVA) per annum), together with a new Country Park.
- 3.9 SIF funding will support the provision of essential transport infrastructure by making improvements to 7 existing junctions include M62 Junction 6 Tarbock Island. This will unlock significant economic benefits by ensuring the site is viable and attractive for development, thereby accelerating delivery. The scheme focuses on ensuring adequate capacity and resilience of the existing surrounding highway network and improving access to the site.
- 3.10 The project has experienced various challenges including significant delays to the approval from Highways England for the M62 Junction 6 Tarbock Island. The approval is not scheduled until January 2022 (originally February 2020). As a result, the project cannot meet the current anticipated practical or financial completion dates.
- 3.11 **Extension to completion dates (Practical & Financial)**
- Knowsley MBC has requested an extension to the overall practical completion date (from 30/11/2021) to 30/06/2023 and financial completion (from 31/03/2022) to 31/08/2023. As this exceeds the 20% threshold this extension requires approval from the Combined Authority.

LCR Strategic Cycling and Walking Network

- 3.12 The Combined Authority approved £4.8m of TCF for walking and cycling schemes across the Liverpool City Region, as match to support the European Regional Development Funding (ERDF) Green Sustainable Travel Corridors Programme (GSTC), on the 26th July 2019.
- 3.13 6 Work Packages were approved including Work Package 7 which was originally allocated to Halton Borough Council (£1.4m). DLUHC informed the LCRCA in 2019 that due to their over commitments nationally, that there would not be any more ERDF 'More Developed' funds for Work Package 7 in Halton. However, the same amount of funding was available in 'Transition'. To ensure the LCR secured all available ERDF funding for this project, work ensued with colleagues in Wirral MBC and LCRCA submitted a proposal to DLUHC in February 2020 asking to reallocate ERDF funding from Halton BC to Wirral MBC which was approved.
- 3.14 Work Package 7 will deliver 6.65km of new and improved walking and cycling infrastructure between Wirral Waters and Seacombe Ferry Terminal to the North and Woodside Ferry Terminal to the South. It will also deliver 5.15ha of habitat improvements. The delivery of the scheme will be completed by March 2023.

3.15 Re-allocation of Funding

The TCF Board are seeking approval to re-allocate £1,446,761 of TCF funds from Halton Borough Council to Wirral MBC to deliver Work Package 7.

Music Industry Sector Development Fund Project

- 3.16 On 20 March 2020, the CA approved an initial funding tranche of £400,000 (from a total request of £2m) SIF funding towards a £5.2m pilot programme sponsored by Liverpool City Council (LCC) which enabled the delivery of specific activities that support the LCR Music Board strategy in the following areas:
- Skills & talent development.
 - Bespoke business support.
 - Development of the music sector ecosystem.
- 3.17 Proposals for the introduction of a self-sustaining financial model for the Music Office will be presented to the CA's Portfolio Board for Culture, VE and Tourism on 31 January 2022. In addition, the sponsor is in the process of preparing a case for the granting of Tranche / Phase Two funding through the submission of an updated economic case based on evidence of Phase One activity. This will include an evaluation of similar projects from other cities.
- 3.18 LCC's Culture Liverpool team, via the Unesco City of Music Office (overseen by the LCR Music Board) is responsible for the co-ordination and management of the programme. Each strand of activity is being delivered by experienced specialist LCR based organisations.
- 3.19 A range of interventions are being piloted across each of the three thematic areas and across two phases referred above; with the overarching objective of increasing the size and effectiveness of the sector and, ultimately, to develop the first music cluster in the UK outside the City of London.
- 3.20 There is also a small capital element to the project linked to the refurbishment of Future Yard (FY) in Birkenhead which was completed in October 2021. This new facility now provides a physical hub for talent and eco-system development.
- 3.21 Within days of the approval of the SIF award in March 2020, the Prime Minister confirmed a Covid lockdown. Analysis by the Music Office indicated that activity aimed at Business Growth would be better focused on Business Support and Survival during this unprecedented time. Consequently, on 15 May 2020 the CA approved that £150,000 of the initial tranche funding allocation could be repurposed and advanced towards Business Support and Survival following agreement by the Metro Mayor and then Director of Commercial Development and Investment and positive economic analysis. Subsequently, a successful case was made to top up the initial tranche funding to ensure that all originally planned activity could still be delivered.
- 3.22 LCC established an emergency fund (the LCR Music Industry Support Fund) to facilitate payments to successful applicants. A CA evaluation reported on the positive use and outcomes derived from the fund in March 2021.
- 3.23 The execution of the Grant Funding Agreement (GFA) was delayed to 17 June 2021 following lengthy negotiations and due to the increased governance and scrutiny

arrangements introduced at LCC at that time. This impacted the timeline for the sign off agreements with Delivery Partners and has negatively impacted the pace of delivery.

3.24 Whilst good progress has been made in the achievement of most of Phase One outputs, LCC now seeks approval to extend the timeline for the delivery of the remaining Phase One outputs, Phase Two outputs (the Agreed Project Activities Completion Dates for both phases) and the Agreed Financial Completion Date for the whole project.

3.25 **Extension to completion dates (Practical & Financial).**

The sponsor requests an extension to complete remaining Phase One activity and deliver associated outputs from 30 October 2021 to 31 March 2022; a delay in the delivery of Phase Two outputs from 31 March 2023 to 30 June 2023 and to push the Agreed Financial Completion date out to 30 September 2023. As this request constitutes a delay in time in excess of 20% on original assumptions it will require Combined Authority approval as a material change before progressing any further.

Mersey Ferry Piers and Terminals Project

3.26 A £6.2m TCF contribution to this project will support replacement of the Seacombe linkspan bridges and maintenance activities on the pontoon so that it can interface effectively with any new ferry vessel purchase and enable passengers to alight at the new Eureka! attraction scheduled to open in Autumn 2022. This project is essential to the sustainability and operation of the Mersey Ferries utilising the facility at Seacombe.

3.27 While the project has been progressing well in recent weeks, additional work has been identified with regard to some identified damage to the cells on the underside of the landing stage, and work to remediate piling structures. This has resulted in an agreed price increase and a delay to the completion date. The additional costs will be paid for through the Merseytravel Capital Programme.

- Original Merseytravel contribution (GFA): £535,961
- Anticipated cost increase: £3,416,563
- Revised Merseytravel contribution: £3,952,524

Therefore, there is no increase to the SIF contribution being requested.

3.28 **Extension to completion dates (Practical & Financial).**

Merseytravel require an extension to the overall practical completion date (from 07/05/21) to 31/03/22 and financial completion (from 30/04/22) to 31/03/23. This request has been delayed due to the need to clarify final budgets and project timings and reach agreements with all parties. These dates extend the contract by a greater duration than the 20% threshold and must therefore be considered as a material change requiring Combined Authority approval.

Skills and Apprenticeship Hub

3.29 The Skills and Apprenticeship Hub programme was approved by the Combined Authority in October 2019. It receives funding from both Gainshare revenue

£3,960,000 and ESF £5,354,060. The overarching aim of the Skills and Apprenticeship Hub is to provide a dedicated and specialist resource designed to support employers and LCR residents to better understand and take advantage of the benefits of apprenticeships and wider skills training. Activity is delivered against three interlinked and complementary strands:

- Employer Brokerage;
- Apprenticeship Promotion; and
- Sector Development & Careers Support

3.30 While work has begun, the project team have now requested a change to the original contract so that they are to be able to fulfil the original scope of the approved project. This is predominantly for two reasons as described below.

- a) There was a lengthy delay in the approval of the ESF aspects of the funding. While a bid for £5.4 million ESF had been submitted to DWP in mid-2019, approval was only granted by DWP on 29th January 2021. Consequently, an amendment via a Project Change Request to DWP has been submitted asking that the end date of this project is extended to 31/12/22 with financial completion as at 31/03/23, so that there is sufficient opportunity to deliver the outputs planned. Therefore, an extension in time to the SIF funding aspects of the projects is also required, as the SIF grant element is utilised as 'match' funding for the ESF grant and must cover the same time period.
- b) Progress against outputs has been impacted by the Covid 19 pandemic. As businesses emerge from the pandemic, there has been a shift in focus, with businesses diverting their scarce funds to COVID recovery efforts, with less funding available for training/development needs. Therefore, to reflect this the project team have requested that the scope of the project should be broadened so that some courses can be fully funded from both SIF and ESF instead of part funded. It is requested that SIF monies already granted to the Skills and Apprentice Hub would match ESF for these fully funded training courses in lieu of the requirement for an Employer contribution.

3.31 Change to practical completion date, change of scope and amendment to outputs

The Skills and Apprenticeship Hub requests an extension to the existing contractual end date moving it from October 22 to March 23. This will bring SIF funding in line with the extension agreed by DWP on the ESF fund. The project also requests that the SIF grant can be used as additional match to ESF funded courses to bring the intervention rate to 100% i.e. making courses fully funded. These changes to time and scope require the approval of the Combined Authority.

3.32 The Skills Apprenticeships Hub are finally requesting amendments to anticipated outputs as detailed in appendix one of this report. While these values do not fundamentally change the nature of the project, they do require a change to the existing contract and hence require the consideration of the Combined Authority.

Headbolt Lane Station

3.33 This project will see the delivery of a brand-new station facility at Headbolt Lane, which includes both sustainable travel options such as cycle storage facilities and bus stop provision, alongside new car park spaces. Since the project received its Combined Authority approval, the costs of the construction have increased

significantly. While there is now no longer a need for the 3rd rail extension from Kirkby, which provides a £6.9m saving to the project as battery powered trains will service the station, other costs have increased. This includes increased track, signalling, possession and landscaping costs as well as risk contingencies.

- 3.34 Scope change is also required to facilitate the delivery of this project which include the modification of 7 trains to dual power source (including battery), the purchase of one additional train to enable delivery of the proposed timetables, extension to the Train Connectivity Information system (TCIS), on board Wi-Fi system, additional planning fees and section 106 costs (n.b. The Combined Authority has made a direct award to Knowsley MBC of £2,725,000 for enabling works to offset the loss of green space), and some new costs identified for Merseyrail station fit out.
- 3.35 There is a risk of cost increase associated with the work undertaken by Network Rail, a risk which has been realised on a number of other rail schemes concluded to date. As part of the review of scheme costs the level of risk contingency included in the Network Rail costs has been considered. The allowance in the revised costings equates to an Implementation risk allowance of almost 20%. Given the level of design detail available and the fact that the construction contractor has provided a highly detailed cost breakdown this is considered a robust and appropriate allowance.
- 3.36 The overall project budget is made up of costs from a number of suppliers as detailed in table 1.

Table 1. Supplier	Cost
Network Rail	£56,043,346
Stadler	£20,000,000
Jacobs (IPEMU Project Management)	£500,000
Panasonic/ADC (Wi-Fi TCIS)	£500,000
KMBC (Planning)	£100,000
Merseyrail (Station fit out)	£100,000
Total:	£77,243,346

3.37 Increase to TCF Grant Awarded

Merseytravel has requested an increase of TCF funds of £13,890,000. If approved, this would uplift the award value from the original £63,360,000 to £77,250,000. This requires a Key Decision consideration (submitted), as well as the approval of the Combined Authority as a material financial change.

Rolling Stock (IPEMU)

- 3.38 This Merseytravel Project for Rolling Stock provided a trial of IPEMU battery technology on trains in order to test the concept and assess the suitability of the technology for operation on the new fleet of trains. This is an opportunity to develop

a new train fuel technology that could have major benefits for the LCR in terms of network expansion, efficiency and the potential for new rail stations.

- 3.39 The project has completed on time and is now forecasting to not require the full amount of funding allocated. The reasons behind the £680k reduced costs/savings, with the project delivering successfully on all outcomes, are as follows:
- Reduced price negotiated with Stadler Bussnang AG to purchase and test a battery and complete a serial design from the prototype design.
 - Path test and additional drivers not required as this was included in the Stadler contract.
 - Allocated funding to cover the cost of beacons has also been included as an add to budget and reduced the underspend as these costs will not be picked up by the Stadler contract.

3.40 **Change to Financial Completion date and reduction of Grant Award**

Merseytravel has requested a decrease of TCF funds of £680,000.00 (from £3,540,279 to £2,860,279) and a minor extension to the Financial completion date from 31st March 2022 to 30th June 2022 to ensure that all invoices and milestones have been completed before the final payment to the supplier. Due to the interconnection with the TCIS project it is recommended that a direct transfer of funds is approved reducing the request for additional funding from that project.

Rolling Stock (TCIS)

- 3.41 The TCIS project, sponsored by Merseytravel, delivers the installation of fibre optic cables across the entire LCR train network map. The installation of this cabling will allow the full technological capabilities of the new rolling stock to be used. Enabling this technology will provide passengers with on board, real-time information, location services and Wi-Fi connectivity across the network.
- 3.42 The project has experienced delays from the initial proposal for several reasons including those associated with Covid 19 and software changes becoming necessary. The Entry Into Service (EIS) date of the new fleet has interdependencies with this project, and there has been some difficulty in obtaining possessions on the network to complete the work. This has been compounded by the need for several subcontractors to access site/interact closely during the pandemic, and the requirement for a minor change relating to the style of ducting being used.
- 3.43 The final payment milestone on this project requires the full fleet to be in service, as this is necessary to ensure that the TCIS system is fully functioning and that Merseytravel don't release the supplier from the contract before the system can be fully tested. The date for the last unit to be delivered has experienced slippage in recent months.
- 3.44 Due to cost increases Merseytravel are also requesting an increase to the grant funding available for this project. This follows on from a need to install fibre cabling in split ducts on the Merseyrail Network. Negotiations are ongoing with Network Rail regarding a permanent troughing solution, but this is not an immediate option. There are also minor variations regarding modifications to station racks to house equipment and software changes for text messaging services (£25k). The sponsor is requesting an additional £1,200,000 TCF award to cover these costs.

3.45 Extension to completion dates (Practical & Financial) and increase of Grant Award.

Merseytravel has requested an increase in funding totalling £1.2m, (from £16,176,238 to £17,376,238) and an extension to the Practical Completion date completion date from 30th September 2021 to 31st August 2023 and Financial completion date from 30th September 2021 to 31st October 2023. Should the transfer of the IPEMU underspend be approved this will reduce the ask for additional funds to £520,000. Due to the value of the additional grant requested, and the additional time required this will require the approval of the Combined Authority.

Cambridge Road – Skills Capital

3.46 Cambridge Road Community Learning Hub, located in Sefton, is the focus of a Skills project aiming to refurbish a well utilised local asset, enabling it to become a fit for purpose learning centre. The project includes upgrading the existing facilities, ensuring energy efficiency, offering a more sustainable and digitally enabled inclusive learning environment, primarily targeting returning learners and facilitating their progression into the labour market within key sectors.

3.47 Since project commencement, there have been ongoing Covid related matters, resulting in contractual delays and the inability of the contractor to deliver to the approved programme by the agreed practical completion date. This situation has resulted in time and cost implications to Sefton MBC. When complete, the project will deliver the outputs as stated in the original Grant Funding Agreement and Sefton MBC are not requesting any further financial support.

3.48 Extension to completion dates (Practical & Financial)

Sefton MBC has requested a further extension to the Practical & Financial completion dates for the project – from 30th September 2021 to 31st March 2022. This extension in time falls within the material change thresholds and therefore requires the approval of the Combined Authority.

4. RESOURCE IMPLICATIONS

4.1. Financial

Several of the changes above bring financial impacts for the CA, the totality of which equates to a net ask from the Combined Authority of £14,410,000. This additional amount is requested from the TCF budget and has the support of the TCF Board and Internal Investment Panel.

4.2. Human Resources

There are no Human Resource implications expected to arise from this report.

4.3. Physical Assets

No asset related implications are expected to arise from this report.

4.4. Information Technology

No information technology implications are expected to arise from this report.

5. LEGAL IMPLICATIONS

- 5.1 Any changes approved by the Combined Authority will require a variation to the original funding agreements. Legal Colleagues will be asked to consider each of the changes listed above.

6. RISKS AND MITIGATION

- 6.1 All of the projects listed above will continue to be monitored by the Programme Management Office who will report on areas of potential risk to the Combined Authority. Outside of the additional financial ask from the Combined Authority there are no additional risks anticipated from the requests made in this report.

7. EQUALITY AND DIVERSITY IMPLICATIONS

- 7.1. In preparing this report, we have considered the potential equality and diversity implications of the recommendation(s) set out in section 2 above. In particular, we have given consideration to the potential impact of these recommendations on 'protected characteristics': associated with age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation. This is in addition to carer's status; disability; gender; offending past; and social economic status. As the changes proposed are largely related to changes in timelines and project spend, and not direct changes to the scope of the original projects (which underwent equalities assessments during the appraisal process), at this point we do not consider any of the proposed changes to have negative/adverse impacts on any of the above groups.

8. PRIVACY IMPLICATIONS

- 8.1 There are no privacy implications thought to be associated with this report.

9. COMMUNICATION ISSUES

- 9.1. Appropriate liaison has occurred with relevant project sponsors before progressing these changes and ahead of submission of this paper. It is therefore considered that no communication issues will arise as a consequence of this report.

10. CONCLUSION

10.1. Members are requested to consider and agree changes to previously agreed SIF projects.

Metric	Original Outputs	Revised Outputs
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ENT AND DELIVERY

Councillor J Williamson
Portfolio Holder: Inclusive Economy and Third Sector

Contact Officer(s):
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Appendices:

Appendix 1: Skills and Apprenticeship Hub – Revision to Project Outputs

Outputs:		
1. No. of employers engaged	1,500	1,500
2. No. of apprenticeships created	1,500	750
3. No. of training programmes facilitated	1,000	1,250
4. No. of grant funding offer letters issued	1,000	1,100
5. Level of employer co-investment secured	50%	31%
6. No. of learners engaged	10,000	10,000
7. No. of promotional events	750	750
8. No. of apprenticeship vacancies advertised	1,500	9,519
9. No of 1 to 1 careers guidance	0	193
10. Number of school engagements	0	121
11. Number of Careers Plays delivered in schools	0	290
Outcomes:		
1. No. of apprenticeship starts	n/a	n/a
2. Resident Skills Levels	n/a	n/a
3. Employer Satisfaction	90%	90%
4. Apprenticeship participation by cohort	n/a	n/a
5. Learner wage uplift	720	720
6. Profitability improved	134	134
7. Jobs created	452	452