

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: The Metro Mayor and Members of the Combined Authority

Meeting: 29th April 2022

Authority/Authorities Affected: All

EXEMPT/CONFIDENTIAL ITEM: No

KEY DECISION Yes (Numbers 265 and 266)

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

STRATEGIC INVESTMENT FUND (SIF) – REQUESTS FOR MATERIAL CHANGES TO PREVIOUSLY AGREED PROJECTS

1. PURPOSE OF REPORT

- 1.1. This report seeks the approval of the Combined Authority to process material change controls for previously agreed Strategic Investment Fund Projects.

2. RECOMMENDATIONS

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

- (a) agree the material change to the Cambridge Road Project in Sefton as indicated in paragraphs 3.1-3.3;
- (b) agree the material change to the A562 (KRN) Project as requested by Liverpool City Council in paragraphs 3.4-3.8;
- (c) agree to the material change to the Buckley Hill Brownfield Land Project in Sefton as indicated in paragraphs 3.9-3.13;
- (d) approve the additional grant funding for the Walking and Cycling Project as requested by Wirral Metropolitan Council in paragraphs 3.14-3.21;
- (e) approve the additional grant funding for the Hydrogen Bus Trial Project as requested by Merseytravel in paragraphs 3.22-3.28;
- (f) note the change to the Everton Football Club Project in respect of the funding ask of the Combined Authority in paragraphs 3.29-3.32; and
- (g) agree to the request to delegate authority to the Executive Director of Investment and Delivery in consultation with the Portfolio Holder for Housing and Spatial Planning with regards to changes to projects delivered under the Social Housing Decarbonisation Fund in paragraphs 3.33-3.36.

3. Changes to previously approved projects

LGF Funded Projects

Cambridge Road Hub

- 3.1. Cambridge Road Community Learning Hub is located in Sefton and is a project 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.

Extension to Completion Dates (practical and financial)

- 3.2. Delays on site mean a further extension up to the 30th September 2022 is necessary in order to achieve practical completion and have the building fully operational. It is anticipated that defrayal of all grant monies will also be achieved around this time and will be evidenced in the Q2 claim. When complete the project will deliver all anticipated outputs as stated in the original Grant Funding Agreement.

Request for Additional Funding

- 3.3. Since project commencement, there have been ongoing Covid related impacts, resulting in contractual delays in delivering to the approved programme by the agreed practical completion date. This situation has resulted in time and cost implications meaning an additional £320,000 is required to complete the project. The Combined Authority are asked to approve an additional grant amount of £170,000 to Sefton MBC – the balance of the additional costs, £150,000, will be provided by Sefton MBC. This request for additional funding constitutes a key decision and material change and requires the approval of the Combined Authority.

A562 (KRN)

- 3.4. This project formed part of the wider Key Route Network (KRN) Programme which was granted Combined Authority approval in March 2018. The programme set out to deliver several highway improvements across the City Region concentrating on those located on the Key Route Network.
- 3.5. The original scope of the A562 project was achieved with a reduced budget and in July 2020 the Combined Authority approved a scope change to bring in additional outputs, thus making use of the existing grant award and local contribution yet to be utilised. Since that time progress has been made with the anticipated works to the Liverpool Baltic Station and the previous plan therefore has now been deemed not fit for purpose.
- 3.6. Merseytravel is currently working with Liverpool City Council (LCC) on public realm works in the vicinity of the Liverpool Baltic Station and have identified an alignment with the outstanding outputs under the A562 project. They will work collaboratively with LCC to ensure a new design meets the current needs of the area, combining the two budgets and outputs will minimise disruption to the general public and ensure value for money is achieved.

Recommendation

- 3.7. It is recommended that the current project is regarded as complete and is closed, and the outstanding outputs including the junction upgrade, road resurfacing and upgraded crossing, and the outstanding LCC local contribution of £0.9m be transferred to the in-development project with Merseytravel and LCC.
- 3.8. As this is a scope change to the existing A562 project it requires the formal approval of the Combined Authority as a material change.

Brownfield Land Fund Projects

Buckley Hill

- 3.9. Sefton Metropolitan Borough Council (SMBC) was successful in securing £1.05m of Brownfield Land Funding to support the delivery of a 70-unit residential scheme in March 2021. This was on land comprising of a 1.46-hectare brownfield cleared former housing site fronting Buckley Hill Lane at its junction with Northern Perimeter Road in Netherton, Sefton. The project was to be delivered by Sandway Homes Ltd, which is Sefton MBC's Housing Development Company.
- 3.10. Grant payment was made to Sefton MBC in advance of works beginning on site in Q4 20/21, with a view to works commencing on site imminently. A redesign of the site and delays in obtaining final planning approval meant contracts for enabling and main works could not be entered into and subsequently quotes for required works expired and had to be revised, leading to further time delays.

Change to scope

- 3.11. As a result of the redesign to better reflect the local housing market and subsequent requests from the Sefton Planning Department regarding affordable housing quotas, Sefton MBC have now requested reduction in housing unit numbers from 70 to 63, breakdown as shown in Table A:

Table A:

Unit Type	Original Expectation	GFA	Current Request
1 bed apartments	12		9
2 bed apartments	4		9
2 bed houses	18		8
3 bed houses	26		23
4 bed houses	10		14

Of the above breakdown 50 properties will be for sale on the open market with the remaining 13 planned for sale to a Sefton Registered Provider/Sefton MBC for social housing purposes. There will be 4 shared ownership properties and 9 affordable rent apartments.

- 3.12. This reduction in unit number increases the price per unit from £15,000 to £16,666. Although this is marginally above the Brownfield Land Fund recommendation further appraisal work completed by Cushman & Wakefield (C&W) indicates that this revision still gives a BCR of 1.7, significantly above the threshold. C&W noted that cost increases had led to a slightly increased funding gap since the previous appraisal, however, this remains lower than the circa £2m gap present at the time of

the original CA approval and assurances have been obtained from Sandway that this is manageable without further public funding.

Change to Completion Dates (practical and financial)

- 3.13. Sefton MBC have requested an extension to the completion date, anticipating the housing units to be complete by the end of June 2024. Financial completion is anticipated to be achieved in a Q2 24/25 claim. As this extension exceeds the 20% for time extensions, and includes a scope revision, it requires the approval of the Combined Authority as a material change to the project.

Transforming Cities Fund (TCF) Projects

LCR Strategic Cycling and Walking Network

- 3.14. 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.
- 3.15. 6 Work Packages were approved including Work Package 6 awarded to Wirral Council with a TCF funding of £611,075. The project will create a cycle link between Leasowe train station with the planned investment in Wirral Waters and onward to Seacombe Ferry Terminal and Eureka with final links to Liverpool City Centre. The route will also cross the proposed New Brighton – Birkenhead strategic cycle route which is currently in development. The improvements will deliver 3.7km of new cycleway and 1 hectare of habitat improvements.
- 3.16. During land ownership searches it was identified that the section of land at the corner of Beaufort Road with Wallasey Bridge Road was within Network Rail ownership and Wirral Council would need to acquire some of this land to allow them to implement the shared path at the recommended width along the full length of the scheme.
- 3.17. Purchase of the land will provide a continuous route that is safer and easier to navigate. Wirral Council has been working in partnership with Peel L&P to develop the route for this section as it ties in with the regeneration of this area and access to new jobs and opportunities within the area.
- 3.18. If Wirral Council are unable to acquire the Network Rail land, there will be a gap of approximately 200m in the cycle route from Bidston to Birkenhead. Due to the layout of the footway and carriageway at this location, cyclists will need to dismount to negotiate this section of the route and diverting cyclists onto the carriageway would cause road safety concerns.
- 3.19. This could impact the ERDF funding agreement as it would be a break in a continuous route. ERDF funding stipulate that there should not be any breaks in the route and failure to deliver this could put us in breach of the funding requirements.
- 3.20. An independent valuation was carried out and a fee of £200k was agreed for the land.

Request for Additional Funding

- 3.21. Wirral Borough Council are seeking an additional funding of £210k to purchase the land and to cover the cost of legal and surveyors' fees.

Hydrogen Bus Trial Project

- 3.22. The Hydrogen Bus Project had an initial budget of £12.5m approved by the Combined Authority in March 2021 which included the purchase of 20 hydrogen fuelled buses to be utilised on the 10 and 10a bus routes between Liverpool and St Helens. This award also provided funding towards the installation of refuelling facilities. At this time an application to Department for Transport (DfT) ZEBRA scheme had also been submitted, the purpose being to expand the fleet to 40 hydrogen buses and further fund the refuelling costs and depot modifications.
- 3.23. On 25th March it was announced by the DfT that the CA's bid was unsuccessful. To ensure project success, the project team is submitting a request for further funding from TCF to cover the refueller and depot modifications of the ZEBRA bid. The additional buses are not part of the critical path for this project and therefore do not form part of this funding request.
- 3.24. Following the refueller and hydrogen supplier proposal evaluation, Arriva will proceed with contract negotiations with RYZE to provide the refuelling infrastructure and INEOS to provide Hydrogen, however, the overall contract will be with RYZE. This solution offers green hydrogen, produced in the city region and infrastructure which meets the operational requirements, and which also has capacity to support future demand.
- 3.25. Due to the supply change turbulence and fluctuating commodity prices, the lead time for the refueller will mean it will be operationally available from July 2023. As mitigation, there is a temporary solution available which will allow a reduced operation with daily refuelling of 14 buses, with the remaining 6 being on a weekly cycle. The temporary solution is three 750 bar Hydrogen tanker trailers with equipment to allow buses to be refuelled directly from the tanks. The 3 tanker trailers have been included as a CAPEX cost to the permanent refueller.
- 3.26. In order to ensure the Vehicles can operate in a compliant manner the following modifications are required at these Depots:
- St Helen's Arriva (location of the refueller)
- Roof Lighting modifications
 - Inspection bay expansion
- Stagecoach Gilmoor site
- Inspection bay roof height modification
- Green Lane
- MOT Testing expansion for new vehicles

Request for Additional Funding

3.27. The total request from TCF is an additional £2,128,481 and is extracted from the breakdown below.

Item	Unit price	Quantity	Total
ADL HyBus (TCF original scope)	£542,800	20	£10,856,000
Refueller and infrastructure costs	£1,600,000	1	£1,600,000
Fleet Manager	£123,000	1	£123,000
Additional TCF refueler costs	£2,128,481	1	£2,128,481
Subtotal original TCF			£12,579,000
Variance to TCF budget			-£2,128,481

3.28. If awarded, it is anticipated that all funds would be spent before the close of TCF in March 2023.

Gainshare Funded Projects

Everton Football Club

3.29. On 24 September 2021, the Combined Authority approved the provision of a £15m grant (Agenda item 19) and £30m loan (Agenda Item 23) in support of the development of the Bramley-Moore stadium. As was set out in the reports, the purpose of the funding was to support regeneration and employment. The grant would be used to support heritage preservation and public infrastructure on the site, with the loan being made on commercial terms to enable the stadium project to progress.

3.30. Everton (EvertonStadCo Holdco Ltd) has subsequently informed the Combined Authority that it has identified alternative commercial funding from the private sector, and as a result it no longer requires the loan from the Combined Authority. It is therefore proposed that this element of the funding is withdrawn. The Club recognises and has thanked the Combined Authority for the support and commitment which it has provided.

3.31. Legal arrangements in respect of the grant will continue to be progressed and Everton stand by the commitments they have made in respect of employment and delivery of social value as were set out in the report of 24 September 2021.

Recommendation

3.32. The Combined Authority is asked to note that as a result of Everton Football Club identifying alternative sources of funding from the private sector, its decision of 24 September 2021 (Agenda Item 23), to provide a £30m loan in support of the development of the new Bramley-Moore Stadium will not be implemented.

Social Housing Decarbonisation Fund

3.33. On 21st January 2022, the Combined Authority approved that: subject to a positive outcome of the Social Housing Decarbonisation Fund bid, delegate authority to the Executive Director of Investment and Delivery to accept the funding and approve entering into Funding Agreements with the nine Registered Providers (RPs) as set out in the report.

- 3.34. Since this approval, it has become apparent that due to the nature of the projects there will likely be changes required in the future. Retrofit installs can only proceed after a full survey of a property has been carried out and best measures recommendations made by the Retrofit Co-ordinator. Therefore, despite the Registered Providers using their best judgement in putting houses forward to be retrofitted, targets will inevitably change, and this is evidenced by the experiences under delivery of LAD2. These changes will require variations to individual Grant Funding Agreements (GFAs) for example, moving funding from one RP who may not be able to meet their output target to another who is able to exceed theirs. The original programme and the overall funding allocation will remain the same i.e. the same number of houses will be improved using the same amount of funding. Such changes will also need to be approved by the Department for Business, Energy and Industrial Strategy (BEIS) via the BEIS change control process, with the exact process depending on the nature and scale of changes.
- 3.35. There is a possibility that BEIS will change the parameters of the programme, through changes to the Memorandum of Understanding (MoU). Examples of this include an extension to the timescales for delivery and spend of the funding or additional funding being provided. Should this be the case, there would be a need to vary GFAs with some or all of the RPs hence it would be helpful to have the ability for changes to be made to the GFAs to reflect any amendments to the MoU with BEIS.
- 3.36. CA approval is therefore sought to delegate authority to the Executive Director of Investment and Delivery, in consultation with the Portfolio Holder for Housing and Spatial Planning, to:
- Vary the original GFAs in relation to Social Housing Decarbonisation Fund, with the nine Registered Providers as required. This will involve re-assigning funds and outputs across the Registered Providers, within the scope of the overall funding and outputs of the programme and subject to any approvals required by BEIS.
 - Vary the GFAs to reflect any changes to the MoU between the Combined Authority and BEIS including distributing any additional funding to the RPs based on their capacity to deliver within the timeframe.

4. RESOURCE IMPLICATIONS

4.1. Financial

Paragraph 3.21 includes a request for a further £210,000 for land acquisition and professional fees in support of their Walking and Cycling project. This is a further capital ask from TCF.

Paragraph 3.27 outlines an additional ask of £2,128,481 from TCF in support of the Hydrogen Bus Trial project. This is further capital spend relating to the hydrogen refueller and modifications to the bus depot and cleaning equipment to accommodate the new buses.

This is a total TCF ask of £2,338,481, if approved this will be deducted from the currently available funds and updated in the financial records.

Paragraph 3.3 outlines a request for an additional £170,000 of Gainshare capital funding for the Cambridge Road Hub Project.

Paragraphs 3.29-3.32 of the report indicate that a previously approved £30m loan to Everton will no longer be required. Finance records will be updated accordingly, and the funds made available for reallocation.

4.2. Human Resources

No human resource issues are expected to arise from the content of this update report

4.3. Physical Assets

Land acquisition outlined in paragraphs 3.16-3.20 would see the transfer of land ownership between Network Rail and Wirral Metropolitan Council.

4.4. Information Technology

There are no IT implications anticipated to arise as a result of any of the changes outlined in this report.

5. **LEGAL IMPLICATIONS**

- 5.1. Any changes to existing funding agreements will be considered by the Combined Authority's Legal Team.

6. **RISKS AND MITIGATION**

- 6.1. Paragraphs 3.10 to 3.16 outline the additional funding sought by Wirral Metropolitan Council to purchase additional land for the walking and cycling project. This is in direct mitigation of a health and safety risk area where cyclist must dismount the cycle path and re-join further down. The purchase of this area of land will allow a continuous cycle lane to be installed removing this risk entirely.
- 6.2. There are no further material risks anticipated as arising as a result of the changes requested in this report.

7. **EQUALITY AND DIVERSITY IMPLICATIONS**

- 7.1. Project sponsors are asked to consider the impact of any proposed project changes on the original equality and diversity assessment which was undertaken as part of the project approval process. At time of writing, no implications are thought to arise from the changes proposed within.

8. **PRIVACY IMPLICATIONS**

- 8.1. No privacy implications are expected to arise from the content of this report.

9. COMMUNICATION ISSUES

- 9.1. Any communications issues arising from this report will be considered by the communications team as necessary.

10. CONCLUSION

- 10.1. This report contains the information required for the Combined Authority to consider the changes requested by current project Sponsors.

DR AILEEN JONES
Executive Director of Investment and Delivery

COUNCILLOR J WILLIAMSON
Portfolio Holder: Inclusive Economy and Third Sector

Contact Officer(s):

Pam McGuinness (0151-330-4511) – Programme Management Office

Appendices:

None

Background documents:

None