

WIRRAL COUNCIL

CABINET

19TH JULY 2012

SUBJECT:	INVESTMENT STRATEGY UPDATE
WARDS AFFECTED:	ALL
REPORT OF:	DIRECTOR OF REGENERATION, HOUSING AND PLANNING
RESPONSIBLE PORTFOLIO HOLDER:	REGENERATION AND PLANNING STRATEGY
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

- 1.1 This report updates Cabinet on recent activity in relation to the delivery of the Investment Strategy and requests key decisions for a number of projects critical to the delivery of investment strategy partnership activity over the next few months, including Growing Places and Regional Growth Funds, Broadband development and the Mersey Dee Alliance (MDA).

2.0 BACKGROUND AND KEY ISSUES

- 2.1 Since the re-organisation of the Councils Investment Strategy Team in Autumn 2011, progress has been made on a number of key activities, including partnership development, inward investment and critically, developing key relationships with Government departments. This report sets out a number of key decisions required by Cabinet to progress several strands of activity across the Regeneration, Housing and Planning Department.

Regional Growth Fund

- 2.2 Cabinet (12 April 2012, minute 381 refers) noted that the Government had opened a third round of the Regional Growth Fund (RGF) with a closing date for applications of the 13th June 2012. The report outlined the objectives and criteria of the Fund, namely to encourage private sector enterprise by providing support for projects with significant potential for sustainable economic growth and which could also create new private sector employment. In addition the Fund aims to help areas with high levels of unemployment and an over dependence on the public sector to make the transition to private led growth. Cabinet agreed that four bids that met the RGF criteria should be developed in partnership with the private sector.
- 2.3 RGF is highly competitive with only 164 bids out of a total of 956 applications being successful in the first two Rounds. Round 3 will be equally competitive and initial figures indicate that some 409 projects have been submitted with bids totalling £2.68bn for the £1bn available. As a result only those applications evidencing strong fit with RGF criteria are likely to be successful with this particular funding stream.

- 2.4 As part of the application process the Department of Business, Innovation and Skills (BIS) held Expression of Interest meetings with applicants to consider outline bids and to advise on the extent to which they met the RGF criteria prior to full applications being submitted in June 2013. Full applications are then to be considered by an Independent Advisory Panel of business leaders, chaired by Lord Heseltine and recommendations made to a Ministerial Panel which will make the final decisions as to which bids should receive funding.
- 2.5 Four areas were initially identified as potentially meeting the RGF criteria of unlocking private sector investment and creating sustainable local jobs. These were Offshore Renewable Energy, Financial Support for Business Growth, Wirral Waters Buffer Zone and Next Generation Access Broadband. Cabinet (12 April 2012 Min 381) agreed that officers should work with private sector partners to bring forward applications and that authority as to the submission of these bids be delegated to the Director of Regeneration, Housing and Planning in consultation with the Leader of the Council and the Cabinet Member for Regeneration and Planning Strategy.
- 2.6 Detailed work took place on the four project areas and initial outline bids were prepared for the Expression of Interest meetings with the BIS RGF team. Feedback was received on each of the four proposals and it was agreed that the Offshore Renewable Energy and Financial Support for Business Growth had a strong fit to the RGF criteria and were therefore progressed to full application.
- 2.7 Officers will continue to work on bringing forward both of the other projects. With regards to the Wirral Waters Buffer Zone, work will continue on identifying opportunities for strategic land assembly within this area and this will include linkage with the incentives available within the adjacent Enterprise Zone as well as opportunities for ERDF funding. Work will also continue on the delivery of the NGA Broadband project to ensure that Wirral has a world class NGA network to support local businesses.
- 2.8 The RGF Advisory Panel will be assessing the applications over the summer and will make recommendations to the Ministerial Group who will make the final decisions as to which projects will receive funding.
- 2.9 If successful all RGF bids will be required to work through a due diligence process and will be subject to further negotiations with Government. In preparation for this process it is proposed that further work is undertaken to develop the projects further and to ensure that all the necessary programme management, financial and legal processes are in place to meet the due diligence requirements and therefore successfully deliver the programme activity within the RGF timescales. The Council already undertakes these functions in relation to other regeneration projects and it is therefore proposed that this expertise is utilised to ensure that processes for managing and accounting for the funding and ensuring compliance with financial and audit requirements are clearly outlined.

Business Planning

- 2.10 The Director of Regeneration, Housing and Planning is implementing the recommendations of the Scrutiny Review of Green Growth in Wirral (February 2012, reported to Economy and Regeneration Overview and Scrutiny Committee 8th March

2012, minute 52 refers) and the subsequent Cabinet report 12 April 2012 (minute 383) through the formation of a major projects and business planning team. This will ensure that the expertise and services available to support businesses can be co-ordinated and integrated. This will mean that at whatever point a business makes contact with the Council they will receive a streamlined and consistent service.

- 2.11 The aim is to fulfil the Council's Corporate Plan objective that Wirral should become the most business friendly Council in the country. A Council which actively supports and encourages companies and investors to 'do business' with us and ensures that the current major investment opportunities are maximised for the benefit of Wirral residents. This would create and reinforce the 'business friendly approach' for Wirral Council and support the timely delivery of the Investment Strategy key priorities.
- 2.12 This report also seeks members support for the creation of a 'Developers Guide' to help give guidance and advice to potential investors and that this will be taken to Planning Committee for approval and endorsement in the near future.

Broadband

- 2.13 Cabinet will be aware that Officers have been exploring a number of options for enhancing broadband coverage in Wirral. The Government has committed to ensuring that the UK has widespread access to Superfast Broadband provision. This is defined as 90% having access to speeds in excess of 24 Mbps. Standard broadband is classed as 2 Mbps and that is the level of broadband required, for example, to use BBC i-player.
- 2.14 Broadband UK (BDUK) is the government department charged with progressing these plans and has £530m of funding to allocate across the country. The Merseyside allocation is £5.4m and is based on the level of existing Superfast provision. There is a need to source match funding and European Regional Development Fund (ERDF) has been identified as a potential source which should also lever in substantial private investment.
- 2.15 In summary, the benefits will be to:
 - i. Improve the inward Investment offer and keep the City Region on a par with our competitors;
 - ii. Help improve business productivity and services;
 - iii. Generate additional GVA for the City Region of around £50m;
 - iv. Help bridge the digital divide and provide a platform for the more efficient delivery of public services.
- 2.16 Merseyside submitted a Local Broadband Plan (LBP) on 30 April 2012, which has now been approved subject to resolution of funding issues detailed below. To take the project further an application for ERDF match funding is required and it has been estimated that the cost of making this application per Authority is £6,000. It is likely that it will take approximately 6 months to complete the application and have approval for the ERDF match-funding element. Authorities will need to be able to identify resource to fund other demand stimulation work associated with improving demand amongst residents, helping to improve digital inclusion. This can be accommodated within existing workstreams but will be the subject of a more detailed

report to Members in the future that will outline all options moving forward.

- 2.17 Additionally, a contracting authority needs to be agreed in order for the LBP to move forward. Liverpool City Council is prepared to undertake this role as is the case in other city regions. This is subject to agreement that the costs for undertaking this role will be funded largely through ERDF as approx 80-90% of these costs should be eligible as normal project management costs. Alternatively if this is not the case the costs would need to be shared between the participating authorities. Any non ERDF eligible costs will also need to be funded by the individual authorities as estimated below.
- 2.18 This arrangement would need to be set out in an appropriate legal agreement between all Authorities, which also sets out the joint liability to all LAs arising from any litigation as a result of the procurement process or implementation of the project.
- 2.19 Liverpool would commit to the creation of a team consisting of a Programme Manager, a Programme Support Officer, a Procurement Lead, a Financial Lead, a Technical Adviser and a Legal Adviser. Based upon its experience with similar schemes BDUK recommended the creation of the team for an initial 12 month period although some resource will need to be maintained for years 2 and 3 of the project. Advice has been taken from BDUK on the roles and scale of resource required. The team would work to a project board made up of representatives from all Authorities and would operate using Prince 2 project management principles.
- 2.20 The estimated cost for this is £660k over a three year period. It should mostly (80-90%) be an eligible cost for ERDF and should be reclaimed through that process. Any non-eligible element of this (ie. the remaining 10-20%) would need to be funded by individual authorities on a pro rata basis based on the level of BDUK investment in their authority area.
- 2.21 A suggested apportionment is detailed below based on the modelling of expenditure at a district level undertaken for the Local Broadband Plan. It should be noted that it is not possible at this point to be exact about these figures as this is dependant on the outcome of the procurement exercise. However as a guide the Local Broadband Plan would suggest the following apportionment. As Wirral is likely to receive 26-28% of the overall investment (second only to Liverpool) it will be expected to cost a similar apportionment of the costs not covered by grant.

Authority	Approximate apportionment range	Approximate total cost per annum
Knowsley	14-20%	£31k - £44k
Liverpool	29-38%	£64k - £84k
Sefton	10-12%	£22k – £26k
St Helens	4-13%	£9k – £29k
Wirral	26-28%	£57k - £62k

- 2.22 Members are asked to agree the approach set out above in principle and a further report will be brought back to Cabinet with more detail before any arrangements are put in place.

Mersey Dee Alliance

- 2.23 The Mersey Dee Alliance (MDA) is a partnership between Cheshire West and Chester Council, Wirral Council, Flintshire County Council, Wrexham Borough Council and Denbighshire County Council. Merseytravel and the Welsh Assembly Government are also partners.
- 2.24 In 2007, the Alliance was expanded from the partner local authorities to include the North East Wales Authorities consortium and the Welsh Assembly Government. This partnership alliance has now matured into a strategic alliance focusing on common issues across the wide geography of the MDA and has progressed issues relating to economic development and transport, particularly on lobbying relating to Borderlands, the electrification of the Wrexham to Bidston rail link and other strategic priorities.
- 2.25 The involvement of the partners from North East Wales has enhanced the work of the partnership, reflecting cross border issues of the travel to work area. Additionally, the MDA is currently working on a number of projects to strategically support competitiveness across the area.
- 2.26 The MDA subscription for 2012/13 has increased from £6,000 to £7,000 subject to the endorsement of members. This reflects the closure of the North West Development Agency (NWDA) and the subsequent loss of contribution from that organization.
- 2.27 The Alliance remains strategically important to Wirral Council and its relationship with the economic sub region spanning parts of Cheshire and North East Wales.

LEP Development

- 2.28 In June, a report was tabled at the Liverpool City Region (LCR) Cabinet by Knowsley Council which outlined the importance of the advanced manufacturing and emerging science based opportunities within the City Region. In February 2012, the Technology and Strategy Board and the Department of Business Innovation and Skills had published a report setting the scene and future importance of high value manufacturing in the UK. Because of the importance of this sector to the City Region a proposal for undertaking analysis of the sectors, including potential supply chain, challenges and skills capabilities was agreed by the LCR Cabinet.
- 2.29 The scope of the work has been set out and a total cost is estimated at £97,000. The private sector and Liverpool City Region universities are meeting £67,000 of the cost and Local Authorities have been asked to contribute the remaining £30,000.
- 2.30 Advanced manufacturing is an important employment sector in the City Region and particularly within Wirral, and it is recommended Wirral contributes £5,000 towards this.

Growing Places Fund

- 2.31 On 7th November 2011, the Government announced details of the Growing Places Fund (GPF) which will make capital funds available to Local Enterprise Partnerships

(LEPs) to help facilitate economic growth, jobs and house- building in the local area. The funds will come from the Department for Communities & Local Government and the Department for Transport based on allocation by formula, rather than through a competitive process.

- 2.32 In December 2011 the Shadow LEP Board agreed that Liverpool City Council should submit an application on behalf of the LEP to UK for a £12.9m allocation of GPF monies. The application was submitted on 20 December, signed off by LEP chair designate Robert Hough and deputy chair Asif Hamid. In February, Liverpool City Region LEP was awarded £13,192,859.
- 2.33 GPF monies must be used by the LEP to address short term infrastructure constraints that once addressed will allow development to progress and deliver immediate economic benefits (in the form of jobs and / or housing). In other words GPF must be used to fund the provision of infrastructure to unblock developments which are otherwise site ready. It is important to note that GPF cannot be used to provide development finance or as gap funding for a project.
- 2.34 GPF is being delivered through LEPs because Government want the LEP to direct spend towards LEP strategic priorities - but investment must also achieve early economic growth, and deliver jobs and housing. The LEP can decide the balance between economic growth and housing, but there is an expectation that all LEPs will include a significant housing element when making GPF allocations.
- 2.35 GPF guidance made it clear that Government wants GPF to operate as a revolving fund with schemes repaying the cost of the infrastructure over a period of years. Whilst this is not mandatory, Funds that are not revolving are unlikely to be considered for any future GPF resource. GPF will therefore forward fund infrastructure costs but is not a grant and has to be repaid.
- 2.36 On this basis all of the potential GPF schemes put forward for consideration to the LEP Board have undertaken to repay GPF funding, and schemes which could not make that commitment were excluded from consideration. Members should note that schemes are required to commit to repay GPF (in order to create the revolving fund) but it is currently proposed that this operates on a “best endeavours” basis, with no clawback or charge on property that would enable this to be enforced. This approach means that there would be no local authority liability for repayment. However, recent correspondence from the LEP has indicated that they wish to put in place a more binding agreement, but Officers have made it clear that a best endeavours basis is the only option that can be considered at this time as if a developer failed to complete the repayments then the local authority could be liable for repayment. Wirral Council would be the accountable body for any Wirral schemes funded through GPF and officers would seek appropriate legal advice to ensure compliance with relevant processes and procedures including State Aid. A further detailed report will be brought back to Members on this matter.
- 2.37 Following submission of the GPF application a sub-group of the LEP was established to identify potential GPF schemes, draw up criteria to prioritise schemes, and then appraise potential schemes against these criteria. The group initially identified three types of criteria: *Gateway*; *Value for Money* and *Strategic*. Key Gateway criteria, sifted out a lot of initial submissions eg, planning permission, developer funds and period for repayment.

- 2.38 Wirral submitted a number of schemes into this process, but only one fully met the criteria and scored highly enough to be considered. The International Trade Centre was submitted as a project to address the power constraints that exist at the site. The request was for £1.8m of the funding and this was approved, subject to some additional information being required. Part of the submission was to repay the Growing Places Fund using the business rate uplift from the Enterprise Zone, generated by Phase 1 of the International Trade Centre.
- 2.39 Cabinet (14th April 2011, minute 396 refers) has previously received a report setting out the key characteristics of Enterprise Zones. One of the key incentives is the local retention of any uplift in the business rate receipts within the boundary of an EZ. The business rate uplift, will be given to the Local Enterprise Partnership in which the Zone is located.
- 2.40 The LEP, at its meeting in April 2012, approved in principle a proposal to share the business rate uplift from the Mersey Waters Enterprise Zone (including both Wirral and Liverpool Waters), 50% to the LEP and 50% to the collecting authority for a period of up to 31st March 2015. This is still an in principle decision which needs the LEP to sign off as an Investment Policy at a future meeting as the collecting authority would need to re-invest the 50% back into strategic regeneration activity.
- 2.41 The proposal is that the Growing Places Fund will invest £1.8m into the power supply infrastructure at the International Trade Centre site, to be re-paid by the uplift in business rates that will be retained by Wirral Council. Further work is now required to determine the rateable values for Phase 1 of the ITC, and schedule the repayments and length of time for repayment of the £1.8m.
- 2.43 A further report on the details for the allocation of these resources will be brought back to Cabinet, but this report seeks Cabinet approval to further develop a process based on the principle highlighted above.

3.0 RELEVANT RISKS

- 3.1 **Regional Growth Fund** - If successful the Council would be the accountable body for the Offshore Renewable Energy application and for the Wirral element of the Business Expansion Plan. The Council already undertakes the functions associated with accountable body status in relation to other regeneration projects and it is proposed that work takes place prior to the formal due diligence process to build on this and ensure that clear procedures are fully outlined.
- 3.2 **Growing Places Fund** – subject to state aid clarifications, Wirral Council will be the accountable body for £1.8m of Growing Places Funding invested into the power supply solution at the International Trade Centre site. The monies will be repaid by the new business rate uplift within the ITC phase 1. A major risk would be that this money is invested and the ITC development did not go ahead, but this would be mitigated by a legal arrangement with the developer if this eventuality arises. Legal advice will be required on the state aid matters and also the mechanism for repayment from Peel Holdings.

- 3.3 As these projects are still developing individual and detailed risk registers will be developed for each of the projects as they progress involving analysis of the identified risks and the actions proposed to mitigate them. These will be reported back to Cabinet when the projects are in a position to seek approval.
- 3.4 There are some indirect risks associated with non-delivery of the Investment Strategy and its related projects. These relate to poor future economic performance through a failure to realise the Borough's significant economic opportunities and potential. This could mean that Wirral remains an area in which high levels of worklessness and associated inequality exist.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 The proposed projects are identified as priority areas within the Wirral Investment Strategy 2011-16.

5.0 CONSULTATION

- 5.1 Wirral's Investment Strategy provides the framework for the development of the RGF applications and this has been reviewed following an extensive consultation with partners. The development of the proposals has also been informed by the consultation undertaken as part of the Scrutiny Review of Green Growth in Wirral. Consultation has taken place with a number of private sector partners and through Invest Wirral's Business Forum and the sectoral cluster groups.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 None as a direct result of this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 In order to meet due diligence requirements it is likely that specialist legal advice will be needed, particularly on State Aid issues (referenced in para 8.1 below). This would result in a financial implication but this could be met from existing budgets, as would specialist legal advice in respect of Growing Places Funding.
- 7.2 The proposed projects may involve use of Council assets. Where this is the case further reports will be brought back to Members to ensure that any proposals are compatible with council objectives and achieve value for money for Wirral residents.
- 7.3 The required funding for the City Region broadband team (up to £62,000 depending on what costs could be met by ERDF) will be met from existing broadband financial allocations that have been agreed by Cabinet previously. The £6,000 for the development of the ERDF bid will also be met from existing resources.
- 7.4 The increase in the 2012/13 subscriptions for the Mersey Dee Alliance from £6,000 to £7,000 will be met from existing partnership budgets.
- 7.5 The £5,000 contribution towards the costs of the analysis of the Advanced Manufacturing sector within the Liverpool City Region will be met from existing resources.

8.0 LEGAL IMPLICATIONS

- 8.1 The projects identified within this report are all subject to State Aid rules and any proposals taken forward for funding will need to ensure compliance with State Aid and De minimis rules. State Aid rules exist in order to prevent any form of aid to a commercial undertaking distorting, or threatening to distort, competition within the European Community. However, a number of block exemptions are in place which enable support to be given in areas such as developing disadvantaged regions and promoting small and medium sized enterprises as this is considered to be in the common interest of the EU and is therefore allowed where required. Expert legal advice will be taken to ensure that the applications put forward are compliant with State Aid.
- 8.2 The further development of projects will need to ensure that where relevant there is compliance with the obligations arising under the Bribery Act 2010 which came into force on the 1st July 2011.
- 8.3 Participation in any City Region approach to broadband activity is subject to specialist legal advice. Any arrangement would need to be set out in an appropriate legal agreement between all Authorities, which also sets out the joint liability to all LAs arising from any litigation as a result of the procurement process or implementation of the project
- 8.4 Relevant legal advice will be sought for the specific matters raised in this report.

9.0 EQUALITIES IMPLICATIONS

- 9.1 Has the potential impact of your proposals been reviewed with regard to equality?
(a) Yes and the impact review can be accessed at:

<http://www.wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments/eias-2010-0>

10.0 CARBON REDUCTION IMPLICATIONS

- 10.1 The proposed bid for developing the offshore energy sector will support the use and development of renewable energy and enable green innovation and investment. It is anticipated that this activity would support carbon reduction amongst Wirral businesses.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 11.1 There are no immediate planning and community safety implications arising from this report, however planning consent may be required for some of the individual projects. This will be addressed as appropriate through the planning process.

12.0 RECOMMENDATIONS

- 12.1 Cabinet authorises the Director of Regeneration, Housing and Planning and the Investment Strategy Team should ensure that the appropriate processes are in place in order to respond to due diligence requirements should one or both of the RGF applications outlined in the report be successful.
- 12.2 Cabinet authorises Officers to work with LCR partners on a potential structure for a

City Region broadband team to take forward the BDUK opportunities. The potential cost for Wirral will be up to £64,000 which will be paid for out of existing budgets that have been allocated for broadband development.

- 12.3 Cabinet authorises Officers to submit an ERDF application for broadband activity, maximizing EU resources and contribute appropriately to the development of a robust application, the development costs of which will not exceed £6,000.
- 12.4 Cabinet authorises the increase in MDA subscriptions from £6,000 to £7,000 for 2012/13.
- 12.5 Cabinet authorises the contribution of £5,000 towards the costs of an analysis of the advanced manufacturing sector and its supply chains within the City Region.
- 12.6 Cabinet authorises Officers to explore the use of Growing Places Funds which have been nominally allocated to Wirral to invest in a power solution for the International Trade Centre, unlocking significant development. The funding is proposed to be repaid via the business rate uplift within the Enterprise Zone which has been allocated, in principle, back to Wirral by the Local Enterprise Partnership for strategic economic development.

13.0 REASONS FOR RECOMMENDATIONS

- 13.1 The Investment Strategy sets out an ambitious vision for Wirral to secure its economic future by attracting investment and creating sustainable jobs for the people of the Borough.
- 13.2 The projects identified within this report will assist in promoting economic development within the Borough and provide employment opportunities for Wirral residents. Improved broadband access within the Borough will improve business competitiveness.

REPORT AUTHORS: Sally Shah/ Alan Evans/ Hayley Crook

Investment Strategy Team
telephone: (0151) 691 8426
email: alanevans@wirral.gov.uk

APPENDICES

The Investment Strategy 2011-16 Wirral Council website <http://www.wirral.gov.uk/my-services/business/investment-strategy>

REFERENCE MATERIAL

Liverpool City Region Offshore Energy 2010
Technology Innovation Centre Application to the Technology Strategy Board 2011

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet – Regional Growth Fund	12th April 2012

Economy and Regeneration Overview and Scrutiny Committee - Green Growth in Wirral	8th March 2012
Cabinet – Investment Support Services Framework	23rd June 2011
Cabinet – Targeted Inward Investment Activity	21st July 2011
Cabinet – Investment Strategy	21st July 2011
Cabinet - Enterprise Zone	14th April 2011
	9th December 2011