
Report to: Cabinet

Date of Report: 16th February 2012

Subject: Regional Growth Fund Bids for the North Liverpool and South Sefton Strategic Regeneration Framework

Report of: Director of Built Environment

Wards Affected: Linacre, Derby

Is this a Key Decision? Yes **Is it included in the Forward Plan?** Yes

Exempt/Confidential No

Purpose/Summary

To advise members of the outcome of Regional Growth Fund (RGF) Round 2.

Recommendation(s)

1. That Cabinet notes progress with Regional Growth Fund Rounds 1 and 2.
2. That the conditional offer of £35 million from the Dept of Business Innovation & Science (BIS) to Sefton Council for River Dredging, is noted.
3. That Cabinet authorises the Strategic Director – Places and Head of Corporate Finance & ICT to undertake all necessary due diligence to progress the offer to unconditional offer stage
4. That the Council accepts in principle the role of accountable body for the River Dredging project, subject to negotiation of a satisfactory legal agreement with Peel Ports (as Statutory Port Authority), completion of due diligence, and an unconditional grant offer letter from BIS.
5. That officers proceed to negotiate a legal agreement with Peel Ports in respect of the River Dredging project, and report progress to Members at a subsequent meeting.
6. That Members approve in principle the commissioning of a Wide Area study to provide a spatial masterplan and investment programme, so that the benefits of investment in Port Expansion can be maximised for local communities
7. That officers are authorised to prepare bids for Round 3 of Regional Growth Fund, and to report back in due course.

How does the decision contribute to the Council’s Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		✓	
2	Jobs and Prosperity	✓		
3	Environmental Sustainability	✓		
4	Health and Well-Being		✓	
5	Children and Young People		✓	
6	Creating Safe Communities		✓	
7	Creating Inclusive Communities		✓	
8	Improving the Quality of Council Services and Strengthening Local Democracy		✓	

Reasons for the Recommendation:

To approve arrangements for progressing an RGF Bid for North Liverpool and South Sefton SRF.

What will it cost and how will it be financed?

(A) Revenue Costs

The objective of the legal agreement with Peel Ports is to ensure the Council is indemnified for all costs, liabilities and charges associated with the delivery of the River Dredging project.

Assuming the role of accountable body will generate additional management costs. A schedule of costs is being prepared and will cover the cost of due diligence, financial management of the contract, and associated studies necessary to verify performance. This schedule will be placed inside the agreement and charges will be met in full by Peel Ports.

(B) Capital Costs

As above.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal
Human Resources
Equality

- | | | |
|----|--|-------------------------------------|
| 1. | No Equality Implication | <input type="checkbox"/> |
| 2. | Equality Implications identified and mitigated | <input checked="" type="checkbox"/> |
| 3. | Equality Implication identified and risk remains | <input type="checkbox"/> |

The equality impact and mitigation measures are as described in the full RGF application, and will be further developed if the bid is successful.

Impact on Service Delivery:

What consultations have taken place on the proposals and when?

The Head of Corporate Finance and ICT (FD.1292) and Head of Corporate Legal Services (LD 689/12) have been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

Not to support the SRF or apply for RGF would be to forego access to additional resources at a time of considerable spending restraint.

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

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Background Papers:

The following papers are available for inspection by contacting the above officer:

DPP Shape (2010), [A Strategic Regeneration Framework for North Liverpool: Liverpool and Sefton Working Together](#) and [Executive Summary](#) (May 2011)

Introduction

1. Members received a report on progress with the Strategic Regeneration Framework (SRF) for North Liverpool/South Sefton at their meeting on 23rd June 2011. It was resolved:
 - a) To authorise the Director of Built Environment to proceed with Regional Growth Fund applications in support of the North Liverpool and South Sefton Strategic Regeneration Framework
 - b) To report back with the results of the Regional Growth Fund applications

Background

2. Liverpool and Sefton Councils have been co-operating since autumn 2009 on a large scale regeneration initiative for the 6 wards of north Liverpool and south Sefton (Linacre & Derby in Sefton).
3. Part 1 of this report summarises progress made since June as regards delivery planning, governance arrangements, and the endorsements secured from national government.
4. Part 2 of the report describes the results of Round 2 of Regional Growth Fund including two large successful applications benefiting the SRF area, and subsequent post-bid activity.

PART 1: Update

Governance

5. An SRF Officer Steering Group continues to manage the partnership between Liverpool City Council and Sefton Council.
6. The Steering Group produced an internal draft Delivery Plan for 2011/12 in June 2011. This was forwarded to three Thematic Groups (for Prosperity, People and Places), which were set up to take ownership of each strand of the Delivery Plan and populate it with projects. Sefton Council officers, public sector partners, and community representatives via Sefton's Community Engagement Network, are all represented, alongside their Liverpool colleagues.
7. The Thematic Groups are revising the Delivery Plan and will be producing a revised version for 2012/13. It will be brought before members at the earliest opportunity for their consideration. However, officers are working in these critical areas for Sefton:
 - Progressing SuperPort, including expansion of the Port of Liverpool at Seaforth
 - Investigating a new role for Bootle Town Centre/Office Quarter

- Taking forward housing market renewal
- Developing the low carbon agenda (investment, jobs, skills)
- Support for green infrastructure
- Support for troubled families

Central Government endorsement

8. Four senior officials of Communities & Local Government and Business Innovation & Science were invited to tour the SRF area in March 2011, followed by a well-attended workshop including the key developers and investors in the area such as Peel and Harcourt. The meeting helped to create a favourable impression of the potential of the SRF area amongst officials deeply involved in organising the Regional Growth Fund.
9. Follow-up included:
 - An event at the Liverpool Embassy in London in midsummer to continue to maintain the profile of the area with investors
 - The Economic Strategy of the Shadow Liverpool City Region Local Enterprise Partnership Board designated North Liverpool/South Sefton one of the city region's top investment priorities
 - The Right Honourable Lord Michael Heseltine and Sir Terry Leahy strongly endorsed North Liverpool/South Sefton and its potential in their landmark report: Rebalancing Britain: Policy or Slogan. Liverpool City Region – Building on its Strengths (October 2011).
 - A national media campaign (“I’m Liverpool”) was launched in the autumn/ winter, coinciding with the announcement of the Round 2 RGF winners.
 - GVA Grimley hosted a high-profile event in December 2011 at the Liverpool Embassy in which South Sefton and North Liverpool sites were promoted to senior investors and developers
10. A second central government visit will take place on 20th January 2012 for senior officials to review progress, and a ministerial visit is being investigated for later in 2012.
11. This is all evidence of a gathering momentum behind North Liverpool/South Sefton as a place whose time has come.

PART 2: Regional Growth Fund Bids

Background

12. RGF was announced in the 2010 Spending Review. It is designed to promote private sector growth and investment in regions threatened by public sector job loss. All applicants are required to generate jobs, investment and growth over a three year profile.
13. Round 1 was aimed specifically at private companies seeking gap funding who could deliver jobs and growth. On 11 April it was announced that 4 Merseyside applications in Round 1 had been successful:
 - Pilkingtons
 - Stobart Group

- Ames Goldsmith and
- Liverpool Echo and Daily Post.

The first three received grants to invest in their companies, the fourth received funding to award grants to potential entrepreneurs across Merseyside.

14. The feedback from government officials on Round 1 was that Merseyside did not attract its “fair share” of RGF awards, and this would be addressed in Round 2.

Round 2

15. Round 2 of the Regional Growth Fund was launched on 11 April. While still accepting individual applications from companies, it now also focussed on strategic investment in area-based programmes.
16. On 31st October the Dept of Business Innovation & Science (BIS) announced the results of Round 2. In summary:
- 492 bids were submitted (140 from the North West, about 30 were submitted from Merseyside)
 - 119 were successful (34 from the North West, 8 from Merseyside)
17. Three successful bids directly benefit Sefton:
- Post-Panamax River Dredging/River Terminal (Peel Ports with Sefton MBC)
 - Anfield & Queens/Bedford (Keepmoat with Liverpool CC & Sefton MBC)
 - Crown Speciality Packaging UK Ltd (private sector application, assisted by Sefton MBC)
18. Other Merseyside successes include:
- City Council-led joint bid for £25m to redevelop the Buffer Zone between the City Centre and Liverpool Waters (Tobacco Warehouse, area north of Leeds St, Eldonians Energy Centre)
 - University of Liverpool
 - Harpscreen (GB) Ltd (private sector application, assisted by TMP)
 - Redx Pharma Ltd (private sector application, assisted by Liverpool CC)
 - Getrag Ford Transmissions (private sector application, assisted by Liverpool CC)
19. The collaboration with Liverpool has proved extremely productive, with two major RGF approvals located in the North Liverpool/South Sefton SRF area: the Buffer Zone, and Port Expansion at Seaforth. The combined value of these awards is £62m. They are forecast to generate 6,400 jobs over 5 years. This is a substantial investment in a rundown area, bringing hope to many local jobseekers and suppliers. The RGF funding will be the trigger for other public and private investment to create a cumulative regenerative effect.
20. In more detail, the three projects benefitting Sefton are:

A. River Dredging & River Berth, Seaforth

£35 million of grant has been offered to support a £40.8 million investment in dredging the Mersey estuary approaches.

This deeper channel will increase the tidal window for all river users of the estuary, and allow next generation deep-sea container vessels to access the Mersey ports.

All estuary users will benefit from this investment in “public infrastructure”.

The Mersey Docks and Harbour Company is the statutory harbour authority for the Port of Liverpool and the Mersey ports. It is now owned by Peel Ports.

The RGF application for River Dredging was made on the basis that Sefton Council would act as accountable body on behalf of Peel Ports. This is because the river dredging benefits all river users and therefore a grant award will not directly benefit any individual commercial port user, which is currently prohibited under EU and UK law as anti-competitive (“state aids”). The Council would be responsible for procurement, and the current proposal is for Peel to act as managing agent for the actual construction.

This distinction between common benefits and private benefits is important because in their commercial role, Peel Ports is investing heavily in new harbour assets to realise the full benefit of the deeper channel to its quays and facilities on both banks of the Mersey and the Manchester Ship Canal.

Specifically, it has promised to build a new River Container Terminal at Seaforth, operational from 2014 and costing Peel £226 million. The new terminal will trigger the inland development of what they term port-centric distribution facilities. Up to 140 hectares of land between Derby Rd and Regent Rd is required for development of warehousing, goods handling and value-added processing. This will allow the Port to handle road, rail and water-borne traffic thus reducing costs and making environmental savings in terms of removing unnecessary transport legs. The dredging and River Terminal will together create 408 construction jobs, with a further 4,600 jobs to follow in port-based industry and logistics over the next decade.

Officers are currently investigating how other river users intend to take advantage of the deeper channel. Supplying this evidence to BIS is an important stage in demonstrating that the development is not state aids but of general benefit.

The River Dredging project has to pass through a “due diligence” appraisal that could take several months. It will include the preparation of a legal agreement between the Council and Peel (as statutory harbour authority) regarding project governance, financial accountability, the management of procurement, and the maximisation of benefits for the local community including jobs, skills and the local environment.

Officers have approached accountable body status with due concern for risk assessment and mitigation. This relates not so much to the river dredging itself as the River Terminal and associated inland development with which it is inextricably linked:

- A functioning river berth would quickly place additional pressures on an already overloaded road network – the findings of the Access to the Port of Liverpool Study details delivery strategy and timescales which includes a

combination of local sustainable transport measures, sustainable freight interventions and from 2020 additional highway solutions.

- We have reached the limits of what can be delivered through environmental mitigation measures – considerable additional investment is needed to avoid unacceptable environmental (and financial) penalties
- Therefore the only way to make Peel's investment at Seaforth acceptable (and to deliver the wider vision for SuperPort) is to invest in the wider area adjacent the Port
- This presents a significant opportunity to use Peel's investment as a lever to attract other public and private sector investment into a comprehensive programme of improvement in the local community, to create a better Seaforth and to eliminate at source the interference of port and city.

The objective must be compensating benefits for the local area near to the Port 's Dock Estate which might otherwise bear only the costs of port expansion.

Any proposal for port expansion requires careful handling given the unsettled history of port/city relations in the past decades. Officers have considered the following scenario:

- The Council sets ground rules with the statutory harbour authority, including a commitment to cover the Council's pre-development and accountable body costs for the project, and complete indemnification of the Council against all losses and liabilities arising from the project
- The Council signs a legal agreement with the statutory harbour authority cementing in place these ground rules, allowing the Council to sign the unconditional offer letter from BIS and assume ultimate control of the project as accountable body
- The Council commissions a Wide Area Study to evaluate the principle land-use, transportation, residential, commercial, energy and infrastructure options; and to recommend the option or options which most improve environmental quality and regenerate the wider community while meeting the legitimate business requirements of the Port
- Following appropriate consultation, and in support of the preferred option(s), the Wide Area study will produce a detailed spatial masterplan for the next 20 years. It will be accompanied by a review of novel methods of attracting finance and new types of delivery vehicle, and a costed investment plan, to ensure the vision is achievable.

Officers have secured the in-principle support of Homes & Communities Agency, Liverpool Council and Peel Ports for funding to undertake the Wide Area Study, which could be co-financed by Sefton Council from within existing resources.

B. Crown Speciality Packaging UK Ltd

Crown Holdings, Inc. is a leading manufacturer of packaging products for consumer marketing companies around the world. Crown make a wide range of metal packaging for food, beverage, household and personal care and industrial products and metal vacuum closures and caps. As of December 31, 2009, the Company operated 136 plants located in 41 countries, employing 20,510 people.

The Heysham Road plant has been operational since 1914. Crown have Investors In People Award with current full time workforce of 113 people and up to 20 temporary workers during peak demand periods.

Crown was looking to move the operation away from its current location to a more efficient facility to reduce its cost base and safeguard current jobs through investment in this project. However, the RGF grant will allow the company to re-invest in its Heysham Road site and retain production capacity on Mesreyside.

C. Employment and Housing: Anfield and Queens Bedford

Liverpool CC will be accountable body for this project. The main objective is to create new jobs and improve skills in the construction industry and its supply chain, through the development of new homes.

It will continue to rejuvenate a failed housing market and complement and encourage wider economic growth through significantly increasing the proportion of privately owned dwellings for occupation by economically active households thus reducing local dependency on benefits. It will deliver major environmental improvements to areas blighted by structural economic change. It will complement other initiatives in north Liverpool, including the recently announced Enterprise Zone, and other RGF bids.

The main objectives of the project are to:

- Secure private sector employment and skills training in a sector badly affected by the recession and in an area of England in which there is a relative shortage of private sector jobs;
- Enable site assembly for private sector investment in new housing, thus building on private / public sector investment to date; and
- Remove obsolete housing thus widening choice and improving the quality of the local environment.

The funding being bid for will assemble sites. Keepmoat Homes Ltd will then develop them out as sites for new homes for sale by and without the requirement for further public subsidy. This will be realised by utilising secured Keepmoat significant private sector investment.

The project will create a maximum of 122 direct full time equivalent jobs, including 10 locally recruited apprentices directly employed by Keepmoat. The remaining direct jobs will be created as a direct result of the construction sites being brought forward and will consist of a mix of Keepmoat employees and jobs with Keepmoat's subcontractors.

Keepmoat will be developing approximately 505 new family homes. Of these, 55 will be located in Sefton. The new homes will be predominantly for private sale, but with a mix including shared ownership and rent in order to provide housing choice. Increasing owner occupation in the area will help to support local businesses and provide confidence to future private sector investors.

RGF Round 3

21. In the Chancellor's Autumn Statement 2011, a third round of RGF was announced, with an extra £1 billion set aside for projects. The programme is extended into 2014-15. As one of the government's main funding tools, it is important that we prepare early to take advantage of this resource, the value of which will be reinforced when the new European funding allocations for Merseyside 2014-20 are announced at the end of the year.