

## LCR CA SIF Appraisal Report – Full Business Case

### Appraisers Details

|                         |                            |
|-------------------------|----------------------------|
| Appraisal Completed By: | Fiona Tuck                 |
|                         | <i>F Tuck</i>              |
| Company:                | Steer Economic Development |
| Date:                   | 06/12/2018                 |
| Appraisal Stage         | <u>Final Report</u>        |
| Version:                | 2                          |

### Project Details

|                                |  |
|--------------------------------|--|
| Project Name                   | <b>Growing Business Visits and Events across the Liverpool City Region</b>   |
| Project number                 | 0079   |
| Applicant/Lead organisation    | <b>Liverpool City Region Local Enterprise Partnership</b>  |
| Project theme                  | Business Growth and Sector Development   |
| Project Summary                | The project responds to reduced levels of public funding by establishing a long-term strategy for the LCR's conference sector and a commercial model to sustain conference subvention. This will include a 3-year transitional fund to ensure subvention funds are available to attract international and national conferences to the region as well as enhancing resources within the Liverpool and Southport Convention Bureaus to develop the smaller conference markets the City Region is currently underperforming in. Coupled with new governance and delivery structures, the project will be aligned with the region's priority growth sectors and support opportunities for inward investment. |
| Documents submitted and status | Business Tourism SIF Revised Application (sic) 15112018 FINAL<br>SIF – FBC Business Plan MASTER v1.8 Final Revised Application 15112018<br>SIF Appendices MASTER - Final Revised Version 15112018<br>SIF Gantt (sic) Business Tourism Events 15112018  |
| Total project cost             | £1,091,112   |

Applicants SIF Funding Request and Profile

|         | 17/18 | 18/19 | 19/20    | 20/21    | 21/22    | Total    |
|---------|-------|-------|----------|----------|----------|----------|
| Capital |       |       |          |          |          |          |
| Revenue |       |       | £203,583 | £151,083 | £218,167 | £572,833 |

**Assessment Summary**

| <b>Core Selection Criteria</b>  | <b>Score<br/>0 - 4</b> |
|---|------------------------|
| Fit with SIF Prospectus/Growth Strategy/other relevant strategies (effectiveness) | <b>3</b>               |
| GVA and Jobs  | <b>2</b>               |
| Additionality of the Project  | <b>2</b>               |
| Value for Money in relation to Efficiency – GVA BCR NPPV                          | <b>See table</b>       |
| Value for Money in relation to Economy – Minimum costs to quality                 | <b>2</b>               |
| Gain share/repayment of SIF   | <b>2</b>               |
| <b>Total for core selection criteria</b>  |                        |
| <b>Hurdle Criteria – Satisfactory or Unsatisfactory</b>                           | <b>S or U</b>          |
| Need/demand for project   | <b>S</b>               |
| Rationale for public sector intervention  | <b>S</b>               |
| Options Assessment  | <b>S</b>               |
| Wider Benefits  | <b>S</b>               |
| Sustainable Development   | <b>S</b>               |
| Equality and Diversity  | <b>S</b>               |
| Preferred Option based on analysis of costs, benefits and risks                   | <b>U</b>               |
| Stakeholder Support evidenced   | <b>S</b>               |
| Delivery Structure – suitable alternatives have been considered                   | <b>S</b>               |
| Project Costs – robust estimates  | <b>S</b>               |
| Need for Investment Fund Support  | <b>S</b>               |
| Availability of match funding   | <b>S</b>               |
| Management and Delivery Arrangements – expertise/capacity/capability/systems      | <b>S</b>               |

|  |          |
|--|----------|
| Capability to meet the financial requirements and liabilities              | <b>S</b> |
| Risk register represents a realistic picture and appropriately apportioned | <b>U</b> |
| Intervention is deliverable regarding risks and dependencies               | <b>U</b> |
| Compliance with necessary regulations state aid/procurement/planning/other | <b>S</b> |
| Communication strategy   | <b>S</b> |
| Timescales are realistic   | <b>U</b> |
| Benefit maximisation   | <b>S</b> |
| Monitoring and Evaluation appropriate to scale and complexity              | <b>S</b> |

**Appraisers overall judgement to be based on a composite of the above criteria**

**In addition, applicants will be required to supply suitable financial information and be subject to a financial vet**

**Appraiser's overall recommendations and comments**

An appraisal of this case was first undertaken in 2017, with the applicant having been invited to move from SOC direct to FBC stage. The previous appraisal identified five key concerns (repeated in italics below). The recommendation at the time was that, unless the applicant was able to address these core issues to the CA's satisfaction, the case should not be progressed. While some significant issues have been addressed, e.g. State Aid and the issue of repayment raised by the CA, other concerns have not been addressed sufficiently, in particular evidence that the model will be sustainable once SIF funding ceases.

With respect to other elements of the case. much of the content remains as per the previously submitted case, as such many of the appraisal comments are also unchanged. The previous appraisal noted some smaller residual concerns, a number of which persist and are addressed in the relevant sections in this appraisal. Most notable is that the case still does not provides a convincing quantitative demonstration of deadweight; the difference the funding will make by showing what the Business Tourism outputs would look like with and without intervention. If the case is taken forward the CA should request that this be provided as part of the project's evaluation set-up and baseline position.

Key concerns previously noted (*italics*) and current status:

1. *The case proposes to increase the number of conferences. However, discussion with the applicant suggests that objectives based around the scale of conferences, rather than solely number of conferences would be more effective. Particularly as related to the levels*

*of subvention required. It is therefore recommended that the objectives are adjusted to reflect this.*

**Current status:** The objectives do now include figures for GVA and jobs created, which are calculated from estimated delegate numbers per conference. However, it would be clearer if the delegate numbers were included within the objectives and this should deliver a closer link to the level of subvention required.

2. *The additional data provided on previous levels of subvention is welcome, but has raised further questions on the level of subvention required which need to be addressed. The applicant has noted that further evidence is available, but this has not yet been provided.*

**Current status:** Updated detail on the levels of subvention funding required has been provided. However, it remains challenging to verify whether the total amount requested is appropriate. It may still be the case that the level of subvention funding requested is lower than the data provided in the business plan would suggest will be needed. This is particularly the case for the regional/national conferences. It is understood from previous discussion with the applicant that this is because a smaller number of conferences at larger scale (in terms of days and delegates) would deliver the same economic benefits, and therefore would call on less subvention funding. However, this remains a risk which requires some clearer mitigation.

3. *The extent to which the private sector can replace the level of funding required in the future remains unaddressed, greater confidence around this is absolutely critical. This means that concern remains as to whether the project allows sufficient time for the development and implementation of a model and clear exit from the provision of funding by the public sector.*

**Current status:** This remains a key risk. See below.

4. *Lack of clarity on the state-aid position, particularly given that the key objective of the project is to support international trade.*

**Current status:** This has been directly addressed and legal advisors have determined the case to be state-aid compliant.

5. *No proposed repayment of SIF funding.*

**Current status:** The case now proposes some re-payment of SIF funding, though the model approach for this requires some clarification.

The significant risk in the project is whether the commercial model can be established and leverage sufficient private sector funding to enable the **complete** withdrawal of public funds in three years. It remains unclear whether the project timescale allows sufficient time for the development and implementation of the model, without a tapering of public and private funding. The private sector is clearly supportive of the project, but not currently contributing matched funds to the level that will

be required when the model is operating. The cash flow for the project includes £465k of public funding for subvention over three years, and £45k of private contributions. Some evidence that a ten-fold increase in the level private sector investment can be achieved to replace public funding at the end of the period remains essential to increase confidence in the model's success.

Private sector partners will not currently be required to dedicate any funding for subvention prior to the end of the project. This is a concern as the truest test that the model has been accepted is the private sector committing funds at a level commensurate with the current public-sector input. However, it is recognised that some further work to develop a robust commercial model is also essential to provide private sector partners with confidence prior to providing binding commitments to provide significant cash inputs.

To a degree, the case is somewhat stuck. The risk status of the case is 'unsatisfactory' in some places. However, it is considered unlikely that they can be resolved to a 'satisfactory' status prior to the model being developed and the commercial and legal infrastructures put in place, to give the private sector confidence to invest at a greater level. As such, the CA must decide whether the risk is something it wants to take on.

Consideration could be given to working with the applicant to mitigate risk by introducing some conditionality in the funding agreement. For example, introducing a series of project milestones that will enable the applicant to develop the commercial model and seek firm commitments from private sector partners prior to April 2022.

## Detailed Appraisal

### Assessment scoring

#### Core selection criteria scoring

| SCORE | DESCRIPTION  |
|-------|--|
| 0     | <b>poor or unsatisfactory</b> response giving rise to serious concerns about meeting the criteria  |
| 1     | <b>weak</b> response suggesting there are shortcomings of a less serious nature in meeting the criteria  |
| 2     | <b>adequate</b> response suggesting that the criteria is likely to be met, albeit only just  |
| 3     | <b>good</b> response giving confidence that the criteria will be satisfactorily met in all relevant respects   |
| 4     | <b>very good</b> response giving a high level of confidence that the criteria will be fully met and exceeded, offering added value and further improved outcomes |

#### Hurdle criteria scoring

| <b>Assessment</b> | <b>DESCRIPTION</b>   |
|-------------------|--|
| Unsatisfactory    | response either gives rise to concerns about meeting the criteria or there is insufficient evidence provided |
| Satisfactory      | response giving confidence that the criteria will be met   |

**Core selection criteria**

- Fit with SIF Prospectus/Growth Strategy/other relevant strategies (effectiveness)
  - the proposed intervention contributes to the objectives set out in the Growth Strategy/SIF Prospectus and, if relevant, other strategies (**refer to Questions 1-5**)

**Assessment criteria: scored**

|                     | 0   | 1                        | 2                        | 3                                   | 4                        |
|---------------------|---|--------------------------|--------------------------|-------------------------------------|--------------------------|
| Appraiser's score   | <input type="checkbox"/>  | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Appraiser's comment | <p>The case shows strong alignment to the Productivity and Place objectives in the LCR Growth Strategy, is implementing actions to address challenges raised in the LCR Visitor Economy Strategy and notes links to the DCMS and Visit England strategies. Since SOC stage, linkages to Arts Council England's Cultural Destinations programme have also been explored. No further strategic information has been added since OBC stage,</p> <p>The core objectives lay out a plan to establish a new commercial model to fund conference subvention in the City Region, increasing the number of conferences attracted to the region by 32 by 2020 and thereby increasing the economic impact of the Visitor Economy in LCR. The scheme proposes to deliver £12.6m additional GVA and 233 indirect FTE jobs, by end of March 2022.</p> <p>Discussion with the applicant at OBC stage identified a difficulty in using the number of conferences in the objectives, as the outcomes and subvention requirements of the conferences vary depending on the scale of each conference, particularly number of delegates and length of stay. It was recommended that the objectives be reworked to include these outputs. The objectives now include a figure for GVA and jobs created, which are calculated from estimated delegate numbers per conference. However, it would be clearer if the delegate numbers were included within the objectives.</p> |                          |                          |                                     |                          |

- GVA and jobs
  - clear case that the investment will deliver relevant activities and outputs that lead to GVA and jobs. Greater weight should be attached to direct rather than indirect jobs (**refer to Questions 15 and 16**)

**Assessment criteria: scored**

|                     | 0  | 1                        | 2                                   | 3                        | 4                        |
|---------------------|--|--------------------------|-------------------------------------|--------------------------|--------------------------|
| Appraiser's score   | <input type="checkbox"/>   | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Appraiser's comment | <p>FBC and supporting documents predominantly unchanged from previous case.</p> <p>The outputs suggested are relevant for the type of case, covering mainly indirect jobs through spending in the Visitor Economy and visitors attracted. The case will also deliver new jobs into the Convention Bureaux, delivering two new direct jobs.</p> <p>The additional capacity required has been assessed through consideration of affordability, level of decline in work from prior staffing levels and the professional judgement of current team.</p> <p>The calculation of indirect jobs and economic impact has been undertaken following Visit Britain guidance and is logical. The calculation of in-direct jobs uses the higher cost per job of £54k to create a job (rather than £47k to support a job).</p> <p>The case is made on the basis of additional economic impact to 2021/22 of £12.6m and 233 in-direct jobs. The detailed workings provided in the spreadsheet suggest that additional economic impact will total £62m and 1,149 by end of 2024/25, as the model is established and continues to operate.</p> <p>'Adequate' score as the scheme is focused on in-direct jobs.</p> |                          |                                     |                          |                          |

- additionality of the project – clear case that the intervention would not otherwise take place, will have low levels of displacement, would be smaller, happen later or be of a lower quality (**refer to Questions 13, 15, 16 and 21**)

**Assessment criteria: scored**

|                   | 0                        | 1                        | 2                                   | 3                        | 4                        |
|-------------------|--------------------------|--------------------------|-------------------------------------|--------------------------|--------------------------|
| Appraiser's score | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

|                     | 0  | 1 | 2 | 3 | 4 |
|---------------------|--|---|---|---|---|
| Appraiser's comment | <p>It is noted that without the intervention, the private sector is unlikely to respond in a way that takes account of the needs of the wider economy. Rather, as private companies, they will be driven to increase their market share of national/regional conferences (which do not require subvention of the same order) in order to make up for the shortfall in revenue, thereby reducing the number of these won by smaller venues.</p> <p>The previous review noted that the calculations provided show the additional conferences, but not the baseline/reference case. New text suggests outputs from the ACCL, suggesting 14 conferences over the project period and an economic impact of £5,560,800 (which using the £54k per job from Visit Britain) translates to 103 in-direct jobs. It is unclear whether this is proposed as the entire baseline/reference case. I.e. that it is considered that the do-nothing option would result in <i>only</i> the ACCL hosting conferences/events over the next few years. This seems unlikely. Surely some level of significantly reduced activity would continue in other venues. As such, the FBC still does not convincingly demonstrate deadweight - the difference the funding will make by showing what the Business Tourism outputs would look like without intervention <b>and</b> the additional to be gained with intervention – and therefore the score remains a 1.</p> <p>All points of additionality are described in text, rather than calculated. Demonstrating the level of displacement between the options would be helpful and provide support for the preferred option. I.e. It is assumed that displacement would be high in the 'do-nothing' option, as the ACCL takes business (displaces it) from other venues, and low in the preferred option as the model would support balancing the market (and ensure the ACCL does not displace activity from smaller venues).</p> |   |   |   |   |

- Value for money in relation to:
  - Efficiency – the rate at which the intervention converts inputs to GVA – expressed as a benefit cost ratio and Net Present Public Value (**refer to Questions 13, 14, 15, 16 and 21 and additional information such as the results of webTAG and DCLG appraisals**). **The appraiser should test the sensitivity of the results to changes to key variables.**

**Assessment criteria: ratio of net additional GVA to net public sector cost. GVA will be estimated by the appraiser based on the data provided by the applicant. Net public sector cost per gross and net additional job.**

|                        | <b>Net Present Public Value</b> | <b>Benefit Cost Ratio</b>                   | <b>Below benchmarks</b>  | <b>Above benchmarks</b>             |
|------------------------|---------------------------------|---|--------------------------|-------------------------------------|
| Appraiser's assessment | £10.7m                          | 12.4:1                                      | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
|                        | <b>Gross job</b>                | <b>Net public sector cost per gross job</b> | <b>Below benchmarks</b>  | <b>Above benchmarks</b>             |
| Appraiser's assessment | 233                             | £45,924                                     | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
|                        | <b>Net job</b>                  | <b>Net public sector cost per net job</b>   | <b>Below benchmarks</b>  | <b>Above benchmarks</b>             |
| Appraiser's assessment |                                 |   | <input type="checkbox"/> | <input type="checkbox"/>            |

Appraiser's comment (including on national level assessments and the results of sensitivity analyses)

Data remain unchanged from the OBC, the only change is the time period (start two years later).

Impacts are calculated to 2022, as per the objectives. The benchmarks used are those for 'sector/cluster support', taken from Table 8 of the guidance document for the Business Growth and Sector Development interventions (as per project theme).

The case is above the BCR benchmark (£9.6), but considerably above the cost per job benchmark (£7,100). It is also considerably above the cost per gross job figures for Image, events and tourism in the Regeneration, Development and Culture project theme (£23,500).

As such, in terms of the economic output the case offers an above benchmark return. However, the cost of jobs is very high. It should be recognised that these are in-direct jobs and that the high value is primarily a result of the Visit Britain guidance on cost per in-direct job being £54,000.

NPV BCR

|                        | Year 1<br>2019/20<br>(£) | Year 2<br>2020/21<br>(£) | Year 3<br>2021/22<br>(£) | Total Income<br>2019/20 -<br>2021/22<br>(£) |
|------------------------|--------------------------|--------------------------|--------------------------|---|
| Net Public sector cost | £337,751                 | £272,778                 | £395,556                 | £1,006,085                                  |
| Present value of costs | <b>£326,329</b>          | <b>£254,641</b>          | <b>£356,769</b>          | <b>£937,740</b>                             |
| Net additional GVA     | £2,862,452               | £3,335,433               | £6,396,904               | £12,594,789                                 |
| Present value of GVA   | <b>£2,765,654</b>        | <b>£3,113,662</b>        | <b>£5,769,641</b>        | <b>£11,648,957</b>                          |
| Net present value      | <b>£2,439,325</b>        | <b>£2,859,021</b>        | <b>£5,412,872</b>        | <b>£10,711,218</b>                          |
| BCR                    |                          |                          |                          | <b>£12.42</b>                               |

NB. The case only provides data on gross jobs.

|                   | Year 1<br>2017/18<br>(£) | Year 2<br>2018/19<br>(£) | Year 3<br>2019/20<br>(£) | Total 2017/18 -<br>2019/20<br>(£) |
|-------------------|--------------------------|--------------------------|--------------------------|-----------------------------------|
| Net present value | <b>£2,439,325</b>        | <b>£2,859,021</b>        | <b>£5,412,872</b>        | <b>£10,711,218</b>                |
| Gross jobs        | 53                       | 62                       | 118                      | 233                               |
| Cost per job      |                          |                          |                          | £45,970.89                        |

The economic outputs (GVA and jobs) are both predicated on modelled figures, and are therefore highly sensitive to changes in any of the core outputs (e.g. number of conferences, number of delegates, spend and so on.). For example, 10% fewer delegates at each conference would reduce additional GVA to £11.3m and jobs to 210.

- Economy – the extent to which the intervention will ensure inputs are at a minimum costs commensurate with the required quality (refer to Question 22)

**Assessment criteria: scored**

|                     | 0  | 1                        | 2                                   | 3                        | 4                        |
|---------------------|--|--------------------------|-------------------------------------|--------------------------|--------------------------|
| Appraiser's score   | <input type="checkbox"/>   | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Appraiser's comment | <p><b>Commission of the commercial model</b></p> <p>The external expertise to deliver the model will be procured through the Combined Authority procurement framework, which will ensure assessment based on quality and price. In advance of this, feedback on the proposed project budget was requested from a consultant, who noted that they feel the budget allocation is sufficient for the work required.</p> <p><b>Staff time</b></p> <p>For the additional resources in the convention bureaux, pay grading from the Local Authorities will be used.</p> <p><b>Subvention</b></p> <p>The previous review of this case highlighted challenges in verifying the appropriateness of the level of subvention funding requested. As subvention requirement is more closely associated with the scale of a conference, rather than simply the instance of a conference, it was recommended that the case should be changed to reflect that. This hasn't happened and as such, it remains challenging to verify the appropriateness of the subvention funding request.</p> <p>This being the case, the following is an assessment of subvention requirement based on the information is it possible to take from the business plan.</p> <p>Average subvention per conference:</p> <ul style="list-style-type: none"> <li>• International conferences - £101k</li> <li>• 500-2000 delegate regional/national conferences - £9.6k</li> <li>• Under 500 delegate regional/national conferences - £6k</li> </ul> <p>It is unclear how these categories link back to the objectives to attempt to verify the subvention requirements as the labels are not consistent:</p> <ul style="list-style-type: none"> <li>• 'retain a minimum of 5/6 large-scale national/international conferences per annum to the LCR/ACCL by 31st March 2022. From 13 confirmed national/international conferences in 2018 to 17'</li> <li>• 4 conferences</li> </ul> |                          |                                     |                          |                          |

|  | 0 | 1 | 2 | 3 | 4  |
|--|---|---|---|---|--|
|  |   |   |   |   | <ul style="list-style-type: none"> <li>• Average of 2000 delegates used per conference in the outputs for 4 ACCL conferences between 2019/22 – 21/22</li> <li>• Assumed average subvention (based on being ACCL conferences) = £101k</li> <li>• Potential subvention requirement = £404k</li> </ul> <ul style="list-style-type: none"> <li>• ‘increase the number of confirmed International Congress and Convention Association (ICCA) ranked events for the LCR to 24 by 31st March 2022 - from 18 <ul style="list-style-type: none"> <li>• 6 conferences</li> <li>• Average of 200 delegates assumed per conference in the outputs for 6 LCB conferences between 2019/22 – 21/22</li> <li>• Assumed average subvention (based on delegate numbers) = £6k</li> <li>• Potential subvention requirement = £36k</li> </ul> </li> </ul> <ul style="list-style-type: none"> <li>• increase the number of additional corporate and public sector conferences attracted to the LCR/STCC by 22 by 31st March 2022 – from 11 <ul style="list-style-type: none"> <li>• 22 conferences</li> <li>• Average of 440 delegates assumed per conference in the outputs for 22 SCB conferences between 2019/22 – 21/22</li> <li>• Assumed average subvention (based on delegate numbers) = £6k</li> <li>• Potential subvention requirement = £132k</li> </ul> </li> </ul> <p>Total potential subvention requirement = £572k (£404k international, £168k regional/national)</p> <p>The business plan states a gap in subvention of £261,500. This is £200k for international conferences and £61,500 for regional/national.</p> <p>The total subvention requirement for the project is £510k (£400k international and £110k regional/national), of which £267,750 is to be funded via the SIF.</p> <p>There is therefore the potential for the project to have underbudgeted the subvention requirement for regional/national conferences. However, it is understood from previous discussion with the applicant that this is because a smaller number of conferences at larger scale (in terms of days</p> |

|  | 0   | 1 | 2 | 3 | 4 |
|--|---|---|---|---|---|
|  | and delegates) would deliver the economic benefits, and therefore a smaller amount of subvention would be required. |   |   |   |   |

#### Gain share/repayment of SIF

- clear case (where applicable) that the investment is expected to result in the repayment of SIF funding (**refer to Questions 40-42**)

#### Assessment criteria: scored

|                     | 0  | 1                        | 2                                   | 3                        | 4                        |
|---------------------|--|--------------------------|-------------------------------------|--------------------------|--------------------------|
| Appraiser's score   | <input type="checkbox"/>   | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Appraiser's comment | <p>It is proposed that there will be a repayment of SIF investment, in the event of an ACCL subvented conference generating a net profit. Any repayment will be held by the CA in a ringfenced fund for subvention during and post the funding period.</p> <p>It is unclear how much would be repaid (all or a proportion) and over what period of time this mechanism would operate. The model for this would be developed alongside the commercial model.</p> <p>It is also unclear why this only applies to the ACCL, and if so, why this is the case.</p> <p>That a ringfenced subvention repayment pot will be available post the funding period should be accounted for in a future cashflow. This means that, in theory, there may be some public funding available post the funding period for this scheme.</p> <p>The impact of this as a potential risk for limiting private sector engagement in the model should be considered in the risk assessment.</p> |                          |                                     |                          |                          |

#### **Hurdle criteria**

- Need/demand for project
  - that there is clear evidence of need or demand for the project (**refer to Question 6**)

#### Assessment criteria: satisfactory/unsatisfactory evidence

|                        | Unsatisfactory           | Satisfactory                        |
|------------------------|--------------------------|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

|                     | Unsatisfactory  | Satisfactory |
|---------------------|---|--------------|
| Appraiser's comment | <p>The project responds to the planned reductions in subvention support from Local Authorities. It seeks to expand the capacity and capability of the Convention Bureaux teams to search and bid for conferences, thereby increasing the number secured. The project also seeks to establish a new culture around conference subvention, developing a model of private sector funding for subvention and moving away from a reliance on public sector funding. It is noted that a key risk in not acting to create a new model for subvention, is that the ACCL will displace business from other conference venues (as it takes on smaller events, which do not require such significant subvention) and threaten their survival, which would damage the prospects of the conference market as a strategically important element of the Visitor Economy.</p> <p>There are a number of letters of support for the project and strong stakeholder buy-in, which reflects demand for the project. The case notes that similar commercial models have been developed and are operating in other cities, but limited evidence of these models is available due to the competitive nature of the activity.</p> |              |

- Rationale for public sector intervention
  - there is a clear rationale for why the project requires public sector support, based on a credible market failure (**refer to Questions 7 and 8**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory           | Satisfactory                        |
|------------------------|--------------------------|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

|                     | Unsatisfactory   | Satisfactory |
|---------------------|--|--------------|
| Appraiser's comment | <p>Though not described in these terms, the market failures at play appear to be information and co-ordination failures.</p> <p>The primary problem the project seeks to address is the current reliance on public sector funding for large international conference subvention. The aim is for the funding to bridge a gap between the withdrawal of LA funding and the establishment of a private sector model to fund subvention. If this gap wasn't filled, the case notes that the business (and naturally associated value) would be lost, with knock on reputational damage for the venues and area and job losses.</p> <p>The case notes that the private sector is unlikely to act independently to create a collective approach to subvention. Rather, there is likely to be some displacement as larger venues seek to book smaller conferences to make up for an immediate shortfall in revenue from not securing international conferences, thereby taking business away from smaller venues.</p> <p>Introducing the model provides the opportunity to improve understanding of the role and cost of subvention, at the same time as establishing common rules/standards and a mediation process to build trust and understanding between the parties involved.</p> |              |

- Options assessment
  - an appropriate range of alternative options has been considered, including a do nothing / do minimum option (**refer to Question 13**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory  | Satisfactory                        |
|------------------------|---|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/>  | <input checked="" type="checkbox"/> |
| Appraiser's comment    | <p>The case explores:</p> <ul style="list-style-type: none"> <li>• do nothing option (option 1)</li> <li>• Option 2, which reduces the resource in convention bureaux, doesn't develop a commercial model, relies on voluntary private sector subvention and reduces the SIF ask by 50%.</li> <li>• Option 3, the proposed option</li> <li>• Option 4, seek separate transitional funding linked to match that Liverpool and Southport are able to contribute, merge LCB into ACCL and exclude Southport from this, develop a commercial model for Liverpool only.</li> </ul> <p>Though as mentioned above, the case would be strengthened if the additionality of each option was fully explored and quantified.</p> |                                     |

- Wider benefits
  - that there is clear case that the project will deliver relevant activities and outputs that lead to wider benefits. **(refer to Questions 17 and 18)**

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory           | Satisfactory                        |
|------------------------|--------------------------|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

|                     | Unsatisfactory  | Satisfactory |
|---------------------|---|--------------|
| Appraiser's comment | <p>At Q16 the case notes that the proposed option will:</p> <ul style="list-style-type: none"> <li>bring additional spend resulting from delegate down time (visiting attractions, cultural venues and restaurants etc.);</li> <li>bring expenditure from partners/spouse that often accompany conference delegates;</li> <li>support securing repeat leisure visits;</li> <li>support the extension of Club Liverpool (ambassador programme) in terms of growing the amount of conferences and meetings linked key sectors;</li> <li>increase demand for hotel accommodation mid-week.</li> </ul> <p>The case would be strengthened considerably if some of these could be valued.</p> <p>Q17 further notes that there will be benefits for the supply chain, encouraging innovation/new ideas and developing export markets, positive impacts from enhanced collaboration and enhanced productivity and sector development. However, limited supporting evidence is provided to substantiate these impacts.</p> |              |

- sustainable development
  - that there is clear case that the project will contribute to the principles of sustainable development. **(refer to Question 19)**

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory   | Satisfactory                        |
|------------------------|--|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/>   | <input checked="" type="checkbox"/> |
| Appraiser's comment    | <p>The project sets out the core tenets it will adhere to in considering sustainability in service delivery, covering employees and communities served, environmental sustainability, market accountability and responsible purchasing.</p> <p>The lead organisations have supporting policies in place.</p> |                                     |

- Equality and diversity
  - that there is clear case that the project will contribute to equality and diversity. **(refer to Question 20)**

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory  | Satisfactory                        |
|------------------------|---|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/>  | <input checked="" type="checkbox"/> |
| Appraiser's comment    | In delivering the project, all partners will adhere to the main provisions of the Equality Act 2010, which provides the basic framework of protection from discrimination across the protected characteristics. Equality Impact Assessments can be used to guide and ensure compliance. |                                     |

- Preferred option
  - based on the analysis of economic costs, benefits and risks, the proposed project represents the preferred option (**refer to Question 13-24**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory                      | Satisfactory             |
|------------------------|-------------------------------------|--------------------------|
| Appraiser's assessment | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

|                     | Unsatisfactory   | Satisfactory |
|---------------------|--|--------------|
| Appraiser's comment | <p>It is clear that the project proposed results from consideration of alternative options and suggests the best way to work with the private sector to deliver a sustainable change in culture around subvention.</p> <p>However, there is some residual concern that the change sought in the culture is too large to be achieved in such a short time frame. Further information is required on how the case will work to ensure longevity. None of the options consider tapering public funding with increasing private sector investment in subvention. Rather it is the intention that by 1<sup>st</sup> April 2022, private sector contributions will entirely replace public sector funding (with the exception of some potential funding from any ringfenced repayments). Given that the cash flow for the project includes £465k of public funding for subvention over three years, and £45k of private contributions, some evidence that a ten-fold increase in the level private sector investment can be achieved to replace public funding at the end of the period remains essential to increase confidence in the case. The key risk being that in four years, the model hasn't embedded, the sector is still reliant on public funding and a further funding is required.</p> <p>However, it is recognised that some further work to develop a robust commercial model is essential to provide private sector partners with confidence prior to committing significant cash inputs. The CA should consider whether it can work with the applicant to create a series of project milestones that will enable the applicant to develop the commercial model and seek firm commitments from private sector partners prior to April 2022.</p> |              |

- Stakeholder support
  - that there is clear evidence that the project has stakeholder support (**refer to Questions 9 and 10**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory           | Satisfactory                        |
|------------------------|--------------------------|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

|                     | Unsatisfactory  | Satisfactory |
|---------------------|---|--------------|
| Appraiser's comment | <p>The main stakeholders are:</p> <ul style="list-style-type: none"> <li>• The Arena and Convention Centre Liverpool;</li> <li>• Liverpool Convention Bureau/Marketing Liverpool;</li> <li>• LCR Local Enterprise Partnership;</li> <li>• Tourism Department of Sefton Council/Southport Convention Bureau.</li> </ul> <p>A broad range of additional private sector stakeholders have been engaged and a number of letters of support have been provided. In addition to representation via the convention bureaux, private sector representation in the delivery group will be from:</p> <ul style="list-style-type: none"> <li>• Hotelier associations</li> <li>• Universities</li> <li>• Liverpool ONE</li> <li>• Liverpool Football Club</li> <li>• The Business Improvement District</li> </ul> |              |

- Delivery structure
  - suitable alternative delivery options have been considered and the option selected is the most appropriate (**refer to Questions 25 and 26**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory           | Satisfactory                        |
|------------------------|--------------------------|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

|                     | Unsatisfactory   | Satisfactory |
|---------------------|--|--------------|
| Appraiser's comment | <p>A project delivery group will be formed, including representation from across the stakeholder group. It will link into existing accountability structures by reporting to the Visitor Economy Board, which in turn reports to the LEP Board.</p> <p>Responsibility for three different strands will be held separately:</p> <ul style="list-style-type: none"> <li>• Project delivery group – approval of subvention allocations, commissioning of commercial model and ensuring project outputs.</li> <li>• ACCL &amp; bureaux - conference research, sales and bid development, applying to delivery group for subvention.</li> <li>• LEP – claims for SIF expenditure.</li> </ul> <p>This is preferred to a single agency taking the lead, which would be hampered by resource constraints. It is also preferred to giving the ACCL and bureaux responsibility for approval of subvention funds. The justification of this is the concern that allocations will not be used where it can create most impact.</p> <p>This is a reasonably complicated delivery structure. The way in which decisions will be made by the delivery group have been laid out and it is noted will be subject to further review through the development of the business tourism strategy and the implementation of the commercial model.</p> |              |

- Project costs
  - the application demonstrates that the project costs are based on robust estimates (**refer to Questions 34-37**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory           | Satisfactory                        |
|------------------------|--------------------------|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

|                     | Unsatisfactory  | Satisfactory |
|---------------------|---|--------------|
| Appraiser's comment | <p>The same comments on the cost estimates for the level of subvention described above in 'economy' apply here. There is residual concern over the sufficiency of the subvention funding requested.</p> <p>Detailed breakdown of the tasks and time allocations for programme management have been provided. It is assumed that this is costed on a standard rate card for the LEP.</p> <p>The proposed value of the commercial model has been reviewed and verified by an external consultant.</p> <p>The distribution of costs matches the activity plan.</p> |              |

- Need for Investment Fund support
  - that there is clear evidence that the project requires support from the SIF for example due to a funding gap (**refer to Questions 34, 35, 38 and 39**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory  | Satisfactory                        |
|------------------------|---|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/>  | <input checked="" type="checkbox"/> |
| Appraiser's comment    | <p>The project is seeking one-off support from the SIF to provide transition funding for subvention following the withdrawal of LA funding. It is noted that there are no other national or international funds that could be applied to for this type of revenue funding.</p> <p>Whilst income and cost plans have been provided for the time period of the project have been provided, a single long-term cash flow, going beyond the end of the project, showing the inflow and withdrawal of different public funds and the introduction of private sector funding to cover costs would be helpful.</p> |                                     |

- Availability of match funding
  - appropriate arrangements (if applicable) are in place to secure the required level of match funding (**refer to Questions 38 and 43**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory   | Satisfactory                        |
|------------------------|--|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/>   | <input checked="" type="checkbox"/> |
| Appraiser's comment    | Letters of support detailing match for the project have been provided. It would be helpful to provide some aggregation of this in the case and be explicit about where this is represented in the income plan. It is unclear if this is the private sector funding noted in the income plan. |                                     |

- Management and delivery arrangements
  - appropriate expertise, capacity, capability and systems to deliver the intervention successfully (**refer to Questions 27, 28, 46, 47 and 48**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory  | Satisfactory                        |
|------------------------|---|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/>  | <input checked="" type="checkbox"/> |
| Appraiser's comment    | <p>The infrastructure available is appropriate. However, as noted above, the delivery and management structure is reasonably complicated and therefore is rightly noted as a risk that requires management.</p> <p>The commercial model is to be procured in Y1 through open tender. There is consideration of time required to test and embed the model, given the substantial cultural change the project is seeking to drive. However, it remains unclear whether the time period, in total, will be sufficient.</p> |                                     |

- capability to meet the financial requirements and liabilities that flow from receipt of SIF support (**refer to Questions 44 and 45**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory           | Satisfactory                        |
|------------------------|--------------------------|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

|                     | Unsatisfactory   | Satisfactory |
|---------------------|--|--------------|
| Appraiser's comment | <p>The financial requirements and liabilities of the project will be met by each of the Local Authority Partners who are well versed and experienced in delivering grant funded programmes with payment in arrears. They will also sign a legally binding agreement committing them to these responsibilities.</p> <p>It is anticipated that the CA will contract with the consortium partners for their respective elements of the project.</p> |              |

- the risk register presents a realistic picture of the business and delivery risks to the project, risks are apportioned appropriately between the public and private sector and appropriate risk management arrangements are identified (**refer to Questions 23, 33 and 52**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory                      | Satisfactory             |
|------------------------|-------------------------------------|--------------------------|
| Appraiser's assessment | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

|                     | Unsatisfactory  | Satisfactory |
|---------------------|---|--------------|
| Appraiser's comment | <p>Key risks are identified as follows and have been scored and allocated to owners:</p> <ul style="list-style-type: none"> <li>• Risk A – The commercial model is not delivered in the funding period compromising subvention funds from 2021/2022.</li> <li>• Risk B – Liverpool Convention Bureau commercial targets are not met compromising the ability to secure private sector support post March 2022.</li> <li>• Risk C – The required level of international conferences are not secured during the funding period resulting in reduced profile and economic impact.</li> <li>• Risk D – Conference activity is unable to evidence ROI (direct &amp; indirect) to justify subvention support.</li> <li>• Risk E – Programme management compromises delivery against project</li> <li>• Risk F – The commercial model is not adopted by the private sector</li> </ul> <p>The risks are apportioned appropriately across private and public sector.</p> <p>Risks A, D and F score most highly across all options. Risks A and F remain the highest risks in the preferred option. Appropriate mitigating actions are in place. However, it would be sensible to build in to the monitoring process specific checks on progress against these risks. The CA might also consider introducing conditionality in the funding agreement aligned to these progress checks.</p> <p>An additional mitigation for both Risk A and F would be for the model testing (prior to end of the project) to include some commitment of funds from the private sector. This would increase their stake in the project's success – the truest test of the operation of the model will be the private sector committing money to it. Delivering the project over a longer period would also mitigate this, but it is accepted that this project is limited by the funding window.</p> |              |

- the intervention is deliverable having regard to risks and dependencies and that there is clear evidence these can be addressed and/or managed (**refer to Questions 11, 12 and 52**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory  | Satisfactory             |
|------------------------|---|--------------------------|
| Appraiser's assessment | <input checked="" type="checkbox"/>   | <input type="checkbox"/> |
| Appraiser's comment    | <p>Please see comments above - the approaches to addressing and managing the stated risks are, on the whole, appropriate. However, it remains unclear whether the project timescale allows sufficient time for the development and implementation of the model, without a tapering of public and private funding.</p> <p>The private sector is supportive of the project, but not currently contributing matched cash in the order that will be required. In reality, this will remain a significant risk until the work to prepare the model has been undertaken and private sector partners are asked to sign-up to binding agreements to contribute.</p> |                          |

- Compliance with necessary regulations and requirements, including
  - State aid
  - Procurement
  - Planning (what is the status and timescale implications)
  - other consents

**(refer to Question 29-32)**

|                        | Unsatisfactory  | Satisfactory                        |
|------------------------|---|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/>  | <input checked="" type="checkbox"/> |
| Appraiser's comment    | <p>The state-aid position has been clarified by legal advisors and the project has been determined to satisfy the Market Economy Investor Principle (MEIP) and therefore be state-aid compliant.</p> <p>The procurement of the model will follow Liverpool LEP's funding policy for public procurement at the anticipated sub OJEU level.</p> |                                     |

- Communication strategy
  - that there is a clear and appropriate communication strategy for the project **(refer to Questions 49)**

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory   | Satisfactory                        |
|------------------------|--|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/>   | <input checked="" type="checkbox"/> |
| Appraiser's comment    | <p>Communications will be managed by the LCR LEP, via the development of a communication and engagement plan and utilising Visitor Economy Board structure to communication more widely about the project.</p> <p>The business plan notes that six delivery group meetings are to be held in the first year, with the flexibility for more frequent exceptional meetings if needed to support decision making.</p> |                                     |

- Timescales
  - the overall timescale for delivery of the project is realistic (**refer to Questions 48, 49 50 and 51**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory  | Satisfactory             |
|------------------------|---|--------------------------|
| Appraiser's assessment | <input checked="" type="checkbox"/>   | <input type="checkbox"/> |
| Appraiser's comment    | <p>The timetable for project activity over 3 years looks reasonable. Advisors have suggested that the model can be developed within this window. It is assumed that a more detailed plan for model implementation will be an outcome of this consultancy work. The concern remains as to whether the full conversion to private sector funding can be achieved in the project window.</p> |                          |

- Benefit maximisation
  - that there are clear and appropriate benefit maximisation arrangements proposed (**refer to Question 53**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory   | Satisfactory                        |
|------------------------|--|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/>   | <input checked="" type="checkbox"/> |
| Appraiser's comment    | <p>A dedicated Benefits Realisation Plan will be developed by the delivery group to determine and secure the delivery of project objectives.</p> |                                     |

- Monitoring and evaluation

- the proposed monitoring and evaluation arrangements are appropriate to the scale and complexity of the project (**refer to Questions 54-56**)

**Assessment criteria: satisfactory/unsatisfactory evidence**

|                        | Unsatisfactory   | Satisfactory                        |
|------------------------|--|-------------------------------------|
| Appraiser's assessment | <input type="checkbox"/>   | <input checked="" type="checkbox"/> |
| Appraiser's comment    | <p>Arrangements for programme monitoring and evaluation have been described and include:</p> <ul style="list-style-type: none"> <li>• Monitoring outcomes against objectives</li> <li>• Bi-monthly meetings</li> <li>• Quarterly and annual reporting</li> <li>• Shared data systems for monitoring bidding, booking and delegate numbers</li> <li>• Access to LEP visitor value data</li> </ul> <p>Evaluation will be undertaken by the LEP, drawing on the performance data available from partners. Economic impact reports for awards through the subvention model will be required. It is not clear what format this will take or what method will be used?</p> <p>A full project evaluation will be provided by the LEP at the end of each year and final evaluation report at the end of programme. It is noted that a theory of change model will be adopted to monitor the transition from public to private funded subvention.</p> <p>It is also noted that the consultants developing the model will be retained during the funding period to support review of and adjustments to the model, and evaluation of it. Consideration should be given as to whether a separate organisation should be used to evaluate the success of the model, rather than the consultancy which designed it.</p> |                                     |