

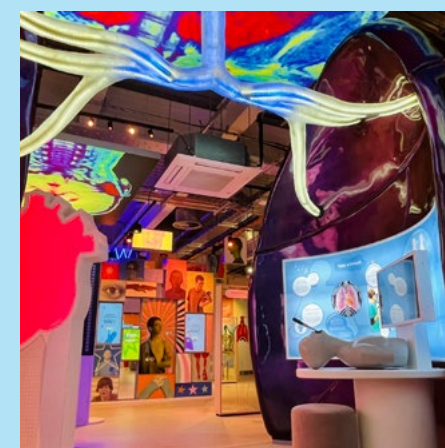
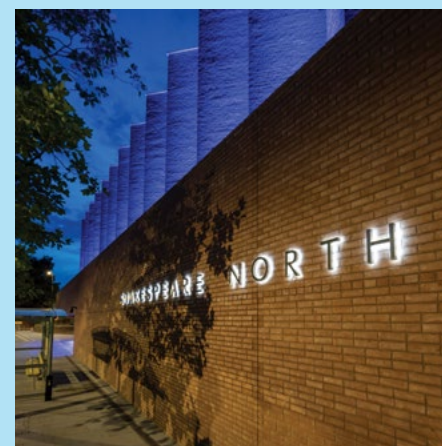
Summary Document

Strategic Investment Fund Investment Strategy 2023

Liverpool City Region
Combined Authority

A FAIRER, STRONGER, CLEANER
LIVERPOOL CITY REGION

| WHERE NO ONE IS LEFT BEHIND



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The Lakehouse, Crosby, Sefton

Context

To manage our devolved funding, the Liverpool City Region (“LCR” or the “City Region” Combined Authority (“CA”) established the Strategic Investment Fund (the “SIF”). The SIF’s purpose is to invest in economic growth which supports our ambitions, as set out in the CA’s 2022 [Plan for Prosperity](#) (our guiding policy document). The SIF shall fund the relevant economic development components of this and other CA plans.

The Investment Strategy includes the SIF’s sources of funding, operating principles, investment priorities and management process. since government funding tends to be allocated to distinct programmes with different themes and at different times, the SIF acts as a platform to assemble, invest and manage these distinct programmes.

This document provides a summary of the full SIF Investment Strategy 2023 for prospective applicants. It is recommended that applicants read the full SIF Investment Strategy before submitting an application to be considered by the CA.

Our Current Position

Since the previous SIF Investment Strategy was launched in 2020, the majority of the current tranche of Gainshare funding (2021-2026) has been allocated. This is the funding that is devolved to the LCRCA for economic development purposes as part of our devolution agreement with Government (£30m a year for 30 years, subject to five yearly re-commitment by HM Treasury). Revenue funding is largely exhausted in the current Gainshare round, and capital funding is fully allocated, with around c.£45m in scope through ‘overprogramming’.

It is important to recognise the CA’s place in the cycle of Gainshare funding and the limits to that particular source of funding in investing in economic development. For the remainder of this period of Gainshare funding, our focus will therefore be on:

- Leveraging additional funding at Fund or project level.
- Investing in projects that can deliver impact quickly, ahead of Autumn 2025.
- Investing in pre-development to build projects that can deliver from 2026 onwards.

As noted above, Gainshare makes up one element of the Strategic Investment Fund. Other sources of funding have been added to the Fund and will continue to do so over the coming years.

Our Investment Priorities

The Investment Strategy sets out three key areas that the CA will prioritise investing in:

- 1. Strengthening the core pillars of our economy
- 2. Investing in clusters of opportunity to drive growth
- 3. Embedding Inclusive Economic Development

1. Strengthening the core pillars of our economy

Through the Strategic Investment Fund, we will improve LCR’s performance across the pillars of our economy. The Plan for Prosperity sets out four core pillars that are critical to driving productivity in the City Region, as follows:



- **Pillar 1** – Maximising the impacts of innovation for people, places and businesses across the whole City Region (ensuring our innovation and knowledge assets benefit the whole region).



- **Pillar 2** – Turning people’s potential into prosperity (health, skills and the labour market).



- **Pillar 3** – Building thriving, sustainable and resilient places (place making).



- **Pillar 4** – Integrated infrastructure for a connected city region (integrated infrastructure).

Pillar 1



Maximising the impacts of innovation for people, places and businesses across the whole City Region (ensuring our innovation and knowledge assets benefit the whole region).

We will invest in projects that:

- Develop an integrated approach to helping businesses with high potential to innovate through high-intensity support and seamless access to finance and networks.
- Drive forward an ‘innovation first’ culture that promotes the adoption and diffusion of innovation to drive productivity-boosting practices throughout the business base.
- Forge R&D collaborations and improve commercialisation performance through connectivity between our innovation assets, capabilities and businesses.
- Deliver on our £1.9bn innovation project pipeline that reflects our distinctive strengths.
- Generate opportunities for our innovation ecosystem to deliver locally relevant impact, thereby supporting a systemic approach to inclusive innovation.
- Provide the enabling conditions for innovators to grow, including the physical infrastructure.

The CA is already making significant investments in this area, for example: **LYVA Labs**, **Kindred CIC**, **Glass Futures** and the **LCR Angel Network**.

Pillar 2



Turning people's potential into prosperity (health, skills and the labour market).

We will invest in projects that:

- Improve health equity through collaboration and prevention.
- Improve the employability of residents to give them the best chance of accessing, sustaining and progressing in employment, through:
 - Further increasing technical and other education opportunities for young people and adults.
 - Promoting business investment in upskilling and reskilling.
 - Progressing future focused skills development.
- Retain and attract talent.

Example investments the CA has already made in this area include **Education Support Programme** and **Households into Work**.

Pillar 3



Building thriving, sustainable and resilient places (place making).

We expect investments to focus on:

- Revitalising town centres and community hubs so that they are renewed focal points for social infrastructure, communities, entrepreneurs, and businesses.
- Ensuring that Liverpool City Centre remains a key hub for our economy, continuing to provide the key interface for exchange of ideas, driving innovation and culture.
- Harnessing our unique global cultural capital to support economic development, improve the quality of place, be a source of wellbeing, and strengthen our international profile.

We expect housing projects to be covered largely by housing specific funds such as the Brownfield Land Fund and Sustainable Warmth Fund, which form part of the Strategic Investment Fund.

The CA has already invested in this pillar from the SIF, including **Shakespeare North** and **Eureka! Science and Discovery**.

Pillar 4



Integrated infrastructure for a connected city region (integrated infrastructure).

Our objective is to adopt a fully strategic approach to infrastructure that delivers clean, sustainable growth and shared prosperity for all our communities and businesses.

Investment in this pillar is largely covered by the **Sustainable Transport Settlement**, which forms part of the Strategic Investment Fund. For non-transport related projects, alignment with this pillar will be considered when assessing projects.

2. Investing in clusters of opportunity to drive growth

The Combined Authority has limited funding to stimulate economic development, create jobs and ultimately improve the life chances of residents across LCR. We cannot invest in every project that may stimulate economic growth, so focusing on priority clusters will help us to spend public money most effectively.

The priority clusters through which we will focus the Strategic Investment Fund are:



1. Advanced Manufacturing



2. Health and Life Sciences



3. Digital and Creative

These clusters have been identified as priority opportunity areas in the Economic Opportunities Framework and are reflected through the newly formed LCR cluster boards. Furthermore, our assets in these clusters mean that they provide the best opportunities for LCR to attract inward investment – since 2019, more inward investment landings have been in these clusters than in the rest of the economy put together.

Additionally, these clusters represent the areas of the economy that will be at the forefront of addressing current and future societal and environmental challenges. This includes Net Zero – there are considerable opportunities within these clusters to support the decarbonisation trajectory of the LCR. Our innovation capabilities and strengths in these clusters will be a key driver in helping us to achieve our 2040 or sooner Net Zero target.

These clusters represent where the best opportunities for economic development across the region exist. We recognise that significant opportunities exist outside of these clusters, and the Combined Authority won't dismiss projects if they come from elsewhere. However, we expect the majority of Strategic Investment Fund investment to focus on the clusters outlined above.

3. Embedding Inclusive Economic Development

The Combined Authority is committed to building an inclusive city region where levelling up means everyone shares in economic opportunity. This is underpinned by our commitment to ensuring that community wealth building becomes central to our approach to economic development.

Our investments will support this commitment directly (i.e., projects whose primary purpose is to tackle some of the social, environmental or equalities challenges LCR is facing), and by ensuring every project contributes towards the development of our inclusive economy.

Any project that we invest in will need to consider its impact and commit to measurable action across three strands:



1. Demonstrating Social Value



2. Supporting our transition to net zero



3. Embedding equality, diversity and inclusion



1. Demonstrating Social Value

We expect projects to demonstrate how they can make a difference in some of the following areas:

- Reducing inequality
- Improving health
- Providing fair employment
- Developing local supply chains



2. Supporting our transition to net zero

We expect projects to demonstrate how they can make a difference in some of the following areas:

- Increasing the size of the zero carbon economy
- Reduced carbon emissions
- Improved energy efficiency in our homes and buildings
- A growing circular economy

3. Embedding equality, diversity and inclusion



We expect projects to demonstrate how they can make a difference in some of the following areas:

- Alignment with the objectives of the LCR Race Equality Hub, including labour market participation and access to networks, social capital, funding & business opportunities for Black Asian and Minority Ethnic residents.
- Ensure representation of and equity for those with protected characteristics and from underrepresented communities in any programme
- Increase the diversity of businesses within the supply chain
- Increase the accessibility of opportunities, including to funding, events, buildings, housing and transport

We will work with project sponsors to complete an Equality Impact Assessment, as per our statutory duties.

Our commitment to the inclusive economy in Liverpool City Region means that **there are certain types of projects that we won't fund**, as outlined on page 44 of the full Investment Strategy.



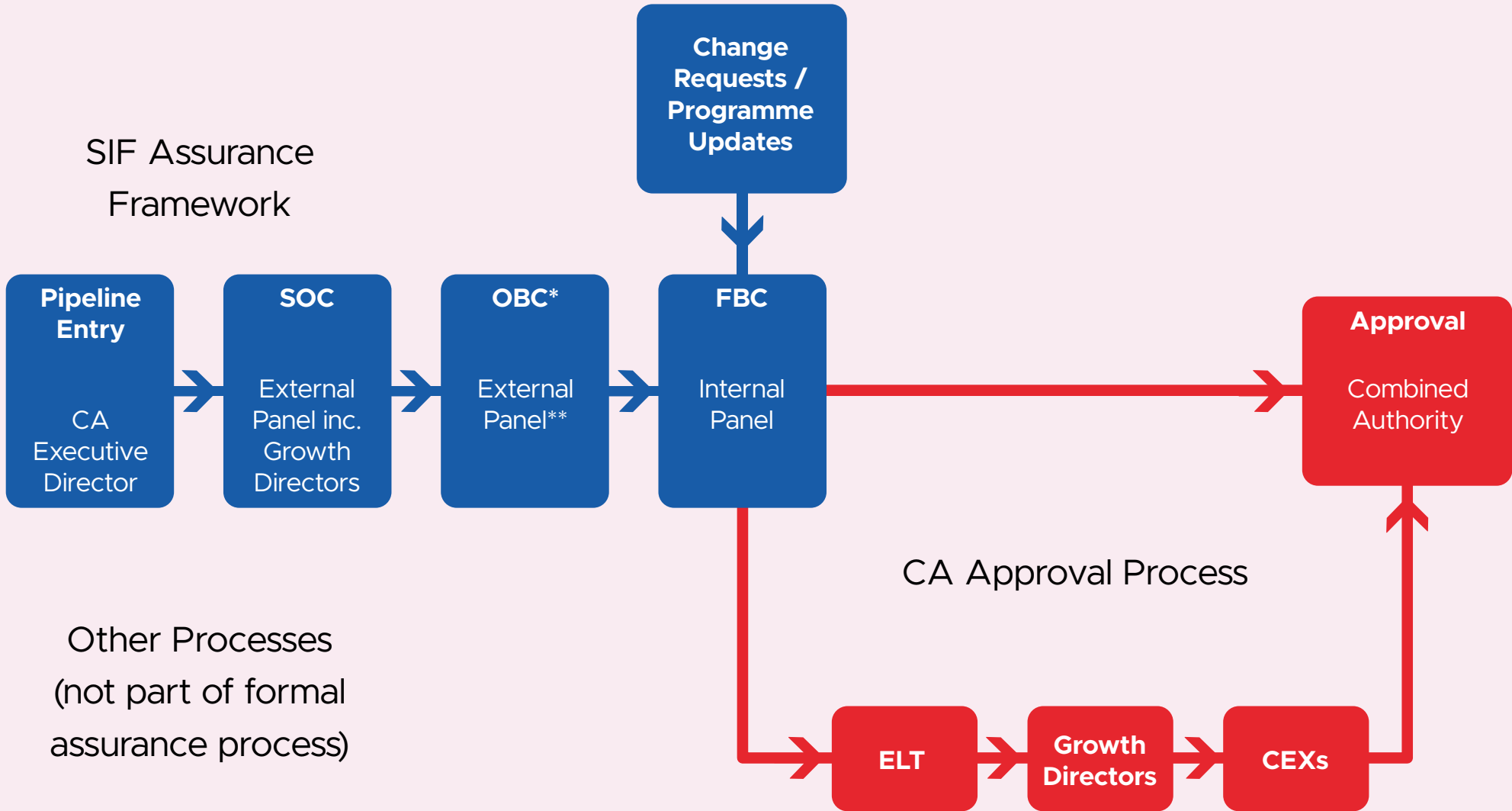
Glass Futures, St Helens

Approval Process

Project opportunities will be generated in the following ways:

- Prioritisation of projects already in the pipeline, with a focus on strategic fit and deliverability;
- Specific calls for projects; and
- Commissioned projects.

The following graphic summarises the approval routes:



**Projects with a funding request of less than £7.5m are not required to produce an OBC, unless there are abnormalities with the project which require further diligence.*

***OBCs will typically be considered by the External Investment Panel, unless there is an urgent need to progress a project through the assurance process, for example, where there are external deadlines. In these situations, OBCs may be considered by the Internal Panel.*

Each approval stage is described in detail, along with the requirements at each stage, in the full Investment Strategy. The approval processes for pre-development funding and change controls are also outlined in the full Investment Strategy.

The appraisal process for the SIF will be consistent with a proportionate application of HM Treasury's Green Book and Business Case Appraisal process. This will work from the five cases model.

Other factors that will be considered as part of the SIF approval process are:

- Commitment of a project to supporting the **inclusive economy**, measured at both pipeline entry (project sponsor assessment) and through the assurance process (project assessment).
- **Community engagement.**
- Market, operational, financial, legal and structural **due diligence.**
- Compliance with the CA's **monitoring and evaluation** requirements (including writing a Project Monitoring and Evaluation Plan, collecting appropriate project monitoring data and participating in project and programme evaluation).
- Additional conditions to funding, e.g., performance requirements linked to environmental, urban and corporate best practice.



Shakespeare North Playhouse, Knowsley

Fund Principles

Operating Principles

The SIF aggregates funds from different sources, each of which carry their own objectives, requirements and restrictions covering timing, match funding, eligibility criteria and assessment requirements. It is therefore impractical to provide a single set of investment criteria – the SIF instead must rely on a single set of operating principles, as follows:

- We will maximise our impact.
- We are committed to a fair process.
- We work collaboratively.
- We will operate the SIF in line with the CA corporate behaviours:
 - LCR first
 - Action Focussed
 - Respect

Financial Principles

The SIF’s financial principles are summarised below:

- **Economic and Financial Returns** – all SIF commitments must generate an economic return (i.e., benefit the wider economy), but not all will generate financial return.
- **A Grant Last Approach** – we will seek to explore repayable grants, debt, quasi-equity, equity, and other risk sharing instruments before grant funding. We expect all other funding opportunities to have been explored before approaching the CA, demonstrating how the CA is a funder of last resort.
- **Persistent Market Failure** – all projects should demonstrate the market failure that requires CA intervention.
- **Products** – the CA shall offer grant funding, first loss instruments, guarantees, debt (whether senior, junior, corporate or other), quasi-equity, equity and other risk sharing instruments in any combination it considers optimal. Commercial funding will be provided only in support of the Investment Strategy and its wider objectives, not solely to pursue optimal financial returns.
- **Efficiency and Additionality** – sub-commercial funds will be provided at the lowest level needed to catalyse a project, and only where additionality can be demonstrated.
- **Leveraged Funding** – the SIF will be used as an asset for LCR to raise more investment funds for distribution at a fund level. At a project level, we will work with project sponsors to lever additional funding.

- **Co-Investment** – the CA may participate in project and financing opportunities led by related and third parties. In all circumstances, the CA will adhere to its own underwriting and approval standards.
- **Programming** – given projects may slip in delivery, we will over-commit SIF by up to 40% and adopt a “use it or lose it” approach to projects.
- **Gainshare Allocation** – we will seek to balance the distribution of Gainshare across the funding period in question.
- **Subsidy Control** – in line with the new Subsidy Control Act 2022 and the CA’s implementation approach, each project will receive the minimum subsidy necessary to achieve its strategic aims, maximising value for public funds.

Further information on all of the above can be found in the full SIF Investment Strategy 2023.



Eureka! Science + Discovery Museum, Wirral

