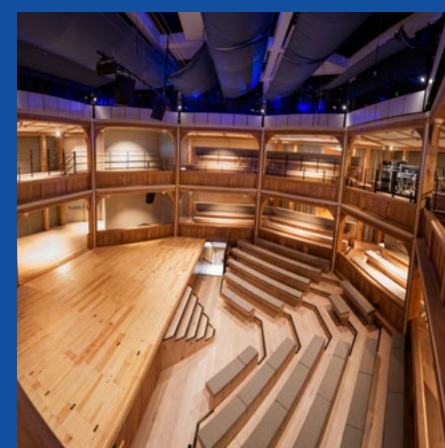


Strategic Investment Fund Investment Strategy 2023

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

Executive Summary

This document sets out Liverpool City Region Combined Authority's Investment Strategy for our Strategic Investment Fund.

Using the Plan for Prosperity as our guiding policy document, it details our investment priorities, approval process and funding principles that guide how the fund is allocated.

Context

Our Purpose

The Liverpool City Region ("LCR" or the "City Region") Combined Authority (the "Combined Authority", "CA" or "we") signed a historic devolution agreement with His Majesty's Government in 2015. This agreement passed control over certain powers and funding from central to local control, held by the Combined Authority, led by the elected Metro Mayor and the leader/mayor of each of our six constituent local authorities.

The Combined Authority exists to improve our residents' life chances and maximise the opportunities we all need to live well. Working with local authorities, we seek to address major issues like inequality, climate change and economic uncertainty that prevent us, as a place, from achieving our potential. Devolution provides our best opportunity to bring the economy of the whole region up to national and global levels of investment, innovation and growth, and to do so in a way that is environmentally sustainable and socially inclusive.

The Combined Authority formalises joint working and decision-making between our six local authorities to improve economic prosperity. It provides the structure through which we can unlock devolved powers and resources from national government and have greater freedoms and flexibilities at a local level to improve outcomes for our residents. Devolution is most successful when we work together across our six local authorities.

Strategic Investment Fund

To manage our devolved funding, the Combined Authority 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). They are also informed by; the elected Metro Mayor’s Manifesto, the CA’s 2022 [Equalities Strategy](#), the CA’s 2022 [Social Value Policy and Framework](#), the CA’s [Corporate Plan](#) and other CA policies and strategies. The SIF shall fund the relevant economic development components of these plans.

This document provides our SIF investment strategy (the “Investment Strategy”), including its sources of funding, operating principles, investment priorities and management processes. Since government funding tends to be allocated to distinct programmes with different themes and at different times, SIF acts as a platform to assemble, invest and manage these distinct programmes.

SIF applies to the following sources:

- All Level 2 and Level 3 devolved funds as defined in Annex B of the [English Devolution Accountability Framework](#) that are received by the Combined Authority.
- Direct commitments from devolution, comprising £30m each year for 30 years, subject to five yearly re-commitment by HM Treasury (the £900m “Gainshare” commitment).
- Commitments from national growth programmes including the [Growing Places Fund](#), [Local Growth Funds](#) and their successors.
- By CA agreement, funding available to the Combined Authority under its ability to raise funds from the Public Works Loan Board or through its management of owned infrastructure assets like the Mersey Tunnels.
- Returns from previous investment rounds for which the Combined Authority is responsible.
- Funding devolved to us from government agencies including UK Research and Innovation ([UKRI](#)) and the UK Shared Prosperity Fund ([UKSPF](#)).

We will apply this Investment Strategy to all follow-on and successor funds, and to new devolved funding streams, unless otherwise stated.

The Investment Strategy shall also be relevant to funding sources that relate to but do not currently form part of the SIF, specifically: [Chrysalis](#) and its successor [Urban Development Fund](#) (UDF); the [Merseyside Special Investment Fund](#). Each of these has a separate investment strategy and approval process; over time, they will be brought into greater strategic and operational alignment with the SIF.

Investments made through the SIF will align with the priorities and objectives of the [LCR Freeport](#) and its sites, as well as the proposed LCR Investment Zone.

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. Revenue funding is largely exhausted in the current Gainshare round, and capital funding is fully allocated.

Some capital investment is set to continue through 'overprogramming', with the CA approving overprogramming of 40% above the £150m available in Gainshare Round 2 (c. £45 million in scope).

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

We will prioritise investing in:

- Strengthening the core pillars of our economy.
- Clusters of opportunity that drive growth.
- Inclusive Economic Development.

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. They are:

1. Maximising the impacts of innovation for people, places and businesses (ensuring our innovation and knowledge assets benefit the whole city region).
2. Turning people’s potential into prosperity (health, skills, and the labour market).
3. Building thriving, sustainable and resilient places (place making).
4. Developing integrated infrastructure for a connected city region (integrated infrastructure).

These pillars align with the strategic priorities of our Local Authority partners, as detailed in Appendix 1.

Pillar 1



Maximising the impacts of innovation for people, places and businesses across the whole city region.

LCR’s world-leading assets and capabilities across the innovation ecosystem - centred on Infection Control, Materials Chemistry, and AI Solutions/Emerging Technologies - are drivers of economic activity that will create significant scale of impact. Together with £1bn of live projects and a £1.9bn R&D pipeline, our innovation strengths form the basis for LCR’s target for R&D investment of 5% of the city region’s GVA by 2030, nearly double the UK target.

In net terms, reaching our 5% target could create an additional £19.7bn in cumulative GVA, a 6.5% increase in jobs (44,000) and a 10% increase in productivity (an uplift of £3 GVA per hour), rapidly closing our overall productivity gap with national averages. The impacts for the wider economy could be hugely significant, with more businesses undertaking R&D, a strong innovation culture permeating across the wider business base, more fair, quality employment in knowledge intensive/growth sectors, and increased inflow and retention of skilled workers. The CA’s [Innovation Prospectus](#) outlines some of the significant innovation opportunities inherent in the City Region.

Innovation happens across the whole LCR business base – from the collaboration between a research institution and a cutting-edge business breaking into new markets to a start-up tech business creating a new process to drive efficiency, a social enterprise finding a new way of growing sustainable food or the manufacture of a new vaccine by a pharmaceutical company. Any business can create jobs and drive productivity through innovation.

Our role is to help to stimulate that innovation and business growth to maximise impact across the economy and society in the city region.

To take advantage of the opportunities outlined above, we need to address:

- **Lower productivity than the national average (GVA per hour worked).** LCR produces £32.60 per hour worked compared to £38.40 nationally (a 13% gap).
- **Fewer knowledge intensive businesses.** 25% of businesses in the LCR business base are ‘knowledge intensive’, compared to 29% nationally.
- **Lower than average levels of commercialisation of innovation.** Only 32% of LCRs business sales come from innovative products or services, compared to 50% in many other LEP areas. This is driven by the lack of firms undertaking product or service innovation, with fewer businesses introducing new products or services to the market.
- **Relatively low numbers of high growth enterprises (HGEs).** 4.2% of LCR businesses with 10+ employees are high growth, which is lower than the regional and national figures (4.4%). This, coupled with lower business survival rates, indicates that LCR businesses struggle to grow quickly and sustainably.

Investment Focus

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 Combined Authority is already making significant investments in this pillar.

- **LYVA Labs** – a £10.5m investment to establish an innovation commercialisation vehicle in the LCR, initially focusing on Health and Life Sciences and expanding to reach deep tech and digital sectors.

- **Kindred CIC** – £5.5m invested into providing patient, flexible finance for socially traded organisations using innovative solutions to tackle some of the most pressing social and environmental challenges across LCR.
- **Glass Futures** – a £9m grant to support an industry-led global centre for R&D, innovation and training in St Helens. The project will create the world’s first openly accessible test and trial furnace facility, which will be used to deliver industry and government-backed research and development projects focused on decarbonising glass production.
- **LCR Angel Network** – a £500k investment to boost the LCR Angel Network, which will ensure that more SMEs in the region can benefit from targeted investment and mentoring from private “angel” investors. This will support the growth and development of LCR’s investment community and early-stage funding landscape.

Investments should help us to achieve some of the following outcomes:

- An increase in business and HEI collaborations.
- An increase in scale-ups, aiming to exceed the national average.
- An increase in the percentage of knowledge intensive businesses.
- Increasing the levels of finance for innovation available.
- Increasing R&D investment in the City Region.

Pillar 2



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

The Plan for Prosperity sets out our objective to ensure that people have the skills and opportunities to realise their full potential and meet the needs of a rapidly changing economy.

We will remove the multiple barriers to prosperity and provide the opportunity for all people to use their potential to have a high quality of life. Through working to improve educational attainment, upskilling, reskilling, supporting people into employment, systemically improving health outcomes, and attracting and retaining talent, we will develop a deep pool of skilled labour and innovative entrepreneurship that maximises our productivity.

Our role is to invest in projects that can help to ensure residents of LCR can thrive in the labour market, providing businesses with the employees they need to fill highly skilled vacancies, grow, and ultimately benefit the region.

To take advantage of these opportunities, we need to address:

- **High levels of economic inactivity within the population.** Our residents are more likely to be economically inactive (24%), higher than the national average (21%).
- This is partially driven by **low standards of health within the population.** 8% of LCR's working age population is economically inactive due to long-term sickness, above the national average of 5%.
- It is also driven by low **levels of educational attainment**, including:
 - Lower than the national average proportion of pupils achieving grades 4 or higher in English and Maths GCSE (62% vs 65% nationally).
 - Higher than national average proportion of 16-17 year olds considered Not in Education, Employment or Training (NEET) (5.9% vs 5.5% nationally).
 - Low proportion of residents with degree level qualifications. The city region has made significant progress since 2004, experiencing the third fastest growth in degree level qualifications across the country. There is still a long way to go, with 38% of the population educated to degree level vs 43% nationally.
- **Low levels of graduate retention.** There is a significant opportunity in retaining the talent (57,000 potentially skilled workers) graduating from LCRs universities each year, through the creation of more graduate level jobs. Almost 60% of them currently leave the city region upon graduation, due in part to a lack of graduate job opportunities.

Investment Focus

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.

The Combined Authority is already making **significant investments** in this pillar from the Strategic Investment Fund.

- **Education Support Programme** – a £5m investment aimed at improving educational outcomes for children and young people. Cradle to Career is managed by the charity Right to Succeed and is focused on delivery in three key areas: education, community and services. This investment expands on an initial pilot in North Birkenhead, funded by the Steve Morgan Foundation and SHINE.
- **Households Into Work** – a £3.4m investment from the SIF, providing intensive support to help people with complex needs enter or re-enter full time employment. This has historically been co-funded alongside the European Social Fund (ESF).

Investments should help us to achieve **some of the following outcomes:**

- An increase in the employment and economic activity rate.
- A reduction in the number of:
 - 16-17 year olds classed as Not in Education, Employment or Training (NEET).
 - People with no qualifications.
- An increase in the number of people with NVQ Level 4+ qualifications.
- A reduction in skills gaps within the workforce.
- An increase in healthy life expectancy and decrease in the prevalence of mental health disorders.
- An increase in graduate retention.

Pillar 3



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

Our objective is for the Liverpool City Region to be a desirable place to live, go to school, start a family, work and call home.

We will strengthen the vitality of our communities by developing and enabling a high-quality housing stock that meets need, provides choice, and supports good health and wellbeing, and ensuring our neighbourhoods are sustainable and designed to enable people and places to flourish. This includes ensuring that our places support the natural environment, including wildlife and biodiversity, locally grown food, protection from flooding, air filtration and the wellbeing of LCR residents.

From reimagined and thriving urban spaces, to a wealth of culture, high quality, accessible and attractive natural spaces, utilising the strengths of community-driven place-making we will use our distinctive international brand to be a truly excellent place to live, work and invest. This will ensure we attract and retain the best local, national and international talent.

To take advantage of these opportunities, we need to:

- **Support the regeneration of LCRs town centres**, facing economic challenges both predating and caused by the Covid-19 pandemic.
- **Harness the potential of Liverpool City Centre**, home to more than 10% (6,000) of the City Region’s businesses and responsible for one fifth of LCRs jobs and GVA.
- **Take advantage of our cultural strengths, including:**
 - o A range of nationally significant museums and galleries, such as Tate Liverpool, the Museum of Liverpool and the International Slavery Museum.
 - o A proud musical heritage, typified by the Beatles Story and hosting Eurovision in 2023.

Investment Focus

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 Combined Authority is already making **significant investments** in this pillar from the Strategic Investment Fund. These include:

- **Shakespeare North** - £10.55m of investment in a new theatre and education space that celebrates Knowsley's links with Shakespeare, attracting visitors and students from all over the world.
- **Eureka! Science and Discovery** – A £6.6m investment in a new museum on the Wirral waterfront designed for children and young people up to 14 years to discover how Science, Technology, Engineering, Arts and Mathematics (STEAM) influence and shape their lives.

Outcomes

Investments should help us to achieve some of the following outcomes:

- Reduced vacancy rates and increased footfall in town centres across LCR.
- Increased number of visitors across the LCR.
- Improved biodiversity across the City Region.

| Pillar 4



Integrated Infrastructure for a Connected City Region

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.

We will transform our energy, transport, and digital infrastructure to deliver sustainable economic growth, protect the environment, improve public health, attract investment, and link people and businesses to opportunities across the city region and beyond. A modern, low carbon infrastructure system will be the underpinning enabler for us to deliver these ambitions.

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. For example, how plans for a particular project link to existing/planned infrastructure developments or could stimulate further investment.



Shakespeare North Playhouse, Knowsley

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 CBI defines clusters as concentrations of high-value economic activities and significant opportunities for innovation and growth, located within a town, city or region. They state that:

“*In every successful economy around the world, business clusters – anchored by world-class companies and institutions – are engines of economic growth.*”

LCRs Clusters

The City Region has several important growth poles and broad locations that provide, or have the potential to provide, a catalytic impact on our economy, representing opportunities to bring forward developments of a type and scale that can enable transformational change. This will drive competitiveness; increase good employment, wages, and investment; ensure the inflow and retention of a skilled workforce; enable more exports; and ultimately generate greater productivity.

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.

As well as the assets outlined below, these clusters represent the best opportunities for LCR to attract inward investment. Since 2019, more inward investment landings have been in these clusters than the rest of the economy put together.

Additionally, these clusters represent the areas of the economy that will be at the forefront in addressing current and future societal and environmental challenges such as the transition to net zero, improving health outcomes, smart cities, and delivering on technological innovations which develop local, innovative solutions to global challenges.

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.

Cluster One

Advanced Manufacturing



Liverpool City Region has particular strengths in Advanced Manufacturing and potential for significant further growth. We are **home to a breadth of advanced manufacturing assets** including:

- One of Europe’s most important biomanufacturing clusters
- A highly productive automotive sector, contributing to 15% of the UK’s annual car production and nearly £1bn to LCR’s economy, with major EV opportunities
- The global centre for excellence in glass innovation – Glass Futures
- Maritime shipbuilding and engineering
- One of only seven UK Government approved [Manufacturing Technology Centres](#)
- A unique industry-academia partnership between the University of Liverpool and Unilever – the [Materials Innovation Factory](#)

Advanced manufacturing is a key, high productivity sector and major source of employment across the City Region. The manufacturing sector supports 23,000 jobs and 700 businesses in the LCR, whose percentage contribution of LCR’s GVA is [70% larger than the national average](#).

Advanced manufacturing can create highly skilled jobs across the City Region, **including in areas of high deprivation**. There are significant distributive benefits to the sector including through supply chain development and resilience, and the resultant opportunities for SMEs across LCR.

LCR Advanced Manufacturing businesses are more likely to be high growth. Advanced Manufacturing in LCR has a higher proportion of high growth and ambitious companies (as characterised by Beahurst) than the national average.

World leading manufacturers are already located in LCR. Across automotive, pharmaceutical, chemicals, food, beverage and fast-moving consumer goods– including Unilever, Jaguar Land Rover, Cargill, Ford Motor Company, AstraZeneca, Ineos and Pilkington.

LCR was home to the UK’s first industrial digital adoption programme. [LCR 4.0](#) pioneered support for manufacturing businesses to develop their digital strategies, supply chains and tools to help to enhance productivity and confidence within their industry.

A pipeline of talent is ready to enter the workforce. Thousands of students study sector related subjects at LCR’s highly respected universities and The Engineering College – the North West’s specialist centre for engineering training.

Cluster Two

Health and Life Sciences



Liverpool City Region has significant strengths and opportunities in health and life sciences.

LCR has become a **global health innovator and leader in research fields** including infection control, precision medicine, children’s health, and the use of big data and AI. We are home to several leading research institutions:

- The **Liverpool School of Tropical Medicine** (LSTM) generates ten times more research income per FTE academic than Oxford and Cambridge. (Source: HESA Research Grants, 2017/18).
- Liverpool John Moores University is home to **The Centre for Natural Products Discovery**, investigating several key aspects of natural products and their pharmaceutical prospects.
- The LCR is also home to the world’s first end-to-end response to pandemics through the global **Pandemic Institute** which has been set up to accelerate response to current and future pandemics, unifying intelligence and generating scientific excellence.
- The **Infection Innovation Consortium** (iiCON) is a leading global centre for infectious disease R&D, bringing together industry, academia, and the NHS in a collaborative effort.

The LCR has been **formally recognised by the Department for International Trade** (DIT) as a location for vaccine discovery, development and manufacture, and will be actively showcasing this opportunity to international investors.

LCR is already **home to innovative leaders in biopharma, biotech and vaccines**, such as Astra Zeneca, Seqirus, Bristol Myers Squibb, Pharmaron, TriRX and Teva.

LCR hosts 9 NHS trusts and the **largest number of specialist hospitals outside of London**.

There is a wealth of local talent and skills. [There are over 111,000 students at local universities and 35,000 graduates](#) with degrees in courses relevant to the vaccines and biotechnology sector.

LCR Health and Life Sciences businesses are more likely to be high growth. Health and Life Sciences in LCR has a higher proportion of high growth and ambitious companies (as characterised by Beahurst) than the national average.

Cluster Three

Digital and Creative



Liverpool City Region has **specialisms in creative content** (gaming and immersive technology, and film and TV) and **applied tech** (e.g., health and med-tech). Assets in the region include:

- **Sci-Tech Daresbury**, home to UKRI's £210m [National Centre for Digital Innovation](#), with AI and Big Data expertise.
- University of Liverpool's **Institute for Digital Engineering and Autonomous Systems (IDEAS)** co-locates world-class academic research and industrial application in the areas of Autonomous Systems, Robotics, Data Analytics and Artificial Intelligence.
- **Littlewoods Film Studios** – a £62m programme in partnership with Twickenham Studios supporting 1,750 production days in 2019 for film and TV within the LCR.

Pioneering innovation is already happening in the region. For example, [Liverpool 5G](#), a unique and innovative consortium of public sector health and social care suppliers, is developing the UK's largest (and the world's second largest) 5G mesh network.

Growth in digital businesses demonstrates a cluster with significant potential. The LCR hosts over 4,000 digital companies, employing over 20,000 people, and Liverpool has seen a 50% growth in digital jobs since 2015 (compared to 9% nationally).

The growth of this cluster is helping to achieve **national recognition for LCR as a place to work and live**. Baltic Triangle, home to 130 companies including many digital, creative and tech startups, was voted the coolest place to live in UK by [the Times](#).

Net Zero Opportunities

There are considerable opportunities within these clusters to support the decarbonisation trajectory of the City Region. 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.

The scale of the challenge demands that we respond appropriately utilising strengths in our key clusters. Significant investments have already been made in this space, for example, in Glass Futures, a global glass industry led industrial decarbonisation and hydrogen cluster.

Within these clusters, the transition to Net Zero also provides the opportunity for new green jobs and major R&D opportunities that will benefit both LCR and the UK. We expect investments that are made through the Strategic Investment Fund to capitalise on these opportunities directly or indirectly.

Embedding Inclusive Economic Development

Our Commitment

The Combined Authority is committed to building an inclusive city region where levelling up means everyone shares in economic opportunity. The Plan for Prosperity states that:

“**‘We will build a fairer economy that works for the whole city region. We will be a focal point for economic and social innovation which will provide all our people and places the opportunity to enjoy prosperity, good health, and wellbeing, while demonstrating the productivity gains that can be unlocked in doing so.’**”

This is underpinned by our commitment to ensuring that community wealth building becomes central to our approach to economic development. To support the shift to a wider ‘inclusive system’ across the city region, we will act on community wealth building principles, changing how challenges are framed and addressed and how the benefits of economic opportunities are spread.

These commitments will help us to deliver our economic objectives. Building LCRs inclusive economy will:

- Improve the productivity of LCR, increasing people’s opportunities to access and progress within the labour market. This can result from better access to good quality housing and transport, improvements to health and wellbeing and reductions in inequality.
- Harness the opportunities of the international drive to net zero, supporting the growth of new businesses in growth industries, such as climate tech, and making LCR an attractive place for established businesses to locate. This means new highly skilled employment opportunities in sectors of ever increasing economic importance.
- Help to realise the potential of LCR populations who have been historically underinvested in, particularly women, ethnic minorities, LGBT+ people and people with disabilities. Ensuring that everyone can participate fully in the economy will allow LCR to benefit from the creativity and ingenuity of everyone.

Addressing the deep-rooted pressing social, environmental and equalities challenges apparent across the Liverpool City Region can help to drive economic growth. Any investment that we make will deliver on its economic development objectives in a way that harnesses this potential and addresses these challenges. Projects will need to outline specific, measurable targets that will allow us to assess progress throughout the lifecycle of the project.

Our Investments

Our investments will support this commitment in two ways:

- 1. Direct investments** into projects whose primary purpose is to tackle some of the social, environmental or equalities challenges the City Region is facing. For example,
 - **Race Equality Hub** – £3.2m invested into tackling racial inequality in skills, business support and access to funding for Black, Asian and minority ethnic residents.
 - **Community Environment Fund** – A £500k Fund to support high impact community environment projects throughout the city region through grants of £5-30k.

- 2. Integration into every project.** We will ensure any project that we support shares our commitment to building an inclusive economy, demonstrating specific, targeted, and measurable outputs and outcomes that will help to address some of the social, environmental and equality challenges apparent in our region. We will work with project sponsors throughout the lifecycle of any project, supporting them to:
 - Understand our expectations from the outset of project development.
 - Define and grow their ambitions as projects pass through our assurance process.
 - Monitor and evaluate the impact of their projects on our inclusive economy objectives as they are implemented, ensuring that key indicators are included in all grant funding agreements.
 - Examples of this can be found in Appendix 2.

Project Requirements

Any project 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**

Demonstrating Social Value



The CA's Social Value Policy and Framework identifies that

“**‘The long-standing challenges of economic underperformance, environmental degradation, deprivation and inequality persist. These challenges continue to affect the health, wellbeing and quality of life of our citizens and communities. As a strategic body for the Liverpool City Region, we have an opportunity and responsibility to tackle these challenges and deliver real benefits for our 1.6 million residents.’**

”

Through embedding social value in investment decisions, we know that we can make a considerable difference. This means integrating the inclusion of social value requirements as part of the investment process and assessing a project's social impact throughout.

Given the challenges facing LCR residents, projects will need to demonstrate how they can make a difference in some of the following areas:

- **Reducing inequality** - Reducing inequality and deprivation in areas where stubborn disadvantage and discrimination have long been the norm.
- **Improving health** - Increasing health equity to improve the population's health. As a result of reduced deprivation, more people have an opportunity to be healthy, thereby supporting stronger communities, enhancing social and economic opportunity, and driving up productivity.
- **Providing fair employment** - A fairer labour market supported by good business, through a socially focused relationship with the business base which supports plural ownership of the economy.
- **Developing local supply chains** - More wealth is being anchored in our communities as investments are increasingly channelled into local opportunities, and local businesses have greater access to local opportunities.

Supporting our transition to net zero



In 2019, the Metro Mayor and the Combined Authority [declared a climate emergency](#). They set a target for the Liverpool City Region to become net zero carbon by 2040, 10 years before the UK's deadline of 2050. The Plan for Prosperity outlines our objective to be an internationally leading net zero carbon City Region. It states that:

“**‘By maximising the potential of our low carbon assets and strengths in advanced manufacturing, we will play a full and productive part in delivering the government’s... net Zero strategy. Being a pioneer of the Green Industrial Revolution with the potential to become the country’s Renewable Energy Coast, we will deliver significant benefits for our residents through provision of high-quality jobs; warmer homes; better air quality, and improved health.’**

”

The Combined Authority’s ‘Five Year Climate Action Plan: 2023-2028’ details what we need to do to achieve this ambitious goal.

We will support projects than can demonstrate exemplary environmental standards, and work with sponsors throughout project development to ensure that our investments are helping our decarbonisation trajectory.

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** - more growth businesses, good quality jobs, and high value supply chains in sectors that are part of the zero carbon economy.
- **Reduced carbon emissions** – significant falls in absolute carbon emissions from transport, domestic, industry and commercial sectors resulting from improved energy efficiency and increased use of low carbon fuel.
- **Improved energy efficiency in our homes and buildings** – in line with national policy objectives.
- **A growing circular economy** – measured by the overall amount of waste generated in the City Region, the proportion of this waste that is recycled or reused and the number of people employed in the circular economy.

Embedding equality, diversity and inclusion



The Plan for Prosperity states that:

“**‘A central tenet of all our strategy, policy and delivery activity is to ensure equality of opportunity for all and improving equality of outcomes for all those with protected characteristics...Doing so will deliver a more creative, innovative and productive economy’**

The Combined Authority’s Equality Strategy states that:

“**‘The Liverpool City Region Combined Authority has a vision for a fairer, stronger, cleaner city region where no one is left behind. To achieve this, we must eliminate discrimination and promote equality in our policies, service delivery and funding decisions.’**

The Combined Authority is committed to meeting the requirements of The Equality Act 2010, adding socio-economic status to the nine protected characteristics outlined in that legislation. All projects will therefore consider the following ten protected characteristics: age, disability, religion and belief, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, sex, sexual orientation and socio-economic status.

It is crucial that our investment decisions consider how projects and project sponsors embed equality, diversity and inclusion into the way they operate. We will support projects that demonstrate their commitment to tackling structural injustice through, for example, employment practices, supply chains, targeted outreach and building accessibility.

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** – reducing barriers to Black, Asian and Minority Ethnic recruitment, participation and progression, including in leadership roles.
 - **Access to networks, social capital, funding and 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 (e.g., skills, culture, business support etc), including proactive steps to address any participation barriers for specific groups.
- **Increase the diversity of businesses within the supply chain** of LCR programmes and organisations.
- **Increase the accessibility of opportunities, including to funding, events, buildings, housing and transport** to ensure that protected characteristics do not present a barrier to participation in any project. This includes the language used in presenting and promoting opportunities and recognising that this can be a barrier to some applicants.

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

What we won't fund

Our commitment to the inclusive economy in Liverpool City Region means that there are certain types of projects that we won't fund. This includes:

- Projects that will increase or are highly reliant on the use of private cars. This extends to:
 - Building new roads predominantly for car access.
 - Building new car parks.
 - Locating sites and creating jobs in places that are only accessible via private transportation.
- Projects that increase unnecessary energy usage through inefficient building, including:
 - Building housing that does not align with the objectives and conditions of the Combined Authority's Housing Investment Strategy, including building housing to a standard lower than EPC Band B.
 - Building commercial premises to a standard lower than EPC Band B.
 - Replacing existing facilities with no significant improvement.
- Projects that support or encourage gambling or tobacco usage, and projects of a political or religious nature.



Approval Process

Identifying Projects

The Investment Team will maintain an ongoing dialogue with the City Region's businesses, third sector and public organisations to inform them of the availability of funding, the current objectives, and to identify and co-design project opportunities from an early stage.

Project opportunities will be generated in the following ways:

- **Pipeline prioritisation** – There is currently a substantial pipeline of economic development projects at varying degrees of development seeking investment from the Combined Authority. On an ongoing basis, the strategic fit and deliverability of these projects will be assessed against the funding available. Projects that can demonstrate their ability to deliver will be prioritised for progression.
- **Specific calls for projects** – The CA may decide to release specific calls for projects that align with our investment priorities. This may be broadly in the space of economic development or take a particular focus on, for example, a pillar or economic cluster within the LCR economy as outlined previously in this strategy.
- **Commissioned projects** – Outstanding opportunities for economic growth that require the CA's investment may be identified and subsequently prioritised for funding.

Pre – Development Funding

In order to commit SIF funds in an orderly way, the CA will – selectively and with caution - provide risk funding and expertise to help develop projects towards a deliverable state. This may include: feasibility studies, options appraisals, market studies, business plan development, outline design work, master planning and other relevant pre-submission planning.

The CA will allocate a portion, typically up to 10% of funding, to the pre-development of strategic projects, attaching to it conditions to maximise the funding's impact and minimise the non-performance risk associated with funding pre-development.

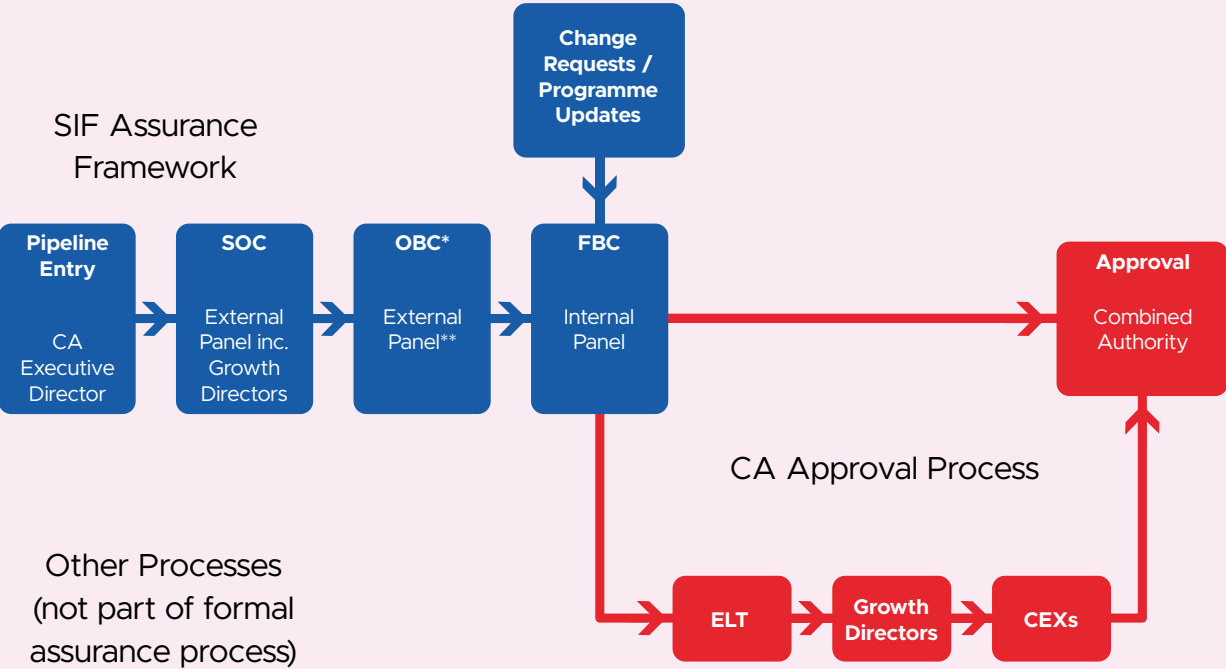
Pre-development funding applications are approved by Internal Investment Panel in line with Guidelines for Pre-development funding approved by the CA.

Thematic Funds

Where a funding source has been provided to the Combined Authority by central Government for a specified purpose or is subject to a prescribed set of rules and requirements that are distinct to that fund, it will normally be set up by the CA as a “thematic fund” within the overarching SIF framework. This will allow standard SIF processes and approval routes to be substituted for processes that are aligned with and proportionate to Government requirements for that fund, reducing the risk of unnecessary duplication and administrative burden. An example of a funding source set up as a thematic fund is the UK Shared Prosperity Fund.

Approval Routes

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 below, and in detail in Appendix 3a.

- Strategic Assessment – This is an initial strategic assessment of a project and the project sponsor in order for it to enter the SIF pipeline. Projects will be assessed by an **Executive Director** supported by officers with knowledge and expertise relevant to the subject matter of the project.
- Strategic Outline Case – This assesses a project’s strategic fit, deliverability, potential value for money, affordability inclusive economy characteristics before committing resource to working it up. Projects will be assessed by the **External Investment Panel** at this stage.
- Outline Business Case – To understand a project in more detail, including its value proposition and comparative advantages to other options. At this stage, projects should be able to produce indicative Heads of Terms, as well as significant detail regarding commitment to social value, environmental impact and equality, diversity and inclusion. Projects will be assessed by the **External Investment Panel** at this stage.
- Full Business Case – A full assessment projects credentials, as per the HM Treasury Green Book in line with the Five Cases Model and addressing any questions raised at previous stages through a Full Business Case. Projects will be assessed by the **Internal Investment Panel** at this stage.
- Approval – Formal approval via the **Combined Authority**. No funding is committed until legal documentation is entered into and complete.

Our objective is to provide a robust and efficient journey to investment. Note that:

Our Investment Team will manage projects’ progress through these steps and will be solely responsible for drafting investment reports, based on information provided by the project sponsor and contributions by internal and external consultants. This process requires applicants to make readily available project materials to support the application and to enable third party diligence where requested. In exceptional circumstances, high value commissioned projects may follow an expediated route to approval.

Project sponsors will carry the Combined Authority’s reasonable costs in structuring, executing and monitoring each project. The costs typically include legal, professional and consultancy fees, and are incurred independently of whether we commit to fund the project. We will seek where practicable to agree these fees in advance with project sponsors.

We will frequently use “programme facilities” that set common requirements and expectations of similar types of projects and enable streamlined decision making.

All projects must abide by the Combined Authority’s branding and publicity requirements. This may include any publicity projects sponsors might wish to undertake prior to approval.

Appraisal

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:

- Strategic Case – which provides a compelling case for change and explains how the project provides fit with the objectives of the organisation and wider public sector agendas.
- Economic Case – which describes how the project/preferred option represents best public value.
- Commercial Case – which demonstrates that the deal is attractive to the market, can be procured and is commercially viable.
- Financial Case – which confirms that the proposed spend is affordable; and
- Management Case – which confirms that what is required from all parties is achievable.

Inclusive Economy

The commitment of a project to supporting the inclusive economy in LCR will be assessed in two different ways.

1. Pipeline Entry – Project Sponsor Assessment

When a project enters our pipeline, we will conduct an initial assessment of the project sponsor to ascertain their organisational commitment to the inclusive economy. This will include developing an understanding of:

- Organisational Purpose – whether the core purpose and activities of the organisation is in line with the Combined Authority’s ambitions as outlined above.
- Employment Practices – in particular, a commitment to LCR’s Fair Employment Charter and in driving equity for employees from underrepresented backgrounds.
- Procurement Practices – developing an understanding of the make-up of their supply chains, particularly the representation of; businesses led by those with protected characteristics and LCR based SMEs and STOs.
- Environmental Impact - committing to measuring and disclosing Scope 1, 2 and 3 carbon emissions, and developing a carbon reduction plan.

We will develop a simple assessment tool to help project sponsors provide this information.

2. Assurance Process – Project Assessment

As a project moves through our assurance process, a proportionate assessment of its inclusive economic credentials will be conducted. Projects will be expected to demonstrate an initial commitment as they enter our pipeline via their Strategic Outline Case, before providing further information and detail at Outline Business Case and Full Business Case stage. Commitments and specific targets will then be written into any Funding Agreements signed with the Combined Authority and monitored in line with any other outputs and outcomes.

Projects should demonstrate:

- How they can create social value in LCR through, for example:
 - o A meaningful commitment to creating employment opportunities for people from underrepresented areas or backgrounds.
 - o Procuring services for the project from LCR based SMEs and STOs, effectively retaining wealth within the City Region.
- How they can help LCR to achieve net zero by 2040, for example:
 - o Achieving a BREEAM (or equivalent) rating of ‘excellent’ for any new building as well as specific practical measures to ensure that ongoing operations and consumption of energy are as low impact as possible.
 - o Supporting the development of zero carbon businesses within LCR.
 - o Using local supply chains to reduce carbon footprint and ascribing value to supply chains doing the same to ensure this extends as far as possible back to production.

- o Supporting walking, wheeling and bus access.
- How they can help us to create a region where no one is left behind, for example:
 - o Conducting a Design Review of any building, to ensure it meets the needs of the diversity of the LCR population.
 - o Developing targets for representation of those with protected characteristics in a support programme.

We will also look favourably on projects that are able to help other CA initiatives or investments achieve their objectives. This could be through providing mentors or coaching for skills or employment programmes, providing physical space for events or business incubation, or working with business support programmes to develop LCR supply chains.

Community Engagement

It is crucial that any project we invest in has consulted widely and meaningfully with key stakeholders to ensure that it is meeting community need and delivering solutions in an evidence based and consultative manner. All applicants are expected to carry out meaningful community engagement as part of project development and demonstrate how the outcome of the engagement has shaped their projects.

Diligence

The Investment Team will undertake diligence on all potential projects, including market, operational, financial, legal and structural due diligence, to cover all aspects of project development, operation and exit/closure. Projects must meet our diligence requirements to proceed to appraisal and consideration for approval. Appendix 3b provides diligence requirements for each stage.

The Investment Team will also negotiate detailed terms for the SIF's financial commitment and may engage internal or external legal counsel to aid this process, confirming a viable legal structure, detailed legal terms and state aid approach for the public investment. This agreement will be captured in a "term sheet" to be signed by all relevant parties to the project and submitted as part of the project's final submission, now focused on the preferred option.

Projects will undergo proportionate appraisal designed formally to assess their contribution to the Combined Authority's investment objectives under the SIF, including its value for money.

It is vital for project sponsors to understand that ongoing dialogue and information exchange with the Combined Authority, its consultants and appraisers will be necessary to reach the end of the diligence process, and that this process may require a significant commitment on the part of the sponsor.

Monitoring and Evaluation

The Combined Authority will undertake high quality project level monitoring and evaluation to understand the delivery progress, impact and effectiveness of its investments. This will provide robust and credible evidence that the Combined Authority will use to:

- Monitor and manage delivery progress and provide the required returns to funders in respect of project expenditure and delivery of outputs and outcomes.
- Understand delivery quality and explore how effectively and efficiently projects have been implemented and the factors underpinning this.
- Understand and (where feasible) quantify the economic, environmental, health and social impact of SIF funded activities in the City Region.
- Consider whether and how SIF investments have helped the CA achieve its overarching strategic aims.
- Create evidence-based lessons about what has worked, how and why and use these to inform the design and implementation of future projects / investments.

During the approval process, all recipients of SIF funding are required to demonstrate that they can comply fully with the Combined Authority's monitoring and evaluation requirements. These are:

1. Writing a Project Monitoring and Evaluation Plan

All SIF applicants will be required to complete a SIF Project Monitoring and Evaluation Plan before project approval. The plan will provide a broad outline of scope and timing of monitoring and evaluation activity.

The Investment Team and Evidence and Research Team will work with the project applicant to develop and agree the content of the plan. The final Project Monitoring and Evaluation plan will need to be signed off before the project can be approved for SIF funding.

2. Collecting Appropriate Project Monitoring Data.

SIF applicants are required to provide sufficient data and information to allow the Combined Authority to; understand the project's delivery progress, identify barriers to progress and capture information and evidence about the direct outputs and outcomes arising from the project.

The specific monitoring data requirements will be agreed during the SIF application process and detailed in the Project Monitoring and Evaluation Plan. Monitoring data requirements will be included within the project Funding Agreement.

All SIF funded projects will be expected to provide regular (at least quarterly, in some instances monthly) submissions which detail project expenditure and progress towards output targets. The format for these submissions will be specified by the Combined Authority and the frequency of reporting will be specified in the project Funding Agreement.

3. Participating in Project and Programme Evaluation

All SIF funded projects are required to participate fully in any project or programme evaluation that is commissioned by the Combined Authority or organisations that provide funding into the SIF. This could include evaluation of:

- A programme of activity of which the SIF funded project is a part.
- The SIF funded project. Participation in a project level evaluation commissioned or undertaken by the Combined Authority.

In both instances, the Combined Authority will draw extensively on the information submitted by the applicant during the SIF application process and project monitoring data submitted during delivery.

Project sponsors and the project delivery team will be expected to provide reasonable inputs into the evaluation research, for example by providing access to relevant project documentation, members of staff and beneficiaries of the project.

The likely focus and requirements of project level evaluation activity will be agreed with applicants during the SIF approval process, proportionate to the scale and complexity of the project.

Additional Conditions to Funding

In addition, we may require projects to incorporate performance requirements linked to environmental, urban and corporate best practice. These may include requirements in relation to urban design quality, sustainability performance, digital connectivity, public transportation and electric vehicle infrastructure.

Please note that this is not an exhaustive list.

Change Control

Projects whose forecast performance changes materially after passing any approval stage will be re-considered. Depending on the level of change this consideration may be by the Internal Panel, the relevant fund-specific Board and/or the Combined Authority.

This change control process also applies to projects in the approval process, for which no binding legal documentation has been signed. The Combined Authority will address material changes to projects in the delivery phase through the provisions of their legal documentation.

The Change thresholds are outlined in Appendix 4.

Process Review

We will review this Investment Strategy’s approval process annually and may update our operations as a consequence of that review.

Fund Principles

Operating Principles

The SIF aggregates funds from different sources. Each source typically carries its own objectives, requirements and restrictions covering timing, match funding, eligibility criteria and assessment requirements.

Funding is usually split between capital and revenue, indicating its requirement to either build physical capacity or to support projects' operations. It is therefore impracticable to provide a single set of investment criteria and the SIF must rely instead on a single set of operating principles, clear priorities and common management procedures. Our operating principles are as follows:

We will maximise our impact. This means:

- We will balance what interventions our economy most needs with what investment opportunities are available, deliverable and offer best value for money in the market.
- Projects must demonstrate a **clear case for public investment** rooted in addressing market failure. They may also outline the ability to create public goods and value, to provide the enabling infrastructure for growth and/or to capture an opportunity for the CA to achieve a financial return (this latter always in support of the investment priorities below). We will not fund in the absence of these rationales.
- Projects must maximise value for money to the public purse. This means both selecting the right projects and working to improve their value for money. There are two ways to improve a project's value for money: (i) improve its economic, environmental and social performance and/or (ii) improve its financial performance. Projects should seek to do both.
- Leverage, additionality and risk-return sharing are key to securing good value for money. We will optimise our project contributions and recycle as much funding as we can.
- Projects should seek to complement existing SIF funding with new, public and private sources of capital, and to collaborate with commercial investors and lenders to fund priority projects and outcomes. The Investment Team's role is to maximise the funding available to SIF as a platform and the co-investment provided to projects.
- **Projects must perform.** Approved projects that fail to meet agreed milestones or output and performance targets risk having their funding withdrawn, reduced or clawed back. Likewise, we will link sponsors' performance in priority projects elsewhere in the City Region, be they SIF funded or not, to their ability to receive fresh funding. We therefore link funding to being a good City Region partner.

We are committed to a fair process. This means:

- We will follow our assurance framework in identifying, prioritising and funding projects.
- We will prioritise projects which have the greatest potential to contribute positively to our ambition to create a globally competitive, socially inclusive and environmentally responsible City Region with “no borough left behind”.
- We have engaged with diverse places/sponsors across the entire City Region to help identify projects with the highest economic, social and environmental impact potential, as well as sound operational footing.
- Places will benefit in different ways and at different times over the investment period. Investments with the highest potential contribution to the Combined Authority’s targeted objectives and outcomes will be supported.
- This Investment Strategy will be as clear and straightforward as possible. It will not impose an undue burden on applicants whilst still providing for robust decision-making.
- We will provide regular updates on the funding available and the conditions pertaining to it. Our commercial development and investment team (our “Investment Team”) will also maintain regular contact with the City Region’s businesses, including through the Business & Enterprise Board, Sector Boards, and the CA’s Policy, Strategy and Government Relations Directorate, third sector and public sector on the availability of SIF funding.
- The CA will work to ensure that decision making panels, as outlined in the assurance process, are representative of the diversity of LCR residents, businesses and society. This applies to:

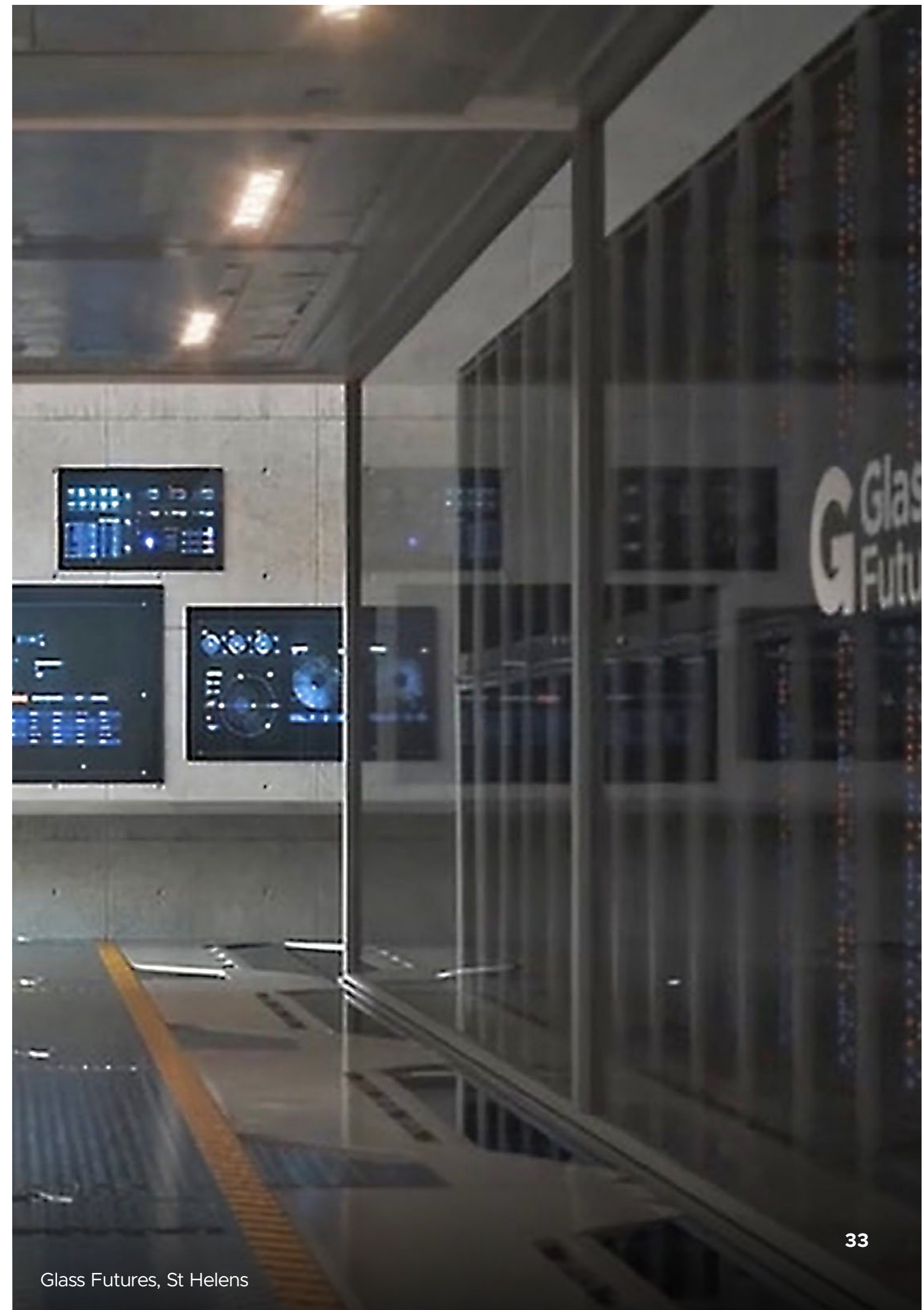
- o representation of a broad range of sectors and economic expertise.
- o ensuring that panels are gender balanced and reflect the ethnic diversity of LCR.
- o ensuring that disabled, LGBT+ and other minority voices are represented.

We work collaboratively. This means:

- We will be data led, working with colleagues and partners to establish the evidence base we need to target interventions.
- Investments under this Investment Strategy may be further guided by our constituent councils’ own investment and growth plans.
- We will deepen our private, public and third sector partnerships to maximise partners’ investment into the City Region and deliver our shared objectives in a better way. We want to find, fund and deliver projects together, innovate on collaborative working and share resources where appropriate.
- We strive to be flexible, creative and “mode agnostic”, i.e., to fund the most effective delivery of our objectives without favouring any one type of intervention. Our aim is not simply a physical legacy but a human one, benefitting our residents and communities.
- We will work with advisory groups and partners to co-design, develop and deliver projects. Commissioned and co-developed projects have the best potential to meet our identified priorities. In return, we expect partners to work collaboratively with the Investment Team to agree credible, robust deliverables and financial structures, together with a clear legal and practical route to delivery, at the outset of the development process.

We will operate the SIF **in line with the Combined Authorities corporate behaviours:**

- **LCR First** – The SIF must be used for investment that provide benefits/impact solely within the Liverpool City Region.
- **Action Focused** - The Investment Team's role is an active one, improving deliverability and identifying project synergies to increase value and outcomes for the City Region.
- **Respect** – We take a collaborative approach to the delivery of the SIF, recognising the input and expertise of colleagues across local authorities and the private, public and third sectors.



Glass Futures, St Helens

Financial Principles



Economic and Financial Returns

All SIF commitments must generate an economic return (i.e., benefit the wider economy), but not all SIF commitments will generate a financial return (create a revenue stream and/or repay their SIF allocation).

A Grant Last Approach

The Combined Authority will take a grant last approach to funding projects, prioritising distributing funds on a commercial basis to maximise the potential of achieving a financial return and using these receipts to fund future investments. This means we will seek to explore repayable grants, debt, quasi-equity, equity and other risk sharing instruments before grant funding.

We will work with project sponsors to define the financial benefits that may accrue from addressing a market failure, funding innovation and providing growth infrastructure, and obtain a fair share of these. This means:

- For property and economic infrastructure, a share of land value uplift and/or profit (above thresholds where necessary to motivate a commercial partner).
- For innovation and commercialisation, a share of profits from licencing and IP, recognising that this financial value may be created in the long-term.

- For business support and investment, a risk sharing model that provides for recycling from companies whose support/funding underpins profit growth.
- Other tailored mechanisms may be developed to suit the financial benefits emerging from a particular project.

We will understand where cost savings or partial/ancillary profits are made and obtain a fair share of these.

We will be clear about our financial return requirements when launching programmes, identifying projects and offering terms to these projects. The financial return requirements will be specified by funding source.

We recognise that for some grants will still be required. In particular, this applies to certain public goods and services that cannot provide a financial return. Our role in such cases is to assure value for public money by maximising impact and assuring delivery.

We expect any partners that are leading on projects to have explored all other funding opportunities before approaching the CA for funding, demonstrating how the CA is the funder of last resort.

Persistent Market Failure

One of the Combined Authority's long-term objectives is to tackle market failures present in the City Region's economy which prevents us from achieving inclusive and sustainable growth and creating greater opportunities for our communities and people. Intervention in these failures is predicated on the presence of a strategic plan to achieve market sustainability in an inclusive way and on the specific intervention's contribution to this plan. In areas of persistent market failure (such, for example, as the gap between the cost and value of central office development), the Combined Authority will require a specific analysis and action plan, to be used in structuring and appraising the intervention.

Products

The CA shall offer; grant funding, first loss instruments, guarantees, debt (whether senior, junior, corporate or other), quasi-equity, equity, other risk sharing instruments in any combination it considers optimal.

Where the CA provides non-repayable and sub-commercial funding, it shall routinely accompany this non-repayable and sub-commercial funding with repayable and commercially priced funding either in the same project or across the portfolio of projects.

Commercial funding will be provided only in support of this Investment Strategy and its wider objectives, not solely to pursue optimal financial returns.

Efficiency and Additionality

The CA shall provide sub-commercial funds at the lowest level needed to catalyse a project. It shall provide commercially priced funds in an amount that reflects its availability of funding, risk and return objectives, and portfolio performance.

The CA shall use its funding to influence projects' scale, timing and operation, seeking to optimise its outputs. It will seek to be additional in deploying its funds and avoid the crowding out of commercial funding sources.

The CA shall participate in (sub-commercial) financing opportunities only where its additionality can be demonstrated (through the increase in scale, speed of delivery and/or output or outcome intensity of a project).

Leveraged Funding

The SIF is a catalyst for leveraged or additional funding for projects. This additional funding is critical to our ability to deliver on our outlined objectives, and it is the Combined Authority's responsibility to leverage funding in two ways:

- Use the SIF as an asset for LCR to raise more investment funds for distribution at a fund level.
- Work with project sponsors to lever funding at a project level.

Sources of leveraged funding could include central government, local authority funds, government agencies, private sector (pension funds, banks, insurers and other institutions), charitable trusts and foundations, crowdfunding etc.

Across the SIF, we will target a leveraged funding ratio of 3:1, meaning that for every £1 the CA invests, £3 of additional investment will be leveraged from other sources. Targets for leveraged funding will vary across projects and will be set at a project level, with a view to the CA achieving our overall fund target.

Underwriting Approach

We will appraise projects with reference to our assurance framework, informed in its turn by the Department for Levelling Up, Housing and Communities (DLUHC) Appraisal Guide, Treasury Green Book, WEBTag and good practice in benefit-cost analysis. In analysing the risk and return of financing, we shall have regard to best practice in the UK financial services industry.

Co-investment

The CA may participate in project and financing opportunities led by related and third parties. Related parties include our underlying local authorities, central government funding agencies (notably UKRI), the Chrysalis Fund, the UDF, and Homes England. Third parties may include private investors, enterprises and developers, and voluntary sector organisations.

When co-investing, the CA may or may not lead the transaction but will under all circumstances adhere to its own underwriting and approval standards.

Equity Limits

The CA shall commit equity only alongside significant stakeholder (investor, management, client etc.) equity and shall remain as minority shareholder unless a compelling requirement to act as majority investor is present.

Programming

Given the propensity of projects to slip in delivery, we will prudently overprogramme SIF commitments until receipt of Combined Authority approval and entering into legal documentation, when they become legally binding. In order to maximise the use of funds, we will over-commit projects by up to 40%. We shall review over-programming limits periodically.

In every case, we will adopt a “use it or lose it” approach to projects: no project may retain its commitment if it falls behind on agreed delivery progress. We will engage positively in helping projects recapture lost ground but will not allow any project negatively to impact portfolio delivery.

Gainshare Allocation

We will seek to balance the distribution of Gainshare funds across the funding period in question. Consideration should be given to the short, medium and long term funding pipeline on a regular basis to ensure that this happens.

Risk and Portfolio Management

The Combined Authority will monitor its commitments at three levels: project, programme and portfolio.

- At the project level, we will monitor the project’s development, financial and operational performance from the signing of legal documentation onwards. Our interest is not only in the performance of our committed finance and agreed outputs but also in the project’s success in generating the economic, social and environmental benefits foreseen at appraisal.
- At the programme level, we will monitor projects against the obligations and restrictions set out for each funding stream.
- At the portfolio level, we will monitor risk and performance principally by assessing macro-economic, concentration, financial product and political risks.

The Combined Authority’s Corporate Risk Management Policy and Handbook are routinely reviewed and updated to reflect and respond to uphold the highest standards of risk control and management.

Subsidy Control

In line with the new Subsidy Control Act 2022 and the CA's implementation approach, we will ensure that each investment provides the minimum subsidy necessary to achieve its identified strategic aims, maximising value for public funds.

As part of its assessment against the Subsidy Control Principles, the CA will:

- Critically analyse the funding request from the applicant to ensure it is the minimum required for project viability.
- Seek to maximise the use of match funding and other non-public sources.
- Use loans and other forms of repayable assistance where the project is anticipated to generate a financial return.
- Include provisions in its funding agreement to allow the CA to share in any cost savings, unanticipated profit or increase in asset value, providing a return on investment that can be reinvested in other projects.



Sci-Tech Daresbury, Halton

Appendix

Appendix 1 – Local Authority Priorities

	Pillar 1: Maximising the impacts of innovation for people, places and businesses.	Pillar 2: Turning people’s potential into prosperity	Pillar 3: Building thriving, sustainable and resilient places.	Pillar 4: Developing integrated infrastructure for a connected City Region.
Halton	The promotion and development of science, technology and advanced manufacturing, and the exploitation of new technologies, are key objectives of Halton Borough Council. This has been demonstrated through plans submitted in March 2023 to expand world-leading science and technology campus and Enterprise Zone, Sci-Tech Daresbury.	The One Halton Place Based Plan 2019-2024 outlines Halton Borough Council’s approach to improving the health and wellbeing of the people of Halton, “so they live longer, healthier and happier lives”.	Creating and supporting “attractive, accessible and adaptable” neighbourhoods is one of the key strategic objectives of the Halton Delivery and Allocations Local Plan, as well as maintaining and enhancing Halton’s town, district and local centres so that they meet the needs of the community and contribute to the image of the Borough.	A strategic objective of the Halton Delivery and Allocations Local Plan is to “ensure all development is supported by the timely provision of adequate infrastructure, with sufficient capacity to accommodate additional future growth”.
Knowsley	The Knowsley 2030 Strategy commits Knowsley to being “a place which continues to seize current and future economic growth opportunities by 2030”.	Health, skills, and the labour market are key elements of the Knowsley 2030 Strategy. The Strategy aims for Knowsley to be “a healthy place” and “a place where people to all ages can develop the skills required to fulfil their aspirations” by 2030.	In the Knowsley 2030 Strategy, specific commitments regarding place making include that by 2030, Knowsley will be a place “with welcoming, vibrant, well-connected neighbourhoods and town centres”, where “people feel safe and secure and have a sense of pride and belonging”.	Knowsley’s 2030 Strategy states that “good quality, affordable and reliable public transport links within the borough, and to our neighbouring areas, is considered crucial” for the Council.
Liverpool	The Liverpool City Council Plan 2022-2025 states Liverpool will proactively support “sectors and businesses that can contribute the most to our future economy”, and lists supporting “knowledge-intensive, innovative and fast growing business sectors” as one of its key actions.	Two key strategic themes of the Liverpool City Council Plan are “high quality education, skills and employment for all” and “happier, healthier and independent lives”.	The aim of developing “a distinctive, globally attractive city offer driven by a diverse, accessible and inclusive culture” is key to the Liverpool City Council Plan. Equality and pride of place are also key themes.	A key outcome in the Liverpool City Council Plan is to deliver “an accessible, sustainable, safe & inclusive transport network for all, to connect people, places & jobs”.

Appendix 1 – Local Authority Priorities

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Sefton	Business growth and investment form a key theme of the Sefton Economic Strategy 2019 (Update 2022), with growing the business base “through creating new local, private sector and social enterprises” and embracing “growth and ambition across the business base” listed as priority actions.	Pathways into work and skills & development activity underpin the Sefton Economic Strategy, which states it is “likely to be increasingly important given the economic challenges, the changing nature of employment and the ageing demographic”.	Continued investment in places is recognised as an important pillar of the Sefton Economic Strategy, particularly creating places that enable business growth, support the visitor economy, and create an improved living environment.	The Sefton Economic Strategy recognises that managing and delivering improvements to infrastructure is essential to supporting growth across Sefton. Additionally, Sefton have developed a Digital Strategy 2020-2023 which recognises the importance of digital infrastructure in connecting people and places.
St Helens	The St Helens Borough Strategy 2021-2030 commits St Helens to using their “place leadership role to help businesses survive and grow” and encouraging inward investment.	Priority Two of the St Helens Borough Strategy is to “promote good health independence and care across our communities”. Improving residents’ skills and access to jobs is also recognised as an outcome of achieving a strong, thriving, inclusive and well-connected local economy.	Priority Five of the St Helens Borough Strategy focuses on creating green and vibrant places that reflect St Helens’ heritage and culture.	Ensuring that “the right green, transport or digital infrastructure is provided to support economic prosperity” is a commitment made in the St Helens Borough Strategy.
Wirral	A key action of the Wirral Economic Strategy 2021-2026 is to focus on “intensifying the innovation and growth capacity of our target sectors such as Maritime, Logistics, Visitor Economy, Advanced Manufacturing, Low Carbon and Digital/Creative, and ensure we capitalise on the wealth of regeneration initiatives in the borough and beyond to open up to new markets”.	Identifying and addressing sector skills shortages and skills gap to meet the needs of employers is recognised as being important to boosting economic growth in the Wirral Economic Strategy. The Strategy also recognises the importance of focusing on health inequalities to solve economic inequalities.	Creating vibrant places is a key objective of the Wirral Economic Strategy. This includes delivering outputs like investing in town centres and high streets and increasing the annual number of visitors to Wirral.	The Wirral Economic Strategy recognises that high-quality digital infrastructure will act as an enabler to creating a thriving economy. Wirral will also support the provision of ‘green and blue’ infrastructure to prioritise sustainability.

Appendix 2

Inclusive Economy Case Studies

1. Baltic Ventures

Baltic Ventures is a £4.1m accelerator programme, designed to speed up the growth of SMEs in LCR’s tech industries. The Accelerator aims to create new high-quality jobs by providing intensive support, mentoring and investment for up to 60 start-up businesses over five years. Commitment to the inclusive economy has been embedded in the establishment of Baltic Ventures.

Firstly, as part of the screening criteria for the programme, a business’s ability to deliver inclusive growth is considered upon application. Further, Baltic Ventures will utilise tools such as the Tech Nation Tech Zero Toolkit and those provided by the UN’s SME Climate Hub to support participating businesses to:

- Measure their carbon emissions.
- Establish net zero commitments and a net zero roadmap as they scale.
- Explore business’s product market fit, within the context of climate change.

The programme will also facilitate internships for 25 local people and students into companies participating in the accelerator.

Finally, Baltic Ventures has demonstrated commitment to ‘ensuring a diverse pipeline of accelerator applicants’ and has agreed to work with a range of local partners to ensure minority and underserved groups are well represented and supported. At least 40% of founders they work with will be female and 10% will be from ethnic minority backgrounds.

2. Shakespeare North Playhouse

The Shakespeare North Playhouse is an iconic new theatre and education space in Prescot that celebrates Knowsley’s links with Elizabethan drama and Shakespeare. The Playhouse, which opened in 2022 after benefitting from £10.55m of Strategic Investment Fund, is an authentic 350 seat reproduction theatre attracting over 100,000 visitors, providing significant economic impact for the town and wider city region.

Education and community engagement provision are central to the Shakespeare North vision to provide social value. The Playhouse collaborates with existing local government and voluntary sector initiatives and works with priority and isolated groups in the community, for example, ex-offenders, dementia sufferers, children-at-risk, ethnic minorities, travellers, people with mental health issues, people with learning difficulties and people with low employability skills. The use of applied drama work with these groups offers a range of benefits, including:

- Increased skills in communication, conflict resolution and group working.
- Increased personal confidence and self-esteem; and
- Increased sense of ownership of the building and sense of belonging.

An Access Consultant was appointed to ensure the Playhouse is accessible to all, and consultation took place with a Graeae Deaf and Disabled Theatre Company and with disabled community members to further inform the project requirements for access, egress, building lay out, design and facilities. Teacher consultation also took place to understand facility requirements for the very young and for children with special needs.

Appendix 3a – SIF Approval Stages

Stage	Purpose	Approving Body	Approval	Rejection	Resubmission
Strategic Assessment / Pipeline Entry	<p>Assess a project’s initial strategic fit, cost, affordability and commitment to the inclusive economy before entering it into the pipeline and committing resource to working it up.</p> <p>This assessment will enable the progression of the most attractive options.</p>	CA Executive Directors	<p>Projects that are selected to progress will follow the approval path outlined in this document.</p> <p>Progressing beyond this stage is no guarantee of final approval.</p>	<p>Projects which are rejected will receive a concise statement by the CA on what changes would be required in order to pass.</p>	<p>Any projects that are subsequently resubmitted by the project sponsor must make clear how previous CA comments have been addressed.</p> <p>Projects will be re-considered if key variables / parameters have changed, at the discretion of the Combined Authority.</p>
Strategic Outline Case	<p>Assess a project’s strategic fit, deliverability, potential value for money, affordability, and inclusive economy characteristics before progressing it through the assurance process.</p>	<p>Strategic Investment Panel or Fund-Specific Board</p> <p>A body composed of senior Combined Authority & Local Authority officers and external experts</p>	<p>Projects with a SIF request of under £7.5m that are endorsed by the Strategic Investment Panel will progress to FBC, unless there are abnormalities with the project which require further diligence.</p> <p>Projects with a SIF request of over £7.5m, or those with abnormalities which require further diligence, will be required to produce an OBC.</p>	<p>Projects that are not endorsed by the Strategic Investment Panel will not progress but will receive formal feedback.</p> <p>This feedback will include steps available to improve and the support the Combined Authority is willing to provide in taking these steps, if any.</p>	<p>The Combined Authority does not expect any project to be submitted to the Strategic Investment Panel more than twice and reserves the right to permanently exclude a project.</p>
Outline Business Case (For funding requests greater than £7.5m or those with abnormalities requiring further diligence)	<p>To understand in more detail the project and its value proposition. At this stage, projects should be able to produce indicative Heads of Terms, as well as significant detail regarding commitment to social value, environmental impact and equality, diversity & inclusion.</p> <p>Options may still be considered at this stage.</p>	<p>Strategic Investment Panel or Fund-Specific Board*</p> <p>A body composed of senior Combined Authority & Local Authority officers and external experts</p>	<p>Projects endorsed by the Strategic Investment Panel will progress into detailed diligence.</p>	<p>Projects that are not endorsed by the Strategic Investment Panel will not progress but will receive formal feedback.</p> <p>This feedback will include steps available to improve and the support the Combined Authority is willing to provide in taking these steps, if any.</p>	<p>The Combined Authority does not expect any project to be submitted to the Strategic Investment Panel more than twice and reserves the right to permanently exclude a project.</p>

Appendix 3a – SIF Approval Stages

Stage	Purpose	Approving Body	Approval	Rejection	Resubmission
Full Business Case	To provide a full assessment of the project’s credentials, as per the HM Treasury Green Book in line with the Five Cases Model and addressing any questions raised at previous stages through a Full Business Case.	Internal Investment Panel A senior Combined Authority team	The Internal Investment Panel may make any recommendations for modifications to be made in the SIF commitment. Projects endorsed for approval will be submitted to the Combined Authority.	Projects that are rejected will receive reasoned feedback.	The Combined Authority reserves the right permanently to exclude a project.
Approval	To approve SIF requests for projects.	Combined Authority Or to a sub-group nominated by the CA board	Receive delegated authority for officers of the Combined Authority to enter into legal documentation and proceed to disbursing the SIF commitment. For the avoidance of doubt, no funding is committed until legal documentation is entered into and complete.	Projects that are rejected will receive reasoned feedback.	The Combined Authority reserves the right permanently to exclude a project.

**OBCs will typically be considered by the Strategic Investment Panel or a Fund-Specific Board, 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.*

Appendix 3b – SIF Approval Gateway Requirements

Requirement	Strategic Assessment / Pipeline Entry	SOC	OBC	FBC
Spending objectives		Set out in the context of existing arrangements and business need, including sector strategic objectives (Case for Change). Timeline and scope of benefit realisation should also be set out.	Confirmation of objectives, noting any changes to previous.	As required at OBC.
Strategic fit	Fit with priorities described in the SIF Investment Strategy outlined.	Identified preferred way forward that meets spending objectives.	Reviewed and updated with implications of any changes.	Preferred option retested against spending objectives.
Market demand		Consideration of market's likely interest. For land and property projects, a high-level market demand report is required.	Reassessment of project against market demand, and update as necessary.	Market environment and competitive position explained – likely through a statement of need.
Inclusive Economy	Consideration of project sponsor and project's commitments to social value, environmental impact and equality, diversity & inclusion.	Inclusive Economy Assessment completed.	Inclusive Economy Assessment updated accordingly.	Inclusive Economy Assessment finalised.
Equality, diversity & inclusion	As per Inclusive Economy section.	Equality Impact Assessment drafted.	Equality Impact Assessment updated accordingly.	Equality Impact Assessment finalised.
Support for project		Prior endorsement for SIF assurance framework pathway from Delivery Board.	Prior endorsement from the Strategic Investment Panel at SOC.	Prior endorsement from the Strategic Investment Panel at SOC and/or OBC.
Lessons learned			Where applicable, details of similar projects provided, if necessary, through engagement with others who have delivered similar.	As required at OBC.

Appendix 3b – SIF Approval Gateway Requirements

Requirement	Strategic Assessment / Pipeline Entry	SOC	OBC	FBC
Options considered		Shortlist of minimum 4x options identified and considered against critical success factors. One of these should be the 'do nothing' option.	Preferred option clearly identified.	As required at OBC.
Value for money		Evidence of quantifiable public value for proposed options, ensuring this represents additional value.	Economic impact assessment determining value for money, as per Green Book requirements.	As required at OBC.
Outputs and outcomes	Indicative outputs and outcomes identified as per the CA's Monitoring & Evaluation Framework.	Updated in line with the CA's Monitoring & Evaluation Framework.	Update to previous and approach to M&E outlined in draft M&E plan.	Confirmed outputs and outcomes with approach to M&E confirmed in finalised M&E plan.
Logic Model		Draft Logic Model provided.	Logic Model updated accordingly.	Finalised Logic Model.
Stakeholder Engagement		Outline stakeholder engagement plan provided.	Stakeholder engagement plan updated.	Stakeholder engagement plan finalised, with embedding of feedback into business case evidenced.
Procurement		Outline of procurement strategy and timeline.	Update on current procurement status.	Update on procurement position, including details of any completed procurements.
Subsidy Control		Outline of approach to Subsidy Control.	Subsidy Control opinion outlined.	Accepted Subsidy Control position.

Appendix 3b – SIF Approval Gateway Requirements

Requirement	Strategic Assessment / Pipeline Entry	SOC	OBC	FBC
Legal		Identification of any other legal issues which may be relevant.	Draft contract management strategy.	Contract management strategy finalised. management strategy finalised.
Heads of Terms			Indicative HoT provided.	As required at OBC.
Project costs	Indicative total project cost.	Estimated costs (revenue and/or capital) for shortlisted options.	Detailed Whole Life Costings for options, including estimate of operation & maintenance costs where applicable.	As required at OBC, with confirmation of any Tender prices.
Affordability	Indicative CA funding request.	Funding strategy for the project, including any CA and non-CA contributions.	Current funding position outlined.	Confirmation of other funding sources, with justification of rates where applicable. Confirmation that project has funding in place to proceed.
Financial Model		Approximation of project cashflows, including the outline repayment profile.	Financial Model drafted, including cashflows and repayment profile.	Finalised Financial Model, including cashflows and repayment profile.
Risk	Top 3 headline risks identified.	Risks identified and quantified, with appropriate approaches to mitigation outlined.	Update to previous. Plan for risk management and approaches to mitigation confirmed and shared with suppliers and/or delivery partners.	Update to previous.
Timeline		Detailed timeline to FBC, and high-level timeline to delivery.	Indicative timeline to completion.	Detailed timeline to completion including reference to contractor / operator's timelines.

Appendix 3b – SIF Approval Gateway Requirements

Requirement	Strategic Assessment / Pipeline Entry	SOC	OBC	FBC
Governance		Project team, roles and responsibilities identified.	Indicative governance structure for operation phase.	Confirmation that management controls are in place through to completion.
Resources		Understanding of capacity and capability requirements, and plan to bridge any gaps.	Draft resource plan to mature operation.	Detailed resource plan.
Applicant checks		Information on applicant, including grants received over past 5 years; track record of delivering similar projects; company structure; financial accounts; and details of key personnel.	As required at SOC.	Know Your Customer checks completed.
Delivery and operation plan		Outline operation plan provided.	Draft delivery plan provided.	Finalised delivery plan and detailed plan for operation provided.
Quality control		Draft quality plan for project delivery and for deliverables.	As required at SOC.	Final plan for quality control.
Change management			Draft plans for change management.	Confirmed plans for change management, shared with suppliers and/or delivery partners.
Marketing & communication			Draft marketing strategy.	Full marketing strategy.

Appendix 3b – SIF Approval Gateway Requirements

Requirement	Strategic Assessment / Pipeline Entry	SOC	OBC	FBC
Additional Requirements for land & property projects				
Land ownership		Evidence of ownership or legal agreement / leasehold over site.	Red line boundary and legal position over site.	As required at OBC.
Development value		Development value, as stated by applicant.	Independently verified development value.	As required at OBC.
Land costs		Book price and/or confirmation of land costs.	Red Book valuation of site scheme and/or confirmation of land costs.	As required at OBC.
Site specifics		General background on site. Likely to include area, previous public sector intervention and outline technical & environmental situation.	Draft technical and environmental reports. Outcome of wider site investigation & surveys provided.	Finalised technical and environmental reports. Outcome of wider site investigations & surveys provided.
Existing land use		Current use of land, including any income generated.	Updates to previous where necessary.	Updates to previous where necessary.
Proposed land use		Evidence supporting occupancy / rental performance projections and confirmation of any pre-let enquiries.	As required at SOC.	As required at SOC.
Planning		Confirmation of planning assumptions.	Planning timeline provided.	Outline planning and/or date for full approval.

Appendix 3b – SIF Approval Gateway Requirements

Requirement	Strategic Assessment / Pipeline Entry	SOC	OBC	FBC
Design		Conceptual design provided.	RIBA Stage 2 plans. Design review should take place at this stage if applicable.	RIBA Stage 3 plans and GIA/NIA schedules.
Development programme		High level programme to completion provided.	Draft development programme.	Development programme finalised.
Development appraisal		Applicant’s development appraisal, including sources and uses of funding.	Draft development appraisal on behalf of CA, including review of costs undertaken by QS.	Independent development appraisal on behalf of CA, including review of costs undertaken by QS.
Exit strategy		Indicative exit strategy if applicable.	Draft exit strategy if applicable.	Finalised exit strategy if applicable.
Sustainability			Outline approach to sustainability.	Appointment of BREAAAM assessor and confirmation of target rating. Sustainability statement completed.
Remediation			Draft remediation strategy if applicable.	Full remediation strategy if applicable.

Appendix 4 – Change Control Thresholds

	Immaterial Change	Intermediate Change	Material Change
Approval	Director & Treasurer or Monitoring Officer.	Internal Investment Panel.	Fund-Specific Board / External Investment Panel and Combined Authority.
Financial	Financial increments up to the greater of £100k or 5% of the value of the SIF funding approved.	Financial increments up to the greater of £250k or 10% of the value of the SIF funding approved.	Increase in funding requirement by more than 10% or £250k, whichever is greater.
Outputs	Changes in outputs which, in the opinion of the Executive Director of Investment and Delivery (or a nominated delegate) amount to an immaterial change.	Changes in outputs which, in the opinion of the Internal Investment Panel, amount to an intermediate change.	Changes in outputs which, in the opinion of the Internal Investment Panel, amount to a material change.
Timing	Delays in timing in excess of the original funding end date (for either funding and/or outputs) of up to 10%.	Delays in timing in excess of the original funding end date (for either funding and/or outputs) of up to 20%.	Delays in timing in excess of the original funding end date (for either funding and/or outputs) of more than 20%.

