

Liverpool City Region Urban Development Fund – Project Summary

Applicant	Liverpool City Region Combined Authority	
ERDF Sought	£25,000,000 Comprising of £5m from Priority Axis (PA)1, £10m from PA3 and £10m from PA4.	
Total Project Cost	£43,200,000 Match-funding for the investment capital is to be provided on a co-investment basis. For the Fund to be fully matched there is a requirement for £16.8m. The Ex-Ante Assessment provided confirmation that there is market appetite to provide this level of investment on a project-by-project basis.	
Project Dates	Start date: 1 April 2019	Practical and Financial Completion date: 31 December 2023
Key outputs	<ul style="list-style-type: none"> • £16,8m Private investment matching public support to enterprises (non-grants) • 10,722 square metres of public or commercial buildings built or renovated • 15,792 tonnes of Greenhouse Gases reductions 	

The Liverpool City Region Urban Development Fund (LCR UDF) will see the creation of a new Financial Instrument which will deliver assets for research and innovation activity, new and refurbished premises for SME occupancy and low carbon initiatives.

The Ex-Ante Assessment, completed by PWC, identified the market failures in the availability of commercial finance for property development and physical growth projects. The LCR UDF has been designed to complement other sources of public sector finance in the city region, unlock significant levels of private sector investment and deliver growth.

As the fund will be revolving, it will create a sustainable fund to enable transformational local growth and support the City Region's ambition to transition from a grant first to grant last approach, presenting significant value for public money.

Liverpool City Region Combined Authority (LCRCA) have been entrusted to deliver the LCR UDF, they will establish a new Special Purpose Vehicle to directly implement the fund.

A key design feature of the project is to ensure the UDF compliments the existing public sector funds which are available to support growth in the City Region. This includes the Strategic Investment Fund, Chrysalis and Growing Places Fund. The LCRCA Investment Team will provide a coordination role to develop and secure a viable pipeline for the LCR UDF.

Overall the project, will benefit the Liverpool City Region significantly through the development of new, refurbished and energy efficient premises which will enable local growth.

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Liverpool City Region Urban Development Fund – Appraisal Summary

Strategic Fit

The application demonstrates a direct alignment with the Operational Programme, as the financial instrument will invest in enhancing research and innovation infrastructure, the creation and refurbishment of SME premises and the promotion of energy efficiency and renewable energy use in enterprises. The Ex-Ante also provided strong evidence to demonstrate that there is prevalent market failure in the availability of commercial finance for property development projects. As a direct response to this market failure the fund does not duplicate existing provision. The FI is designed to complement other public funding streams available such as Chrysalis and the city region's Strategic Investment Fund.

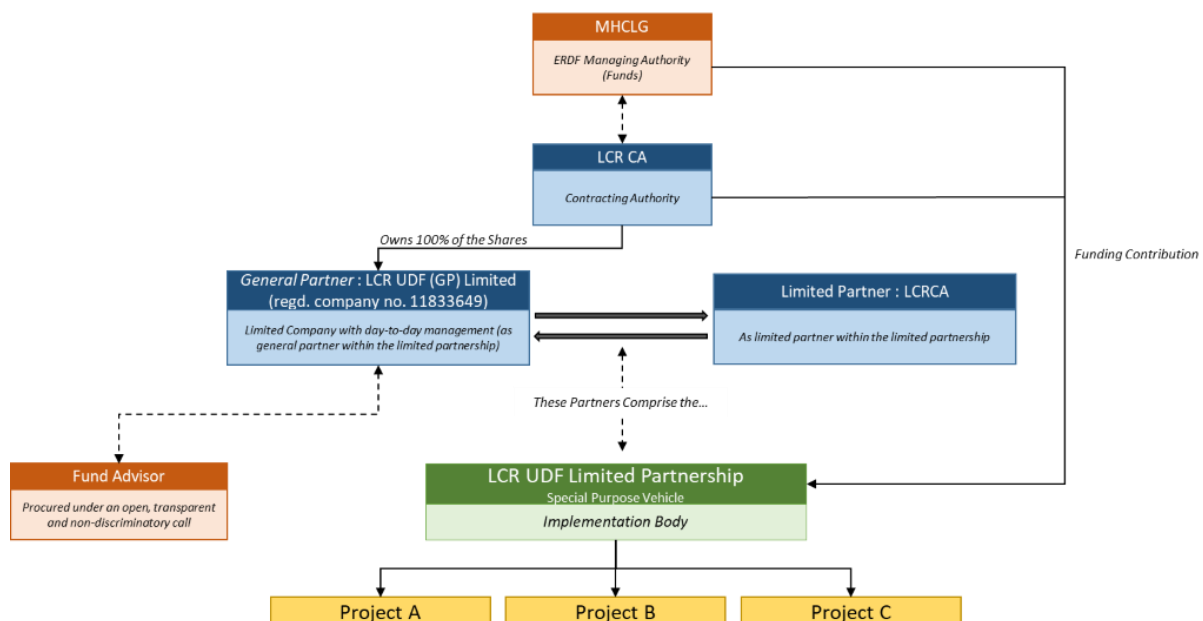
Deliverability

The appraiser has considered the project's deliverability against Article 7 of the Common Delegated Regulation and overall is content with the approach. LCRCA appear to have met the criteria of Article 38 4(b) of the Common Provision Regulations and the Commission's Selection Guidance. Overall, the core project activities appear compliant under the ERDF eligibility rules.

Value for money

The applicant has provided a detailed financial model with their Full Application. The UDF will comprise of £25m of ERDF, a £1.4m contribution from LCRCA and co-investment on a project-by-project basis. Of the ERDF, £5m will be for PA1 projects, £10m for PA3 and £10m PA4. The budget appears to be appropriate for a project of this nature. Services will be competitively procured to drive value for money further. The proposed outputs compare favourably against benchmarks in the Operational Programme and will deliver tangible outcomes for the city region.

Management and financial control



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The application outlines the legal and delivery structure to a satisfactory standard. The UDF will be established as a new entity owned by the LCRCA. An independent Fund Advisor will be procured to manage the end-to-end investment process. New posts are being created within the LCRCA to deliver the daily functions of the SPV and a strong network of support will be provided at no cost by other Combined Authority teams, such as Finance, Legal and Procurement. The applicant has provided a Treasury Management strategy which provides suitable comfort that appropriate accounting infrastructure will be in place.

Compliance

The applicant has provided adequate detail in the application and compliance report as to how State Aid will be managed. The Government Legal Department have confirmed that they are content with this approach. Despite having extensive procurement experience the LCRCA may need to engage external advice to support the Fund Advisor procurement process. The proposed procedures appear to be compliant.

Cross-cutting themes

The LCRCA UDF will make a positive contribution towards sustainable development by supporting physical assets that are built to the highest environmental credentials. The applicant has confirmed they have well-established equality policies and practices in place, which will be adhered to in terms of employment of any new staff. Any procured suppliers will be expected to have similar policies in place.