

Report Title LCR Tech Accelerator

Portfolio Holder Inclusive Economy and Third Sector

Summary of decision being sought

This report seeks funding of £4.1m of funding to support the development of a Tech Accelerator in the Liverpool City Region.

Is this report exempt? No **Reason for Exemption** Can be found [at pages 126 & 127](#)

Is this a Key Decision Yes

Local Authorities affected All

Impact and implications of this report

Financial impact Yes

Dispensation of decision sought and details of approval N/A

Supporting the Corporate Plan

Tick which ones are appropriate

A Fairer City Region
A Stronger City Region
A Cleaner City Region
A Connected City Region
A Vibrant City Region

Climate Change Implications Yes

Equality and Diversity implications Yes

Social Value implications Yes

Human Resources implications No

Physical Assets implications No

Information Technology implications No

Legal implications Yes

Privacy implications No

Communication and consultation implications Yes

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Appendices

07769365575

Yes

Background Documents

No

LIVERPOOL CITY REGION COMBINED AUTHORITY

To: Liverpool City Region Combined Authority

Meeting: 22 July 2022

REPORT OF THE PORTFOLIO HOLDER INCLUSIVE ECONOMY AND THIRD SECTOR AND EXECUTIVE DIRECTOR OF INVESTMENT AND DELIVERY

STRATEGIC INVESTMENT FUND - LCR TECH ACCELERATOR

1. PURPOSE OF REPORT

- 1.1. This report seeks Combined Authority (LCRCA) approval to award Strategic Investment Funding (SIF) to support the development and delivery of the LCR Tech Accelerator (the Project). The Project will support small and medium sized enterprises (SMEs) in the tech industry to grow and create jobs for LCR residents, through intensive specialised support, mentoring from national/international experts and leveraged funding opportunities in the private sector. The Project has been developed by a Consortium (including tech entrepreneurs, Baltic Creative CIC, Brabners and LCRCA) and will be led by a new company (NewCo) established for this purpose.

2. RECOMMENDATIONS

- 2.1. It is recommended that the LCRCA:

- (a) Approve £4.1m from SIF Gainshare Revenue for the Project.

- (b) Grant delegated authority to the Executive Director of Investment and Delivery to finalise negotiations of detailed funding terms and associated agreements for the Project specified at (a) above in consultation with the Combined Authority Monitoring Officer and Combined Authority Treasurer.

3. PROJECT SUMMARY

Background

- 3.1. A "Tech Accelerator" is typically an intensive programme for tech start-up businesses that provides a supportive environment, hard to find expertise and connections and cash investment in return for equity, so they can enter markets and raise funding from early stage investors. The most common length of an accelerator programme cohort is 3 months.
- 3.2. In summer 2021 a feasibility study was conducted to assess the need, demand and opportunity for a Tech Accelerator in the Liverpool City Region. As this is a

commissioned Recovery Plan project, the feasibility study was funded by SIF pre-development and overseen by a steering group with representatives from the CA and a consortium of entrepreneurs and business leaders from the city region. The study concluded that *‘there is both great enthusiasm and support from within the city region for a tech accelerator, and that there is a need and exciting opportunity that a tech accelerator could answer’*.

The Need

- 3.3. The feasibility study identified Liverpool City Region as a sub-optimal “tech ecosystem”. That means relatively few start-ups make it to become large scale ups, with a higher proportion of start-ups falling away at each stage of growth than in an “optimal” functioning ecosystem.
- 3.4. The features of LCRs sub-optimal ecosystem include; poor connectivity between start-ups spread across the region, lack of funding knowledge and networks amongst founders, lack of specialised support and mentoring, lack of pathways between start-ups and corporates, lack of developer talent for scaling companies, lack of deal flow for investors.
- 3.5. LCR lacks the specific focused growth and investment support that an accelerator would provide for early-stage high growth tech businesses, as well as focused initiatives that build deal flow in the city region to attract the interest of angel and VC investors. It is recognised that there is a market failure in the Liverpool City region as it has an under-developed tech ecosystem and is currently not well positioned to maximise the benefits of the tech sector such as attracting investors and high-productivity job growth.

The Project

- 3.6. To address these challenges, the Consortium is seeking £4.1m of SIF funding from Gainshare Revenue, to set up a NewCo to deliver the LCR Tech Accelerator over a five year period. An additional £0.798m will be leveraged from the private sector to support the project over this period.
- 3.7. This funding would support the development of a NewCo to deliver all the activities of the Accelerator, delivering 5 x cohort accelerator programmes in the LCR over a 5-year period, supporting 7-12 companies in each cohort. This support will include a combination of:
 - **Finance** – Supporting ventures to develop an ideal funding strategy, developing compelling investor pitches, and facilitate introductions to investors. Collaborating with other finance initiatives such as LCR Angels, the LCR Seed Fund and Finance Hub to leverage additional introductions and funding.
 - **Mentors, networks and knowledge** – Supporting founders to develop knowledge in key areas of business development through weekly expert-led masterclasses, and matching them with sector leading mentors to provide regular advice, support and introductions.
 - **Customers and Markets** – Through partnerships and networks, the Accelerator aims to support participants with market opportunities, for example with large corporates such as the Very Group.

- 3.8. The project will be delivered by a not for profit NewCo, with a Board of Directors appointed to govern the organisation. An Advisory Panel (made up of voluntary members from a diverse range of backgrounds/experiences) will be appointed to act as a project steering group. It is proposed that Claire Lewis, who has worked with the Consortium for the past year, assume initial responsibility for the Accelerator for mobilising the NewCo. As part of this mobilisation phase, the recruitment process for a new CEO would be designed and implemented.
- 3.9. The project aims to:
- Help innovation-led tech businesses, with the greatest potential, to scale faster with direct investment and support.
 - Give locally founded start-ups a compelling reason to stay and grow in the City Region.
 - Attract national and international start-ups, mentors and investors to the LCR to engage and create local job opportunities.
 - Provide growth pathways for start-ups led by underrepresented groups, and those displaying 'good growth' characteristics.
 - Establish an investment vehicle and model that brings together funding from public and private sector stakeholders to create long-term returns for reinvestment.

4. IMPACT AND IMPLICATIONS

4.1. Financial

In addition to the £4.1m of Gainshare Revenue requested from SIF, the LCRCA has also contributed £163.5k Pre-Development funding towards the development of the Project.

4.2. Supporting the Corporate Plan

Approval will support the Corporate Plan by strengthening the LCR's business support offering, specifically in regard to businesses with high growth potential.

4.3. Climate Change

The Project will use 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
- support businesses in establishing net zero commitments and a roadmap as they scale
- embed management of climate risk into the business' governance and business model
- explore the business' product market fit within the context of climate change

4.4. Equality and Diversity

An equality impact assessment will be completed for the LCR Tech Accelerator. The Accelerator is committed to 'ensuring a diverse pipeline of accelerator applicants', working with a range of local partners (including CA Race Equality Team, Nia Black Business Hub and the Women's Org) to make sure minority and underserved groups are well represented and supported. At least 10% of founders they work with will be from ethnic minority backgrounds. No negative equality and diversity impacts will arise as a result of the approval.

4.5. Social Value

All projects funded by the High Growth Innovation Fund must (as a condition of funding) undertake significant social value activities in the LCR.

4.6. Legal

If approved, the LCRCA will enter into Funding Agreements with Baltic Creative CIC and the new company, once established, which will be drafted by Legal Services in accordance with agreed Head of Terms for the scheme. The proposed funding arrangements will be subject to the UK's Subsidy Control Commitments, which replaced EU State Aid rules for all funding arrangements agreed after 1 January 2021 (the end of the Brexit transition period). This includes principles on subsidy control which are set out in the UK-EU Trade and Co-operation Agreement.

4.5. **Physical Assets**

There are no physical asset implications arising from this report.

4.6. **Information Technology**

There are no IT implications arising from this report.

4.7. **Risks and Mitigation**

- Lack of mentors. Challenges with recruitment, insufficient time to commit to working with founders, or poorly matched skillsets with founders. To mitigate this, the Project will provide a recruitment and onboarding process for mentors that screens their suitability, a process for matching suitable mentors to companies and a mentor programme that provides guidelines for mentors in their engagement with companies.
- Demand from applicants. The Accelerator fails to attract sufficiently high-quality applicants to its programmes resulting in poor quality deal flow. To mitigate this, the Project will focus on developing a strong brand as well as investing in significant community engagement. Initial soft marketing testing indicates strong demand for the proposed programme.

4.8. **Communication and Consultation**

The Growth Platform will be required to comply with the Combined Authority's branding guidelines and publicity requirements within the funding agreement.

5. CONCLUSION

- 5.1. This report presents the proposed development of a Tech Accelerator to support the growth of the tech ecosystem in the City Region by supporting the City Region's tech businesses to allow them to grow and create good quality jobs for LCR residents.
- 5.2. Delegated approval is sought for the Executive Director of Investment and Delivery to proceed with the finalisation of the funding agreements in consultation with the Combined Authority Monitoring Officer and Combined Authority Treasurer.

**AILEEN JONES
EXECUTIVE DIRECTOR OF
INVESTMENT AND DELIVERY**

**PORTFOLIO HOLDER FOR INCLUSIVE
ECONOMY AND THIRD SECTOR**

Appendices:

Appendix One – Investment Panel FBC (Exempt)