UK Research and Innovation

Further guidance: private sector leverage in the LIPF

Aims and objectives

The Local Innovation Partnerships Fund (LIPF) aims to grow high-potential innovation clusters across the UK – driving economic growth, stronger innovation capacity and capability, and higher value jobs and skills.

Catalysing additional investment from the private sector[1] ('private sector leverage') is vital to maximising this impact. Each region's LIPF portfolio is therefore required to generate a minimum private to public investment ratio of 1:1 during the programme's five-year delivery phase (financial years 2026/27 to 2030/31) and a minimum of 2:1 – ideally 3:1 – across its seven-year reporting period (financial years 2026/27 to 2032/33).

Types of private sector leverage

LIPF's seven-year reporting period means that projects should be able to attract and incentivise private sector leverage in a range of ways. Some of these may already be known at project inception, such as pledged contributions from businesses. Others will take longer to generate. We do not expect projects to secure all their additional investment upfront; what is important is a clear plan for generating it.

In the short- to medium-term, we expect projects to attract:

- **Co-investment,** whether cash or verified in-kind contributions, committed at the start of the project.

- **Follow-on investment** from private sector organisations involved in the project or secured by the team because of the LIPF investment (whether during or after the project).

In the longer term, we expect projects to attract:

- **External investment** in LIPF-supported businesses (including new start-ups or spin-outs), such as venture capital investment, debt finance, or mergers and acquisitions activity. This is more likely after the project ends, where external funders are investing in a company rather than a specific idea funded by LIPF.

- **Indirect investment** generated through secondary effects on a local economy, such as spillover or cluster impacts. As these effects are more diffuse and harder to measure, we would expect to find them at the impact evaluation stage.

Tracking private sector leverage

To ensure each LIPF portfolio and the overall LIPF programme meets its private sector leverage targets, we will need to track progress regularly and consistently. We will do this through a combination of quarterly monitoring (for short- and medium-term types of investment) and annual monitoring and / or impact evaluation (for longer-term types). All projects should be able to break down their monitoring reports by source (for example, business or third sector) and be able to provide evidence on request to back them up.

---

[1] We define the private sector as businesses and non-public funders, by which we mean organisations that do not receive core funding from UK government. For example, we consider privately funded charities or philanthropic donors private, but not universities or Horizon Europe.

Given the difference in timeframes, what follows below is more detailed guidance on what is 'countable' towards the types of leverage we expect to track in the short- and medium-term only – namely private co-investment and follow-on private investment.

Countable co-investment and follow-on investment

To count towards the LIPF's private leverage targets, all co-investment and follow-on investment must be from businesses or non-public sources (see footnote 1). Both UK and overseas sources are valid.

These investments can either be cash or a verified type of in-kind contribution, as set out below. However, they must be specifically for the purpose of research and innovation and attributable to the LIPF project. Future revenue streams, supplier discounts, and investment already committed as leverage on other (non-LIPF) public funded grants are not countable.

Countable cash contributions:

- A cash donation provided to the project in line with its objectives. This would include the contribution a business is legally required to make to receive a subsidy through the LIPF.

- Recurrent cash or grant funding for ongoing project activity.

Countable in-kind contributions:

- New equipment purchases dedicated to the project's objectives and critical to delivering project activity. Where the equipment has a life exceeding the project duration, the remaining depreciated cost of the equipment should be deducted, unless it can be shown that the partnership will benefit from its use after LIPF ends.

    - The equipment must be available to project members as required for the project. Access to the equipment does not have to be restricted to the project members, but only the value equating to the time used for the project can be counted towards the ratio requirements.

- Equipment / products produced by a partner at the cost of manufacture.

- Equipment-specific consumable materials (for example, material used in 3D printing) at the cost of manufacture.

- Access to specific equipment and facilities critical to achieve the outcomes of the project, such as access to labs and use of lab equipment, or floor space in another environment relevant to the work of the project. If the facility is owned or managed by a project partner, the contribution must be at the internal (cost) rate.

- Facilities refurbishment, if the upgrade will increase the capability of the facilities. This contribution must be justified in addition to any estate costs already factored in.

- All, or part of, the pro-rata gross salary cost associated with people employed on the project to do work critical to its delivery (for example, research or innovation staff, technicians or specialists, or professional staff with an enabling function). This must not already be costed on the grant or through other ineligible public sources.