

Date: 26 March 2021

Subject: GM Investment Framework, Conditional Project Approval and temporary delegation

Report of: Councillor David Molyneux, Portfolio Lead for Investment and Resources and Eamonn Boylan, Portfolio Lead Chief Executive for Investment

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## **PURPOSE OF REPORT:**

This report seeks Greater Manchester Combined Authority (“Combined Authority” and “GMCA”) approval for equity investments in Bankifi Technology Limited (“Bankifi”); and Dr Fertility Limited (“Dr Fertility”); and approval for loans to Total Swimming Holdings Limited; Erlson Precision Holdings Limited (“Erlson”) and Waterside Places Limited - Islington Wharf Phase 4. The investments will be made from recycled funds.

Further details regarding the investments are included in the accompanying Part B report to be considered in the confidential part of the agenda due to the commercially sensitive nature of the information.

In view of the prolonged timeframe between the Combined Authority’s meetings in March and May 2021, this report seeks approval to delegate authority to the Combined Authority Chief Executive in consultation with the Combined Authority Treasurer and the Portfolio Lead for Investment and Resources, to approve projects for funding and agree urgent variations to the terms of funding previously approved by the Combined Authority, for the period 27 March 2021 to 27 May 2021.

Any recommendations that are approved under the delegation will be reported to the next available meeting of the Combined Authority.

## **RECOMMENDATIONS:**

**The GMCA is requested to:**

1. approve the funding application for Bankifi (equity investment of £700,000), and progress to due diligence;
2. approve the funding application for Dr Fertility (equity investment of £750,000), and progress to due diligence;

<u>BOLTON</u>	<u>MANCHESTER</u>	<u>ROCHDALE</u>	<u>STOCKPORT</u>	<u>TRAFFORD</u>
<u>BURY</u>	<u>OLDHAM</u>	<u>SALFORD</u>	<u>TAMESIDE</u>	<u>WIGAN</u>

3. approve the funding application for Total Swimming Holdings Limited (an additional loan facility of £2,000,000) and progress to due diligence;
4. approve the funding application for Erlson Precision Holdings Limited (“Erlson”) (a loan facility of £500,000) and progress to due diligence;
5. approve the funding application for Waterside Places Limited (a loan facility of £8,000,000) and progress to due diligence;
6. delegate authority to the Combined Authority Treasurer and Combined Authority Monitoring Officer to review the due diligence information in respect of the above companies, and, subject to their satisfactory review and agreement of the due diligence information and the overall detailed commercial terms of the transactions, to sign off any outstanding conditions, issue final approvals and complete any necessary related documentation in respect of the investments at 1, 2, 3 4 and 5 above; and
7. delegate authority to the Combined Authority Chief Executive and the Combined Authority Treasurer, in consultation with the Portfolio Lead for Investment and Resources, to approve projects for funding and agree urgent variations to the terms of funding in the period 27 March 2021 to 27 May 2021. Any recommendations that are approved under the delegation will be reported to the next available meeting of the Combined Authority.

## **CONTACT OFFICERS:**

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### **Equalities Implications:**

Not applicable.

### **Climate Change Impact Assessment and Mitigation Measures:**

None.

### **Risk Management:**

The investments noted in this paper will be governed under the existing investment framework which includes several levels of review and ongoing monitoring of performance.

### **Legal Considerations:**

The legal agreements will be based upon the existing templates for the GM Investment Fund, amended for the specific requirements of the individual funding arrangements.

**Financial Consequences – Revenue:**

There are no revenue implications.

**Financial Consequences – Capital:**

The proposed loans will be made from recycled funds.

**Number of attachments to the report:**

None.

**Comments/recommendations from Overview & Scrutiny Committee:**

None.

**BACKGROUND PAPERS:**

None.

<b>TRACKING/PROCESS</b>	
Does this report relate to a major strategic decision, as set out in the GMCA Constitution	YES
<b>EXEMPTION FROM CALL IN</b>	
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?	NO PUBLIC DOMAIN RELEASE DATE: 26 MARCH 2036
GM Transport Committee	N/A
Overview & Scrutiny Committee	N/A

**1. INTRODUCTION/BACKGROUND**

- 1.1 The Combined Authority maintains and develops a pipeline of projects submitted by applicants seeking funding from the Combined Authority's Core Investment Funds allocation. These projects are assessed against criteria based on the GM Investment Strategy, developed to underpin the economic growth of Greater Manchester. A condition of investment is that the companies sign up as a supporter of the Greater Manchester Good Employment Charter.
- 1.2 This assessment incorporated:
- a) an appraisal by the GM Core Investment Team; and
  - b) a review by a sub-group of GM Chief Executives.

## **2. INVESTMENTS RECOMMENDED FOR APPROVAL IN PRINCIPLE**

### **2.1 Bankifi Technology Limited (“Bankifi”), Manchester Sector: Digital and creative**

The business case in respect of a £700,000 equity investment into Bankifi has been submitted to, and appraised by, the Core Investment Team and is recommended to the Combined Authority for conditional approval.

Bankifi has produced two core business administration products which will be used by micro and small businesses. The products will be principally sold to banks to be offered to their business account holders.

Bankifi’s products are ready for sale and are in the initial stages of release. The business administration package has been sold to a long-established high-street bank which is now in the process of integrating the product into its service offering to its account holders. This anchor customer has been key to the business and adds credibility to its potential customers that it can deliver solutions to banks.

The investment is part of a larger round totalling £2.1m and is to fund the employment of operational customer service staff and expand the Company’s infrastructure. The business expects to create 28 posts by the end of 2022.

### **2.2 Dr Fertility Limited (“Dr Fertility”), Manchester Sector: Digital & Creative, Life Sciences**

The business case in respect of a £750,000 equity investment into Dr Fertility has been submitted to, and appraised by, the Core Investment Team and is recommended to the Combined Authority for conditional approval.

Dr Fertility combine fertility education, products and services in a single online platform to support people wherever they are on their fertility journey.

Dr Fertility is registered with the Care Quality Commission (CQC) as an online primary care provider for fertility, this enables them to provide medical advice through video consultations, diagnostic testing and treatments.

The business currently employs 9 individuals in Manchester and is forecast to employ 21 further individuals over 2 years, particularly in skilled roles such as digital marketing, compliance and patient safety. Significant investment in people will provide a strong base for the business to further expand.

The investment is as part of a larger round totaling £1.5m, and is to fund new employment, marketing and working capital.

### **2.3 Total Swimming Holdings Limited, Bury Sector: Leisure**

The business case in respect of Total Swimming Holdings Limited (an additional loan facility of £2,000,000) has been submitted to, and appraised by, the Core Investment

Team and, subject to the outcome of further due diligence, is recommended to the Combined Authority for conditional approval.

Total Swimming Holdings Ltd is the holding company for a group of swim-provision businesses, including Swim Sports Company Limited, which received a loan of £500,000 from the GMCA in November 2019. The Group employs 30 staff at their head office in Bury, with a further 12 staff at their Oldham facility which opened in July 2020. Despite the pandemic, management demonstrated that the business model is resilient and are now looking to roll-out 5 additional sites, including two in GM, adding much needed learn to swim provision in the region.

The management team has good experience in delivering both the fit-out and operation of the facilities, and also in providing a high quality of service in the learn to swim provision, providing a sound business model and has demonstrated this in the delivery of the Oldham site and the site in Warrington. This provision will support the high-level of demand for these services in the area, and lead to improved health outcomes for children.

The capital expenditure and working capital requirements of opening the new facilities will total £3,000,000 and in order to deliver it, the business has requested a term loan of £2,000,000 from the GMCA, to be matched by £1,000,000 from the business.

#### **2.4 Erlson Precision Holdings Limited (“Erlson”), Trafford Sector: Advanced Manufacturing**

The business case in respect of a £500,000 loan into Erlson has been submitted to, and appraised by, the Core Investment Team and is recommended to the Combined Authority for conditional approval.

Erlson is an established manufacturer of precisely engineered parts for truck & car engines, aeroplanes, and parts for air conditioning units with a blue chip customer base. Following a difficult trading year in 2020 due to the pandemic, the business has seen a return to previous trading levels over recent months.

The Group is based across 3 sites – one in Skelmersdale, Lancashire (7,000 sqm, 147 employees), and 2 sites in Altrincham, Trafford (110 employees, 4,500 sqm). The Altrincham site focuses on the manufacture of turbocharger compressor wheels and air conditioning impellers from aluminium along with castings for the aerospace, defence and oil & gas sectors.

The funding is to provide the business with working capital headroom and leverage a £3m private sector funding package, and will support the retention of 110 jobs at Erlson’s Altrincham site.

#### **2.5 Waterside Places Limited - Islington Wharf, Manchester Sector: Property**

Waterside Places is seeking a loan of £8m from the recycled Growing Places Fund, alongside a loan of £8.3m from the GM Housing Investment Loan Fund (as set out in the recommendation paper for the GMHILF), for the construction of 106 apartments in New Islington, Manchester. Planning permission was granted in August 2020.

The loan will deliver the fourth and final phase of a long term redevelopment programme of sites in a strategic location. There is no affordable housing or Section 106 requirement as a result of the price paid to acquire the site being fixed under an historic agreement which predates the City Council's Affordable Housing Supplementary Planning Document (SPD) of 2008 (i.e. the price was based on planning consent with no provision for affordable housing) and is therefore exempt from the requirements set out in the adopted SPD, together with a viability appraisal which demonstrates that the scheme is not commercially viable if a requirement for affordable housing/a Section 106 contribution is introduced.

- 2.6 Further details regarding the investments are included in the accompanying Part B report to be considered in the confidential part of the agenda due to the commercially sensitive nature of the information.

### **3. DELEGATION**

- 3.1 A delegation is sought to allow urgent recommendations for funding to be conditionally approved in the period between the Combined Authority's March and May 2021 meetings. It is proposed that authority be delegated to the Combined Authority Chief Executive and the Combined Authority Treasurer in consultation with the Portfolio Lead for Investment and Resources to approve projects for funding and agree urgent variations to the terms of funding previously approved by the Combined Authority.
- 3.2 Any recommendations approved under the delegation will be subject to the usual due diligence processes and will be reported to the next available meeting of the Combined Authority.