

Date: 24<sup>th</sup> September 2021

Subject: GM Investment Framework, Conditional Project Approval

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 an investment into a second Life Sciences Fund (“LSF2”). The investment will be made from recycled funds.

Further details regarding the investment 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.

## **RECOMMENDATIONS:**

**The GMCA is requested to:**

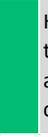
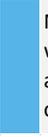
- 1 approve an investment of £10m into a second Life Sciences Fund.
- 2 delegate authority to the Combined Authority Treasurer and Combined Authority Monitoring Officer to review the due diligence information in respect of the above company, and, subject to their satisfactory review and agreement of the due diligence information and the overall detailed commercial terms of the investment, to sign off any outstanding conditions, issue final approvals and complete any necessary related documentation in respect of the investment noted above.

## **CONTACT OFFICERS:**

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# Equalities Impact, Carbon and Sustainability Assessment:

Impacts Questionnaire		
Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health	G	
Resilience and Adaptation		
Housing		
Economy	G	
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target	It does not impact the target.	
<b>Further Assessment(s):</b>	Equalities Impact Assessment	
	Positive impacts overall, whether long or short term.	 Mix of positive and negative impacts. Trade-offs to consider.
	Mostly negative, with at least one positive aspect. Trade-offs to consider.	 Negative impacts overall.

Carbon Assessment		
Overall Score	<input type="text"/>	
Buildings	Result	Justification/Mitigation
New Build residential	N/A	
Residential building(s) renovation/maintenance	N/A	
New Build Commercial/Industrial	N/A	
<b>Transport</b>		
Active travel and public transport	N/A	
Roads, Parking and Vehicle Access	N/A	
Access to amenities	N/A	
Vehicle procurement	N/A	
<b>Land Use</b>		
Land use	N/A	
No associated carbon impacts expected.	 High standard in terms of practice and awareness on carbon.	 Mostly best practice with a good level of awareness on carbon.
	 Partially meets best practice/ awareness, significant room to improve.	 Not best practice and/ or insufficient awareness of carbon impacts.

## Risk Management:

The investment 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 agreement will be based on that in place for the existing Life Sciences Fund.

## Financial Consequences – Revenue:

There are no revenue implications.

## Financial Consequences – Capital:

The proposed investment 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: 24 SEPTEMBER 2036
GM Transport Committee	N/A
Overview & Scrutiny Committee	N/A

## 1. Background

1.1 The Life Sciences Fund (“LSF1”) was established in September 2015 in partnership with Cheshire East Council, Cheshire & Warrington LEP and Bruntwood SciTech (“Limited Partners”). The Fund is externally managed by Catapult Ventures (“Catapult”) and based at Alderley Park.

1.2 The GMCA committed to investing £10m into LSF1 and the total fund size was £30.7m. LSF1 closed for new investments in June 2021 and a summary of the investment position is included within the part b section of the agenda.

1.3 LSF1 has a 15-year life cycle, with follow on investments being permitted (subject to capital) up to year 10 (2025).

1.4 In 2019, £10m of funding was ringfenced in the recycled core investment funds for the creation of a second fund (“LSF2”) and discussions commenced with the other Limited Partners. The Limited Partners are now in a position to progress the establishment of LSF2.

1.5 There is sufficient evidence from the first fund to support the establishment of LSF2, and as with the original fund, a specialist fund manager with life sciences skills will be procured. Alongside bringing life sciences sector experience, having a dedicated fund with an appointed manager allows for a portfolio approach to be taken to the sector, which will likely be more successful from a returns perspective.

## **2. Demand**

2.1 LSF1 has demonstrated that there is high demand for a regional life sciences fund – analysis of this is included in the part b section of the agenda.

## **3. LSF1 performance**

3.1 As the investments will take several years to mature and then for LSF1 to exit, it is not possible at this point to estimate the potential financial return to the investors. Due to the early stage and high-risk nature of some of the investees’ business models, a relatively high failure rate is assumed but this is expected to be balanced by profits made from the best performers. A summary of LSF1’s performance to date is included in the part b section of the agenda.

3.2 It should be noted that the source of funding for LSF1 was Local Growth Fund and any returns will therefore be returned to the GMCA balance sheet. Given the high-risk nature of the fund and the uncertainty around the timing of returns, the recycled Local Growth Fund cash flow does not include any allowance for returns from LSF1.

## **4. Update on status of new fund**

4.1 The Limited Partners are in their final stages of obtaining approval to commit up to £20m to LSF2.

4.2 As noted above, £10m of funding has been ringfenced from the Core Investment Fund. If the GMCA invests the £10m this will take the potential fund size to £30m, in line with LSF1.

4.3 As LSF1 has closed for new investments, the Limited Partners are keen to establish LSF2 and commence operations as soon as possible to build on the momentum and pipeline of LSF1. It is likely the establishment of the fund will take at least six months given the requirement for a full procurement process.

## **5. Recommendation**

5.1 In order to capitalise on the success of deploying LSF1 and the support it has provided to businesses within GM and the surrounding area, it is recommended that the £10m of ringfenced recycled core investment funds be committed to establishing LSF2, with the requirement that at least £10m of the new fund be invested within GM.