

Greater Manchester Combined Authority

Date: 27th May 2022

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

Purpose of Report

This report seeks Greater Manchester Combined Authority (“Combined Authority” and “GMCA”) approval for loans to Citylabs 4.0 Limited (“Citylabs 4”), Vector Homes Limited (“Vector”) and Apadmi Group Limited (“Apadmi”). The investments will be made from recycled funds.

In addition, the GMCA is to note that an investment into Northern Gritstone Ltd and follow-on investment into Bank North Ltd were approved under delegation.

Further details regarding these loans 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 the loan facility of up to £11.1m to Citylabs 4.0 Limited;
2. approve the loan to Vector Homes Limited of £150,000;
3. approve the follow-on loan to Apadmi Group Ltd of up to £2.7m;
4. note the investment into Northern Gritstone Ltd of £1.5m;
5. note the follow-on investment into Bank North Ltd of £500,000 approved under delegation; and
6. delegate authority to the Combined Authority Treasurer and Combined Authority Monitoring Officer to review the due diligence information in respect of the above loans, and, subject to their satisfactory review and agreement of the due diligence information and the overall detailed commercial terms of the loans, to sign off any outstanding conditions, issue final approvals and complete any necessary related documentation in respect of the loans noted above.

Contact Officers

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Equalities Impact, Carbon and Sustainability Assessment

A) Citylabs 4.0 Limited

Impacts Questionnaire			
Impact Indicator	Result	Justification/Mitigation	
Equality and Inclusion			
Health			
Resilience and Adaptation			
Housing			
Economy	G	Supports innovation in the region Significant jobs are expected to be associated with the development. Research and innovation centre to provide good quality jobs in the region. High quality laboratory space to support ongoing research along the Oxford Road Corridor. Potential occupiers may bring significant inward investment to the region.	
Mobility and Connectivity			
Carbon, Nature and Environment			
Consumption and Production			
Contribution to achieving the GM Carbon Neutral 2038 target	N/A		
Further Assessment(s):	Equalities Impact Assessment and Carbon 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



Buildings	Result	Justification/Mitigation
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New Build residential	N/A	
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Residential building(s) renovation/maintenance	N/A	
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New Build Commercial/Industrial		EPC A and solar roof included alongside good cycling amenities.
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Transport

Active travel and public transport	N/A	
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Roads, Parking and Vehicle Access	N/A	
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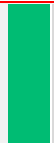
Access to amenities	N/A	
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Vehicle procurement	N/A	
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Land Use

Land use	N/A	
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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.

B) Vector Homes Limited

Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
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Equality and Inclusion		
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Health		
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Resilience and Adaptation		
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Housing	G	Innovation in the sector may provide access to sustainable low cost housing. The development of this sustainable modular housing concept may lead to additional affordable housing being delivered.
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Economy	G	Supports innovation in the region c20 jobs to be created in Manchester Research and innovation centre to provide good quality jobs in the region. Continued fundraising will bring significant inward investment as the company grows.
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Mobility and Connectivity		
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Carbon, Nature and Environment	G	Delivery of sustainable low carbon homes is a key component of the plan to reduce carbon emissions across the region.
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Consumption and Production		
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Contribution to achieving the GM Carbon Neutral 2038 target		Delivery of sustainable low carbon homes is a key component of the plan to reduce carbon emissions across the region.
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Further Assessment(s):

Equalities Impact Assessment and Carbon 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



Buildings	Result	Justification/Mitigation
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New Build residential		To be confirmed. Demonstrator house to confirm but significant embodied carbon expected.
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Residential building(s) renovation/maintenanc	N/A	
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New Build Commercial/ Industrial	N/A	
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Transport

Active travel and public transport	N/A	
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Roads, Parking and Vehicle Access	N/A	
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Access to amenities	N/A	
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Vehicle procurement	N/A	
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Land Use

Land use	N/A	
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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.

C) Apadmi Group Limited

Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
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Equality and Inclusion		
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Health		
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Resilience and Adaptation		
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Housing		
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Economy		Acquisition will create growth at the HQ in salford 150 jobs to be created in Salford Strategic app development
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Mobility and Connectivity		
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Carbon, Nature and Environment		
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Consumption and Production		
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Contribution to achieving the GM Carbon Neutral 2038 target		
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Further Assessment(s): N/A

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

Buildings	Result	Justification/Mitigation
New Build residential	N/A	
Residential building(s) renovation/maintenanc	N/A	
New Build Commercial/Industrial	N/A	
Transport		
Active travel and public transport	N/A	
Roads, Parking and Vehicle Access	N/A	
Access to amenities	N/A	
Vehicle procurement	N/A	
Land Use		
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.

D) Bank North Limited

Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing		
Economy	G	Supports SME's in the region with access to finance and creation of high quality jobs.
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		

Further Assessment(s): N/A

Positive impacts overall, whether long or short term.

Mix of positive and negative impacts. Trade-offs to consider.




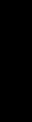
Mostly negative, with at least one positive aspect. Trade-offs to consider.

Negative impacts overall.

Carbon Assessment


Overall Score

Buildings	Result	Justification/Mitigation
New Build residential	N/A	
Residential building(s) renovation/maintenanc	N/A	
New Build Commercial/Industrial	N/A	
Transport		
Active travel and public transport	N/A	
Roads, Parking and Vehicle Access	N/A	
Access to amenities	N/A	
Vehicle procurement	N/A	
Land Use		
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.
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E) Northern Gritstone Limited

Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing		
Economy		Supports University spin-outs in the region with access to finance and creation of high quality jobs.
Mobility and Connectivity		
Carbon, Nature and Environment		
Consumption and Production		
Contribution to achieving the GM Carbon Neutral 2038 target		

Further Assessment(s): N/A

 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.
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Carbon Assessment

Overall Score

Buildings	Result	Justification/Mitigation
New Build residential	N/A	
Residential building(s) renovation/maintenanc	N/A	
New Build Commercial/Industrial	N/A	
Transport		
Active travel and public transport	N/A	
Roads, Parking and Vehicle Access	N/A	
Access to amenities	N/A	
Vehicle procurement	N/A	
Land Use		
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 loans recommended 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.

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution?

Yes

Exemption from call in

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.

GM Transport Committee

N/A

Overview and Scrutiny Committee

N/A

1. Introduction/Background

1.1. Background:

1.1.1. 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 (at a minimum) a supporter of the Greater Manchester Good Employment Charter.

1.1.2. This assessment incorporated:

- an appraisal by the GM Core Investment Team; and
- a review by a sub-group of GM Chief Executives.

2. Investments Recommended for Approval in Principle

2.1. Citylabs 4.0 Limited, Manchester

Sector: Commercial Property

2.1.1. The business case in respect of a £11.1m development loan facility (inclusive of rolled-up interest) to Citylabs 4.0 Limited has been submitted to, and appraised by the Core Investment Team and is recommended to the Combined Authority for conditional approval.

2.1.2. Citylabs 4.0 follows on from the successful delivery by Bruntwood Scitech of high-quality laboratory and office space along the Oxford Road Corridor in Manchester. Citylabs 4.0 will provide up to 123k sq ft of BREEAM Very Good office and lab space in the region.

2.1.3. Whilst this investment is above the maximum investment size set out in GMCA's Investment Strategy, this has been considered acceptable in light of the low risk profile of the loan, the strategic outputs to be provided, alignment to supporting the life sciences sector with much-needed laboratory space and the additional capacity that this creates in the North West Evergreen Fund which currently has a very strong pipeline.

2.1.4. Further details regarding the loan 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.

2.2. Vector Homes Ltd, Salford

Sector: Low Carbon

2.2.1. The business case in respect of a loan up to £150,000 to Vector has been submitted to, and appraised by, the Core Investment Team and is recommended to the Combined Authority for conditional approval.

2.2.2. Vector is a research and innovation company in the sustainable housing sector, based in Manchester.

2.2.3. The funding will form part of a seed investment round to support the delivery of a demonstrator house which is to be used to both demonstrate the sustainable credentials and provide mortgage and insurability certifications.

2.2.4. The use of recycled materials for the majority of the demonstrator house's components gives the Vector Home a low initial embodied carbon score, something which will then be improved upon through further iterations. In addition, the lightweight nature of the components also reduces transport and assembly emissions.

2.2.5. Further details regarding the loan 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.

2.3. Apadmi Group Ltd – Phase 3, Salford

Sector: Digital & Creative

2.3.1. The business case in respect of a loan up to £2.7m to Apadmi has been submitted to, and appraised by, the Core Investment Team and is recommended to the Combined Authority for conditional approval.

2.3.2. Apadmi is an end-to-end mobile application (“app”) developer and strategic partner to both large and small businesses, based in Salford. The Company have previously received loans from the GMCA totalling £850k in 2015, which have been repaid in full.

2.3.3. The new loan will provide funding for a strategic acquisition for the Company. Apadmi currently employs circa 170 people in Salford, this is forecast to double over the next three years.

2.3.4. Further details regarding the loan 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. Investment approved under delegation

3.1. Bank North Limited – Phase 2, Manchester

Sector: Financial Services

3.1.1. The business case in respect of a £500k investment into Bank North has been submitted to, and appraised by, the Core Investment Team and was approved under delegation.

3.1.2. Bank North is a challenger bank headquartered in Greater Manchester. The Bank is currently Authorised with Restrictions by the Prudential Regulation Authority and is continuing its regulatory journey towards full authorisation later in 2022.

3.1.3. GMCA has previously invested £1.5m into prior funding rounds of Bank North to support its growth plans and this forms part of a further fundraise to support additional SME lending in the North West region.

3.1.4. Bank North currently employs 53 people in the region and this is expected to grow to over 100 following Full Authorisation.

3.1.5. 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.

3.2. Northern Gritstone Limited

3.2.1. Northern Gritstone is an investment vehicle for accelerating spin-outs from the universities of Manchester, Leeds and Sheffield. These spin-outs are often high-risk/high reward and therefore require dedicated financial resource to support the commercialisation of university research.

- 3.2.2. GMCA is recommended to invest up to £1,500,000 as part of a £120m first close of the investment fund. The Fund is expected to deliver strong inward investment to the North West region and provide much-needed access to finance for the underserved early-stage spin-out sector helping to drive innovation in the life sciences, low carbon and advanced materials sectors.
- 3.2.3. Northern Gritstone is expected to launch in June 2022 with a strong pipeline of potential investments across the three universities.
- 3.2.4. 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.