

## GMCA Overview and Scrutiny Committee

Date: 13 December 2023

Subject: Greater Manchester Investment Funds Update

Report of: Councillor Nazia Rehman  
GM Assistant Portfolio Lead for Resources and Investment

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### Purpose of Report

This report provides background on the Greater Manchester Investment Funds and an update on current performance.

### Recommendations:

The Scrutiny Committee is recommended to consider the contents of this report and identify any particular areas for further scrutiny.

### Contact Officers:

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## **Risk Management**

The loans and investments made are subject to assessment processes to minimise the risk of funding being lost – these processes are set out in the accompanying slide pack.

## **Legal Considerations**

Legal agreements relating to the investments/loans are based upon the existing templates for the GM Investment Fund, amended for the specific requirements of the individual funding arrangements.

## **Financial Consequences – Revenue**

Where applicable, investments/loans are made from revenue funding earned during the recycling of the funds.

## **Financial Consequences – Capital**

Where applicable, investments/loans are made from the relevant capital fund – the types of funding are set out in the attached slide pack.

## **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?

No.

## **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.

## **1. Background**

- 1.1 GMCA has a series of investment funds operating across business, commercial property and housing. The funds were initially established in 2013 following the receipt of c. £100m of Regional Growth Fund and Growing Places monies which were principally invested on a recycling basis. Since this date, the funds have grown and there is now c.£470m under management.
- 1.2 The Housing Investment Loan Fund and the Core Fund (totaling £256m) are managed directly by the Core Investment Team with the balance being managed by external fund managers.
- 1.3 GMCA does not borrow from the Public Works Loan Board (PWLB) for its investment funds – funding has been sourced either from government or through previous European funding rounds.
- 1.4 The Funds seek to fill a gap in the market and are, therefore, available to companies if they cannot raise all of the money that they need from the private sector.

## **2. Purpose**

- 2.1 The purpose of this paper is to provide Scrutiny Committee with an overview of the funds and the attached paper seeks to cover the following points:
- Highlights of the Fund's achievements to date
  - An overview of all of the Funds, their size, criteria and who manages them
  - The key risks associated with each of the Funds, at this point in time
  - The performance of the Funds over the last 12 months
  - An overview of the approval processes for the Funds
  - An overview of the monitoring processed for the Funds
  - An analysis of where funds have been invested across the conurbation
  - Case studies of recent investments that have been approved

# Investment Funds Update

## December 2023

# Highlights – Part 1



£829m committed into residential property of which **£700m has been invested to date**, supporting the development of **9,571 new homes**. The Housing Fund is on track to achieve its target of delivering **10,000 new homes** across GM. The Fund was £300m at its inception in 2015 - to date that funding has been **recycled over 2 times**.



**£110m** invested into business across all sectors, creating and supporting **8,347 jobs**. This from an initial recycling funding pot of £52m.



Over **£350m** invested into commercial property schemes and businesses, supporting the development of **204,295sqm** of BREEAM accredited space and **c27Ha of Brownfield land** redeveloped. An additional £15m of funding has been received from DLUHC in the year to increase the capacity of the commercial property funds.

# Highlights - Part 2



GMCA has committed £20m into **Social Impact Funds** that deliver homes to those most in need of safe & decent housing. The Funds focus on housing for those experiencing homelessness & rough sleeping, people with learning disabilities, autism & mental health challenges, asylum seekers, care leavers and survivors of domestic violence.

Over **200 properties** have been secured to date in GM, with a further 100+ forecast to be delivered to March 24.



GMCA has invested a total of £5.3m into Hive Homes through a combination of Housing Investment Funds and Brownfield grant. Hive Homes is a partnership between GMCA and 10 Registered Providers, established to **increase supply of good quality housing stock**. Hive saw its first site complete in the year and is now on track to deliver a further six schemes in the near term.



Demand for the **second Life Sciences Fund** (with over 160 applications reviewed to date) has supported the need for a regional specialist fund for growing businesses in this sector.

# Highlights – Part 3



Collectively the funds have generated circa **£41m of income** which has been partially utilised to:

- Establish a **self funded Investment and Delivery Team**. As well as managing GMCA investment and Brownfield funds, the Teams are working with local authorities to bring forward some of GM's most challenging opportunities.
- **£9.5m** has been ringfenced for re-investment into businesses.
- Over £6m generated by the fund is committed to invest back into different areas to support the implementation of the **GM Housing Strategy** such as Local Authority Development Support, Net Zero Social Homes, Modern Methods of Construction, Retrofit – Green Finance Solutions and GM Good Landlord Scheme amongst others.
- The balance of surpluses is available to support the wider Housing Strategy.

# Annex – Fund overview and performance

	Core Funds	Housing Investment Fund	City Deal Receipts	Life Sciences Fund	Evergreen	Low Carbon Fund
<b>Fund source</b>	RGF and Growing Places	Loan from DLUHC	Homes England	Fund 1: LGF Fund 2: RGF	ERDF	ERDF
<b>Fund size</b>	£76m	£180m	£30m	Fund 1: £30m Fund 2: £20m	Fund 1: £60m Fund 2: £60m	£15m
<b>Funding criteria</b>	<ul style="list-style-type: none"> <li>Debt and equity for business and commercial property schemes</li> <li>£250k to £5m</li> </ul>	<ul style="list-style-type: none"> <li>Debt and equity for residential housing schemes.</li> <li>£1m to £62m</li> </ul>	<ul style="list-style-type: none"> <li>Debt and equity for residential housing schemes.</li> </ul>	<ul style="list-style-type: none"> <li>Equity for Life Sciences businesses in GM and Cheshire.</li> <li>£50k to £2m</li> <li>Note – Fund 1 is closed to new investments, all new investments are made through Fund 2</li> </ul>	<ul style="list-style-type: none"> <li>Evergreen 1 - Commercial property debt fund invested to deliver urban regeneration projects.</li> <li>Evergreen 2 - Commercial property debt funding focusing on:                             <ul style="list-style-type: none"> <li>Research and Innovation (£30m)</li> <li>Energy efficiency of buildings (£30m), including new and refurbished office development.</li> </ul> </li> <li>£2m to £20m</li> </ul>	<ul style="list-style-type: none"> <li>Debt and equity up to £5m</li> <li>Maximum term of 15 years</li> <li>Aimed at renewable/low carbon technology installations and district energy networks</li> </ul>
<b>Fund performance – net realised profit/(loss)</b>	(£0.6m)	<ul style="list-style-type: none"> <li>£29.1m retained by GMCA in addition to</li> <li>£19.5m passed to DLUHC</li> </ul>	No defaults to date – income is not retained by the GMCA	Not available	There have been no defaults on the funds to date	There have been no defaults on the fund to date
<b>Managed by</b>	GMCA	GMCA	GMCA	Fund 1: Catapult Ventures Fund 2: Praetura Ventures	CBRE	CBRE

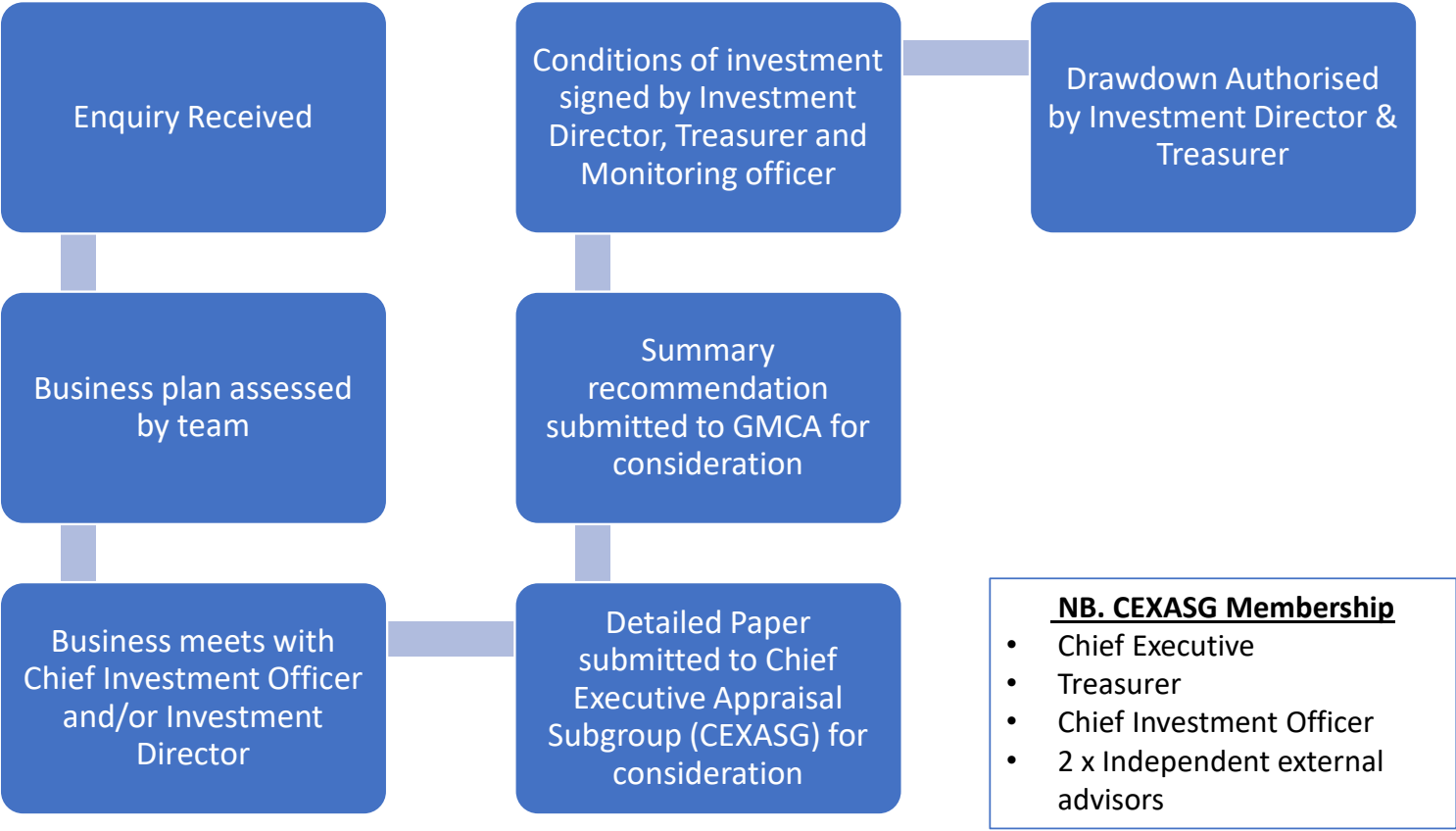


# Overview of performance - Last 12 months

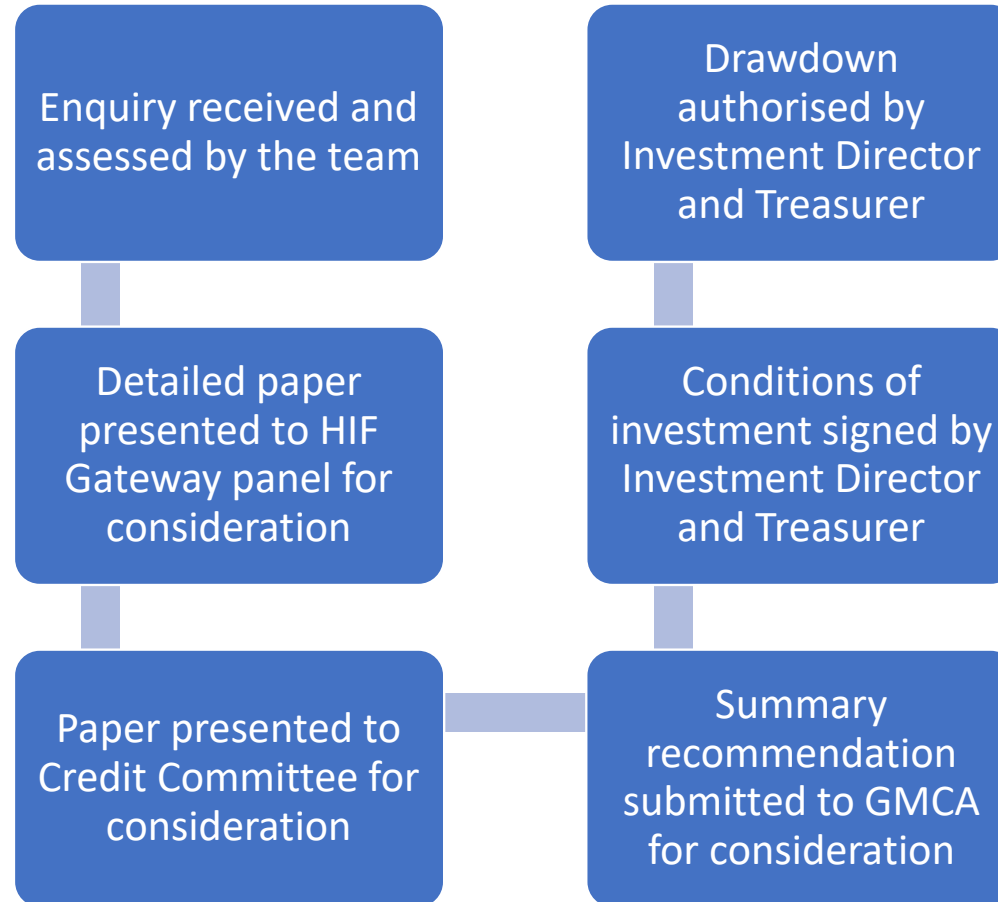
	Core Funds	Housing Investment Fund	City Deal Receipts	Life Sciences Fund	Evergreen	Low Carbon Fund
<b>New loans/investments approved, £m</b>	£20.1m	£149.4m	£30m	£4.4m	£28.6m	£14.9m
<b>Income earned</b>	Income earned is retained and reinvested £3.5m	Interest earned over and above the State Aid rate is retained by GM up to a cap of £2.5m per annum. The balance is passed back to DLUHC £6.8m	Interest is passed to Homes England	- Not applicable	Income earned is retained and reinvested £1.5m	Income earned is retained and reinvested Nil
<b>Defaults</b>	-£2m	- None	- None	- Not applicable	- None	- None
<b>Outputs</b>	-174 jobs created	-1,126 Housing Units	N/a	- 38 jobs created	-623 Jobs -356,806 Sqft of High ESG employment space -49 Ha Brownfield Land	-572 Jobs -498,801 Sqft of High ESG employment space -8.1 Ha Brownfield Land
<b>Key risks</b>	- Defaults in current market - Lack of private sector capital	- Extension of Fund post March 2025	- Retention of CDR	- Defaults in current market - Lack of private sector capital -	- Deployment of funding in advance of December 2023 deadline	- Deployment of funding in advance of December 2023 deadline

# GMCA Managed Funds

- The Core and Housing Funds are managed directly by the Core Investment Team.
- Core Funds process overview.



# Housing Fund Process



**NB. HIF Gateway membership**

- 3 x Independent external advisors

**NB. Credit Committee membership**

- Chief Executive
- Treasurer
- Chief Investment Officer
- Independent Advisor

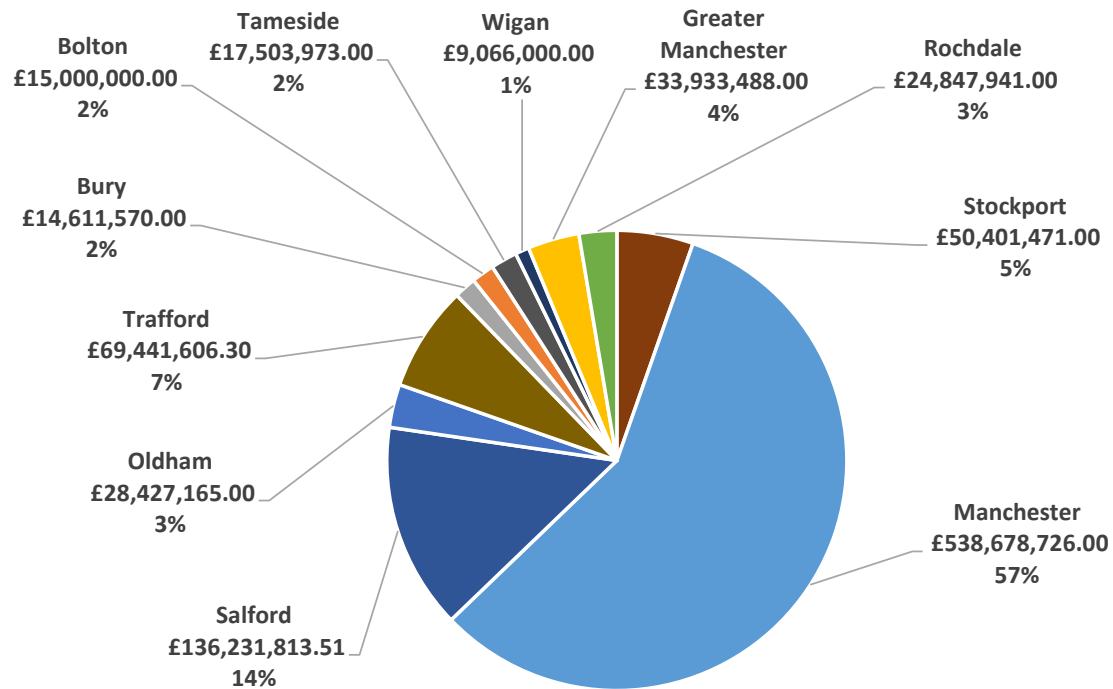
# Externally Managed Funds

- Externally managed funds are managed by FCA regulated fund managers, following full procurement exercises
- Funds have been passed to external fund managers for management either due to a requirement of European money (e.g. Evergreen) or due to a specialist skill being needed (e.g. Life Sciences Fund)
- The Life Sciences Funds are independent from GM with fund managers having their own investment processes and GM taking an oversight role
- Evergreen and Low Carbon Funds have Directors sitting on the Investment Committees from GM.

# Monitoring

- Funds managed by the Core Investment Team have a bi-annual portfolio review which details the overall fund performance alongside a review of every company/development in the portfolio. The review gives a summary of performance and a RAG rating which is then used to determine the level of provision held. Outputs including the number of new jobs created and the number of new homes created are collated on a quarterly basis.
- Funds managed by external fund managers are subject to monthly meetings (whilst funds are being invested), where the fund manager presents regular updates on the performance of the funds, including information on levels of deployment, performance of projects and update on agreed KPIs.

# Investment by Local Authority



- Investment, particularly in the property funds has been most significant in the conurbation core
- This reflects there being more schemes that are financially viable within the city than in some other parts of the conurbation
- The funds seek to finance all viable schemes provided the risk is manageable.
- The property funds have helped drive increased Business Rate growth which supports all of the conurbation.

# Case Studies

## Neptune Mill

The GM Low Carbon Fund is providing a £3.8m loan facility alongside the NW Evergreen Fund for the redevelopment of a dilapidated mill on the outskirts of Manchester City Centre. The redevelopment will result in over 18,000 sq ft of EPC A office space and carbon savings from the embodied carbon within the existing building shell to be re-used. This scheme is due to complete in December 23.



## Clear Cycle

ClearCycle is a specialist re-commerce partner to a range of national UK retailers, handling, refurbishing and re-selling stock that has been returned by end users. The business supports the circular economy and reduces landfill usage.

Funding will be used to provide both working capital and growth capital for the business to expand its team and technology.

The total investment is £950k.

## ScubaTX

In April, the Life Sciences Fund completed a £600k investment into ScubaTx, which is developing a device to make it easier to transport and preserve organs for organ transplant procedures. ScubaTx's device cools organs and oxygenates tissues with humidified gas at tightly controlled pressures and flow rates for just under 68 hours with no visible degradation.



## The Highline

Alongside a £0.4m grant from GMCA's Brownfield Housing Fund, an £11.8m loan has been provided to support the delivery of a mixture of 68 apartments in Altrincham, of which 45% has been designated for affordable housing. The development is part of the Bruntwood & Trafford Council's joint venture to redevelop the centre of Altrincham, and the scheme is also making a Section 106 contribution of £0.4m. The scheme is on schedule to completion later in 2024.