

Date: 29 November 2019

Subject: GM Investment Framework Project Updates / GM Housing Investment Loans Fund

Report of: Councillor David Molyneux, Portfolio Lead for Investment and Resources, Paul Dennett, Paul Dennett, Portfolio Lead for Housing, Homelessness and Infrastructure, Eamonn Boylan, Portfolio Lead Chief Executive for Investment and Steve Rumbelow

PURPOSE OF REPORT

This report seeks Greater Manchester Combined Authority (“Combined Authority”) approval for a loan to Swim Sports Company Limited (“Swim”), a loan to Salford Evolution (“Vengrove”), a convertible loan to Intechnica Limited (“Intechnica”) and a loan to Erlson Precision Holdings Limited (“Erlson”). 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.

This report also seeks to obtain approval to, in the absence of a GMCA meeting in December, temporarily delegate authority to GMCA officers acting in consultation with the relevant Portfolio Leads to approve projects for funding from the GM Investment Framework or GM Housing Investment Loans Fund.

RECOMMENDATIONS:

The GMCA is requested to:

1. Approve the funding applications for Swim Sports Company Limited (loan facility of £500,000), Salford Evolution (loan facility of £5,800,000), Intechnica Limited (convertible loan of £150,000) and Erlson Precision Holdings Limited (loan facility of £700,000) and progress to due diligence.

2. Delegate authority to the GMCA Treasurer and Monitoring Officer to review the due diligence information in respect of the 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. Above.
3. Delegate authority for the period 30 November 2019 to 30 January 2020 to the Chief Executive Officer, GMCA & TfGM and GMCA Treasurer, in consultation with the relevant Portfolio Leads to approve funding from the GM Investment Framework and GM Housing Investment Loans Fund. Recommendations approved under the delegation will be subject to the usual due diligence processes and will be reported to the GMCA at the next available meeting.

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BACKGROUND PAPERS:

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 PUBLIC DOMAIN RELEASE DATE: 29 NOVEMBER 2034
GM Transport Committee	Overview & Scrutiny Committee	

Equalities Implications – n/a

Climate Change Impact Assessment and Mitigation Measures – n/a

Risk Management – see paragraph 3

Legal Considerations – see paragraph 4

Financial Consequences – Revenue – see paragraph 5

Financial Consequences – Capital – see paragraph 6

1. INTRODUCTION AND OVERVIEW

- 1.1 The GMCA 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 GM.
- 1.2 This assessment incorporates:
- 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 Swim Sports Company Limited ("Swim"), Bury/Oldham Sector: Leisure

The business case in respect of Swim (a loan facility of £500,000) 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.

Headquartered in Bury, Swim is part of the Total Swimming Group, a business that provides swimming lessons to 0-11 year olds through public and private channels. Swim plan to open a new bespoke learn to swim facility in Oldham in early 2020, delivering 12 jobs and additional capacity for learn to swim requirements in the area.

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 to support the expansion into Oldham. 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 facility will total £671k and in order to deliver it, the business has requested a term loan of £500k from the GMCA, to be matched by £171k from the business.

2.2 Salford Evolution ("Vengrove"), Salford. Sector: Commercial Development

The business case in respect of Vengrove (an additional loan facility of £6,600,000 including interest) has been submitted to, and appraised by, the Core Investment Team and, subject to the outcome of the due diligence, is recommended to the Combined Authority for conditional approval.

In September 2017, GMCA provided £2m as part of a syndicated senior facility to SGVG (Salford) Limited ("SGVG") for the development of 2 logistics warehouses on the Agecroft Commerce Park in Salford. The development comprises two units, providing 130,000 sq ft

and 70,700 sq ft of new industrial space. The units are built to an industry Grade A standard and are provided alongside 154 car parking spaces and 4 acres of yard space, supporting a wide variety of potential occupiers.

The two units have achieved practical completion and options are now being explored for an exit and the redemption of the loan facility.

The Evergreen Fund has a strong pipeline of GM property schemes which require funding and as such, it is proposed that the Evergreen Fund's proportion of the Salford Evolution loan (£6.6m including interest) is novated to the GMCA and that the current repayment date is extended by four months.

2.3 Intechnica Limited ("Intechnica"), Manchester **Sector: Digital and Creative**

The business case in respect of Intechnica (a loan facility of £150,000) has been submitted to, and appraised by, the Core Investment Team and subject to the outcome of the due diligence is recommended to the Combined Authority for conditional approval.

Intechnica Group is a technology group composed of Intechnica, which is specialised in IT and technology consulting services, and Netacea Limited, which is specialised in scalable software solutions for the management of high and variable website traffic demand.

The services side of the business, Intechnica, has three main business lines: (a) technology consulting, providing independent advisory services for corporate finance and private equity; (b) data science as a service; and (c) digital transformation solutions which runs large scale IT transformation projects

The company has previously received investment of £950,000 from the GMCA in three tranches over the last six years.

2.4 Erlson Precision Holdings Limited ("Erlson"), Trafford **Sector: Advanced Manufacturing**

The business case in respect of Erlson (a loan facility of up to £700,000) has been submitted to, and appraised by, the Core Investment Team and subject to the outcome of the due diligence is recommended to the Combined Authority for conditional approval.

Erlson has significant operations based in Trafford (120 employees) and is a specialist manufacturer of highly engineered components and assemblies for a range of automotive, aerospace and general industrial applications.

The investment alongside £700,000 of match funding will allow the company to invest in growth capex and carry out some repairs at the Altrincham site.

- 2.5 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. 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.

4. 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.

5. FINANCIAL CONSEQUENCES – REVENUE

There are no revenue implications.

6. FINANCIAL CONSEQUENCES – CAPITAL

The proposed investments will be made from recycled funds.

7. DELEGATION

- 7.1 Delegation is sought to allow urgent recommendations for funding to be conditionally approved in the absence of a Combined Authority meeting in December. It is proposed that authority be delegated to the Chief Executive Officer, GMCA & TfGM and GMCA Treasurer, in consultation with the relevant Portfolio Leads as appropriate.
- 7.2 The delegation is only to be used where time constraints mean that the recommendation cannot be delayed until the January GMCA meeting without prejudicing the parties requesting funding.
- 7.3 All funding will be subject to the usual due diligence processes and any recommendations that are approved under the delegation will be reported to the next available meeting of the GMCA.