

Date: 14 February 2020

Subject: GM Investment Framework Project Updates

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”) approval for a loan to SharpFutures Manchester C.I.C. (“SharpFutures”). The investment will be made from recycled funds. This report also provides an update on James Briggs Limited.

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.

This report also seeks to obtain Combined Authority approval to, in the absence of a Combined Authority meeting in February, temporarily delegate authority to GMCA officers to approve projects for GM Investment Framework funding.

RECOMMENDATIONS:

The Greater Manchester Combined Authority is requested to:

1. approve the funding application for SharpFutures Manchester C.I.C. (loan facility of £250,000), and progress to due diligence;
2. delegate authority to the Combined Authority Treasurer and Combined Authority Monitoring Officer to review the due diligence information in respect of the company, 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 investment at 1. above;

3. delegate authority for the period 15 February 2020 to 26 March 2020 to the Combined Authority Chief Executive and the Combined Authority Treasurer, in consultation with the Portfolio Leader for Investment and Resources, to approve funding requests for projects in the absence of a Combined Authority meeting at the end of February and approve any urgent variations on amounts and terms for already approved loans. Recommendations approved under the delegation will be subject to the usual due diligence processes and will be reported to the Combined Authority at the next available meeting; and
4. note the update on James Briggs Limited.

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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: 14 FEBRUARY 2035
GM Transport Committee	Overview & Scrutiny Committee	

Equalities Implications – n/a

Climate Change Impact Assessment and Mitigation Measures – n/a

Risk Management – see paragraph 4

Legal Considerations – see paragraph 5

Financial Consequences – Revenue – see paragraph 6

Financial Consequences – Capital – see paragraph 7

1. INTRODUCTION AND OVERVIEW

- 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 GM. A condition of investments is that the companies sign up as a supporter of the Greater Manchester Good Employment Charter.
- 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. INVESTMENT RECOMMENDED FOR APPROVAL IN PRINCIPLE

2.1 SharpFutures Manchester C.I.C. ("SharpFutures"), Manchester Sector: Digital, Creative and Tech ("DCT")

The business case in respect of SharpFutures (a loan facility of £250,000) has been submitted to, and appraised by, the Core Investment Team and, subject to the outcome of further due diligence and SharpFutures securing match funding from a third party lender, is recommended to the Combined Authority for conditional approval.

SharpFutures is a Manchester based Social Enterprise whereby all surpluses are reinvested to create social impact. It was incorporated in July 2012 and has been trading for 7 years, based at The Sharp Project, in Manchester. Over 60 digital entrepreneurs and production companies specialising in digital content production, digital media and TV and film production are based at The Sharp Project.

SharpFutures supports young people into employment in the DCT sector. Its focus is on widening the participation in the DCT sector into socio-demographic segments which are under-represented in the sector.

The business has requested a loan of £250,000 from the GMCA, to be matched by a further £250,000 from a third party lender (i.e. total loan funding of £500,000) to enable the expansion of SharpFutures's services. The investment will be used for additional staff costs and investment in systems and infrastructure, including web, online and working capital.

- 2.2 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. PROJECT UPDATE

3.1 James Briggs

In 2013, the GMCA approved a loan of £2,500,000 to James Briggs in order to fund its growth strategy. Further loans totalling £1,750,000 were approved by the GMCA in 2014 to invest in

additional capital equipment and headcount. As part of a company restructure, £1,908,334 of the debt was converted to equity in January 2019.

The business was acquired in August 2019, at which time James Briggs owed the GMCA £1,600,000 and the GMCA had an equity holding of 12%. The GMCA received £1,600,000 in full repayment of the outstanding debt but there was shortfall in the payment for the equity compared to the GMCA's investment, leading to an effective write off of £1,317,370.

Income of £481,269 was received during the life of the loan and this has been added back to the recycled funds.

4. 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.

5. LEGAL CONSIDERATIONS

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

6. FINANCIAL CONSEQUENCES – REVENUE

There are no revenue implications.

7. FINANCIAL CONSEQUENCES – CAPITAL

The proposed investment will be made from recycled funds.