

Date: 31 July 2020

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 loans to Castlefield House Properties Limited (“CHPL”) and into the GM Social Enterprise Emergency Relief Fund (“GM SEERF”). The loans will be made from recycled funds.

In view of there being no meeting of the Combined Authority in August, this report also seeks Combined Authority approval to delegate authority to the Combined Authority Chief Executive and the Combined Authority Treasurer, in consultation with the Portfolio Lead for Investment and Resources, to approve projects for funding and agree urgent variations to the terms of funding in the period 1 August 2020 to 24 September 2020. Any recommendations that are approved under the delegation will be reported to the next available meeting of the Combined Authority.

## **RECOMMENDATIONS:**

The GMCA is requested to:

1. approve the funding application for CHPL (loan of £5,000,000), and progress to due diligence;
2. approve the funding application for GM SEERF (loan of £1,500,000) and progress to due diligence;
3. delegate authority to the Combined Authority Treasurer and Combined Authority Monitoring Officer to review the due diligence information in respect of the funding, 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 loans at 1 and 2 above; and

4. delegate authority to the Combined Authority Chief Executive and the Combined Authority Treasurer, in consultation with the Portfolio Lead for Investment and Resources, to approve projects for funding and agree urgent variations to the terms of funding in the period 1 August 2020 to 24 September 2020. Any recommendations that are approved under the delegation will be reported to the next available meeting of the Combined Authority.

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**Equalities Implications:** Not applicable.

**Climate Change Impact Assessment and Mitigation Measures:** Not applicable

**Risk Management:** see section 3

**Legal Considerations:** see section 4

**Financial Consequences – Revenue:** see section 5

**Financial Consequences – Capital:** see section 6.

**Number of attachments to the report:** none

**Comments/recommendations from Overview & Scrutiny Committee:** none

**BACKGROUND PAPERS:**

<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: 31 JULY 2035
GM Transport Committee	Overview & Scrutiny Committee	
N/A	N/A	

## **1. INTRODUCTION/BACKGROUND**

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 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. INVESTMENTS RECOMMENDED FOR APPROVAL IN PRINCIPLE**

### **2.1 Castlefield House Properties Limited ("CHPL"), Manchester Sector: Other**

The business case in respect of a £5,000,000 loan to CHPL has been submitted to, and appraised by, the Core Investment Team and is recommended to the Combined Authority for conditional approval.

Castlefield House, which is ultimately owned by Allied London, comprises a 32,180 sq ft, grade B quality building located in Manchester City Centre, on the fringe of St Johns (a major redevelopment area) and Spinningfields (a prime office location). The property is currently let to three tenants on short term leases, pending the refurbishment of the building. Presently, the property is 78% occupied, offering Grade B space at a significant discount to neighbouring Spinningfields.

Allied London are proposing to refurbish the property but this has been delayed due to COVID-19 and the GMCA loan of £5m will be used to refinance an existing senior loan to enable the refurbishment to commence in due course. Upon completion of the refurbishment, the property will offer good quality office space to SME occupiers at a discount to the prime office locations.

### **2.2 GM Social Enterprise Emergency Relief Fund ("SEERF"), Manchester Sector: Social Enterprise**

The business case in respect of a loan of £1,500,000 to the GM SEERF has been submitted to, and appraised by, the Core Investment Team and is recommended to the Combined Authority for conditional approval.

The Access Foundation for Social Investment ("Access") has established a £30m COVID-19 Related Emergency Response Fund ("CRER") for charities and social enterprises impacted by

the pandemic. The focus of CRER in the response phase is to help organisations with an immediate capital need, by supporting investors who have the ability and capacity to make funding available to them by the end of December 2020. Access opened a competitive process in early June 2020 and invited expressions of interest to allocate an initial £10m of funding.

An expression of interest for funding has been submitted to Access by Greater Manchester Centre for Voluntary Organisation (“GMCVO”). The application was successful and final discussions on the terms of the grant are now being discussed with Access. The current proposal is that grant received will be matched by repayable capital of up to £1.5m from the GMCA. The repayable capital will be blended alongside the grant and lent to social enterprises to provide them with an affordable funding package in the response to the pandemic.

The scheme will be managed by Greater Manchester Centre for Voluntary Organisation (“GMCVO”), the VCSE sector support and development organisation covering Greater Manchester. GMCVO will set up a new entity specifically for the purpose of managing the loans for GM SEERF.

- 2.3 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.

### **3.0 RISK MANAGEMENT**

- 3.1 The loans 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**

- 4.1 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.

### **5.0 FINANCIAL CONSEQUENCES – REVENUE**

- 5.1 There are no revenue implications.

### **6. FINANCIAL CONSEQUENCES – CAPITAL**

- 6.1 The proposed loans will be made from recycled funds.