PURPOSE OF REPORT
This report relates to proposals within the GM Core Investment Team, following the resignation of the Director of Fund Management and Property. These proposed changes are fully funded by the Team’s budget.

SUMMARY:
The proposed changes are:
- Deletion of the roles of:
  - Director of Fund Management and Property
  - Strategic Lead
- Creation of two Transaction Manager posts
- Rationalisation of the salary level for the roles of Transaction Manager

FINANCIAL IMPLICATIONS:
The current Core Investment Team has a consolidated staffing budget of £1.6m. The above proposals could, if all potential salary increases were made, increase the budget by £13k, although in the short term there will be no budget increase. Any further increases will be fully funded by interest and arrangement fees earned from the Funds under management.

RECOMMENDATIONS:
1) Approve the proposals relating to reorganisation of the Core Investment Team, as follows:
   - Deletion of the roles of Director of Fund Management and Property and Strategic Lead leading to a saving of £139,523.
   - Creation of two additional Transaction Manager roles at £60,000 to £65,000 (depending upon experience) per annum leading to increased spend of up to £130,000 per annum.
   - Increasing existing salaries of the two Investment Directors from £76,508 to £84,000 leading to an increased spend of £14,985 per annum.
   - Rationalising salaries of the Transaction Managers potentially leading to an increased spend of £7,500 per annum.
• Assimilation of the existing Strategic Lead into the role of Transaction Manager.

2) Note the increased net spend of £12,962 to be met from eligible income earned by the Team.

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1. **Background**

1.1. The GM Core Investment Team is responsible for the delivery of the Greater Manchester Investment Fund – a series of recycling property and business funds established to support job creation and regeneration in the Greater Manchester region.

1.2. The team was established in 2013 following the receipts of two RGF programmes and a Growing Places programme. Since that date the team has increased its responsibilities such that it now manages either directly or indirectly over £600m of funding, including the £300m Housing Investment Fund.

1.3. The Core Investment Team predominantly comprises employees who TUPE transferred across to the GMCA from Manchester City Council on 1 April 2017.

1.4. The Team’s key achievements to date include:
   - £82.4m directly invested into over 60 businesses in Greater Manchester creating/safeguarding 6,236 jobs
   - Establishment of the GM Loan Fund in 2013 to provide debt finance below £500k
   - Commercial property funds have supported the development of 160,725sqft of commercial floor space and the redevelopment of 17.84 hectares of Brownfield land
   - £306m invested into Housing across 21 sites in Greater Manchester, supporting the building of 3,925 new homes
   - Private sector funds leveraged to date of circa £1 billion across the Funds
   - Establishment of the Life Sciences Fund in 2016 in partnership with Cheshire East and Bruntwood to provide equity finance for Life Sciences businesses in the region
   - Novation of the existing £60m Evergreen Holding Fund to ensure the investment is retained within the region along with the successful application for additional ERDF funding of £60m to establish Evergreen 2 and a Low Carbon Fund.

1.5 Following the resignation of the Director of Fund Management and Property, a review of the resourcing requirements for the team has been undertaken in order that the team continues to have the resource required to deliver the funds under management.

2. **GM Core Investment Team Responsibilities**

2.1 A summary of the Core Investment Team’s responsibilities include:

   - **Housing Investment Fund** – as part of the devolution deal with Government, a £300m Housing Investment Fund has been established. Funding is used to support additional and accelerated housing delivery across Greater...
Manchester. Greater Manchester has guaranteed to repay DCLG a minimum of 80% of the funding with the intention to recycle the funding 2 – 3 times over the Funds 10 year lifecycle.

- **Business Funds** – The Team committed the initial £65m of RGF funding by March 2016 and are now investing a Recycling Fund of up to £15m per annum as loans/equity. Funding is used to support commercially viable businesses creating jobs in the region, who cannot raise all of the private sector finance required.

- **Property Funds** – The Team are investing the recycled Growing Places monies of £35m into key employment and regeneration sites across the region. Funds can be used for commercial property and infrastructure development in order to unlock sites/developments.

- **Low carbon** – the team provide financial and transaction support for projects funded through ELENA.

- **Fund oversight role** – the team are also responsible for the oversight of the other Investment Funds within the LEP’s remit, including the Greater Manchester Loan Fund (managed by Maven Capital), Evergreen 1 (managed by CBRE), the Life Sciences Fund (managed by Catapult), Evergreen 2 (managed by CBRE), the Northern Powerhouse Investment Fund (managed by Maven/FW Capital/BFS) and the Low Carbon Fund (managed by GVA).

- **Monitoring** – the deployment of the Funds has brought with it an extensive monitoring requirement including the assessment of i) outputs ii) the progress of developments and iii) the financial performance of the Borrowers. The financial performance of the Borrowers is critical for ensuring the Funds recycle which will ensure their continuity (and thus the number of projects that can be reported) but is also critical for the Housing Investment Fund where the Local Authorities have guaranteed to return £240m of the funding.

- **Commercial Finance support** – the Team provide Commercial Finance support to key projects including the Waste PFI and Manchester Airport dividend.

2.2 The above is set in the context that as the funder of last resort the quality of the loan books is mixed, particularly within the Business Funds where security can be limited.

3. **GM Core Investment Team Structure Proposals**

3.1 The current structure of the Core Investment Team is attached at Appendix 1.

3.2 The Team is currently managed by two Investment Directors reporting into the Director of Fund Management and Property, and then into the Chief Investment Officer, who is a direct report of the Chief Executive.

3.3 Following the resignation of the Director of Fund Management and Property, it is timely to review the structure of the team to ensure existing responsibilities are delivered efficiently without any detriment to the GMCA. The proposed new structure which will enable the GMCA to maintain Core Investment Team service provision is detailed in Appendix 2 to this document.
3.4 A summary of the proposals to revise the structure is included below:

3.4.1 Director of Fund Management and Property (Salary £81,608 per annum)

It is proposed that this role be deleted with the key responsibilities for this role being split between the two existing Investment Directors, with additional managerial support to be recruited.

3.4.2 The additional responsibilities that the Investment Directors will have to undertake include:

- Delivery of GM’s 2014-2020 ERDF programme that is allocated to financial instruments. This includes establishing and leading on the GM Fund of Funds and the underlying Low Carbon and Evergreen 2 Funds.
- Implementation of the Greater Manchester Fund of Funds of the Evergreen Holding Fund including the development of the investment strategy, procurement of the sub fund managers and ensuring the deployment of the funds.
- Oversight of Evergreen 1, Evergreen 2 and the Low Carbon Investment Fund including facilitating investment opportunities, liaising with stakeholders and ensuring compliance with relevant regulations.
- Responsibility for the deployment and monitoring of Growing Places monies
- Responsibility for the Team’s input into ELENA funded low carbon projects
- Oversight of the Life Sciences Fund (managed by Catapult)
- Supporting the development of new policy initiatives across GM from a financial perspective with a view to securing further funding for the region e.g. Skills capital, cyber hub, use of business rates etc.

3.4.3 In order to reflect the increased level of responsibility that the Investment Directors will be asked to take on as part of their roles, it is proposed that their salary levels rise from £76,508 to £84,000.

3.4.4 The net impact of the above changes is a decrease in costs of £66,623 per annum.

4. Creation of two additional Transaction Manager roles and rationalising the existing salary levels:

4.1 In order to support the Investment Directors with the delivery of the additional responsibilities and to allow them to pass an element of their current workload down to create capacity, it is recommended that a further two Transaction Manager roles be created.

4.2 The key responsibilities of the Transaction Manager roles include:
Develop and manage a portfolio of loan and equity investments across Greater Manchester, in line with an agreed Investment Strategy and Risk Management Framework, preparing detailed analysis to illustrate sensitivities and options in order to negotiate robust funding structures.

Report to the relevant Investment Committees on investment propositions and pricing, identifying risks and mitigation strategies, and monitor the performance of investments made by the Funds to ensure that GMCA funding is safeguarded.

Establish good working relationships with a range of key partners including property developers, house-builders, businesses, investors, and senior officers within Greater Manchester’s constituent local authorities.

Instruct and manage external financial, property, construction and legal advisors to support due diligence, loan facility development, contracting and monitoring of investments.

Support the development of operational processes and credit and risk management practices.

Support the management of external Funds

The existing salary range for the Transaction Manager roles is £60,000 - £65,000 dependent upon experience. It is proposed that the additional posts are also set at this salary level.

Deletion of the role of Strategic Lead

As part of the creation of the above Transaction Manager roles, the existing Strategic Lead role will be deleted in order to reflect that the level of managerial support required going forward is at a higher level of responsibility than is attached to the current Strategic Lead role. It is proposed that the existing Strategic Lead role responsibilities are incorporated within the new Transaction Manager roles, alongside the additional responsibilities noted above.

The Strategic Lead salary level is set at £57,915. The net impact of creating the additional Transaction Manager roles and deleting the Strategic Lead role is an increase in costs of £72,085.

Transaction Manager Salaries

The Transaction Manager roles within the team have a salary banding of £60,000 – 65,000. The previous two Transaction Managers recruited to the Team have required a salary level to be set at the upper limit of the salary band of £65,000 in order to compete with the options available to the candidates in the wider market. This compares to earlier recruits to the Transaction Manager roles which were at the £60,000 level.
6.2 In order to harmonise the salary levels across this grade it is recommended that the three existing Transaction Managers with a salary level of £60k have their salaries increased to £62,500 with a view to a subsequent increase to £65,000 being made in 12 months’ time. Both of the increases would be subject to satisfactory performance of the Transaction Managers in their existing roles, and at the same time will help to retain existing staff given wider market conditions.

6.3 The impact of the increases in salaries to the team would be an additional £7,500 per annum.

The above proposals could, if all potential salary increases were made, increase the budget by £13k, although in the short term there will be no budget increase. Any further increases will be fully funded by interest and arrangement fees earned from the Funds under management.

7. **Trade Union Comments**

No further comment.

8. **Conclusion**

8.1 The proposals within this report set out the requirements for the re-organisation of resource within the Core Investment Team.

8.2 The proposals set out within this report have been developed to ensure the GMCA has the required leadership capacity within its Core Investment Team to support the Chief Executive and the Chief Investment Officer and meet the ambitious strategic priorities for the future.

8.3 The Committee is requested to consider and agree the recommendations set out in the front of the report.
APPENDIX 1 – EXISTING STRUCTURE OF THE CORE INVESTMENT TEAM.