GMCA GREATER MANCHESTER COMBINED AUTHORITY

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Date:	29 March 2019
Subject:	Acquisition of loan to Protos Finance Limited from Evergreen Fund to GMCA
Report of:	David Molyneux, Portfolio Lead for Investment and Resources and Richard Paver, Treasurer

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PURPOSE OF REPORT

This report sets out a proposal to acquire a £9.8m loan from the Evergreen Fund ("Evergreen") to GMCA in order to create investment capacity within the Evergreen Fund. This will also provide a financial return directly to GMCA over the term of the loan.

RECOMMENDATIONS:

The Greater Manchester Combined Authority is requested to:

a) agree that the purchase of the existing loan and provision of the remainder of the £9.8m facility be given conditional approval and progress to due diligence;

b) delegate authority to the Combined Authority Treasurer and Combined Authority Monitoring Officer to review the due diligence information in respect of the loan, and, subject to their satisfactory review and agreement of the due diligence information and the overall detailed commercial terms of the transaction, to sign off any outstanding conditions, issue final approvals and complete any necessary related documentation in respect of the loan at a) above;

c) Amend the capital programme accordingly; and

d) Note that the GMCA Treasury Strategy, which is due to be considered at the meeting on 29 March 2019 will incorporate provision for such investments.

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BACKGROUND PAPERS:

Risk Management – see paragraph 2

Legal Considerations – see paragraph 3

Financial Consequences – Revenue – see paragraph 4

Financial Consequences – Capital – see paragraph 5

1. INTRODUCTION AND OVERVIEW

The Evergreen Fund (‘Evergreen’ or ‘the Fund’) is a £60m urban development fund established under the 2007-13 ERDF Operational Programme. The Fund provides development finance to projects within Greater Manchester, Lancashire and Cheshire and is managed by CBRE who originate, execute and monitor all deals on behalf of the Fund.

Fund performance has been historically strong and there remains demand for commercial property funding in the area, principally for industrial and office space. Following two investments completed towards the end of 2018, the Fund is currently fully committed and requires headroom in the short term in order to convert its identified pipeline. It is also worth noting that the Evergreen Fund provides important match funding for investments under the new 2014-2020 ERDF Operational Programme through GMCA’s Evergreen 2.

The Evergreen entity is jointly owned by 16 local authorities, including the 10 GM boroughs. However, the £60m of funding invested by Evergreen is provided by Evergreen Holdings, a 100% subsidiary of GMCA. All investment returns (net of fees) are distributed to Evergreen Holdings. Use of these returns are governed by strict eligibility criteria.

In order to create capacity, GMCA is being asked to consider the purchase of a £9.8m loan committed by Evergreen to Protos Finance Limited (“Borrower”). The Borrower is a subsidiary of Peel established to deliver the development of an industrial site in Cheshire for a variety of uses including waste to energy, biomass and environmental technology facilities. This should provide sufficient capacity in the Fund for the identified pipeline, to make further investments in GM, before portfolio loan repayments create further capacity towards the end of 2019. These schemes will generate increased economic activity and jobs within Greater Manchester.

Evergreen has previously completed a sale of part of its loan portfolio to the GM Pension Fund in order to create capacity and a similar mechanism is proposed in this instance.

2. 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. Further detail is provided in Part B.

3. LEGAL CONSIDERATIONS

GMCA will rely on the existing agreements/security with the Evergreen remaining the lender of record (GMCA will assume the rights and obligations under the agreement without being a direct party to it). Further detail is provided in Part B.

4. FINANCIAL CONSEQUENCES – REVENUE

The loan is expected to generate revenue of c£700k over the loan term.

5. FINANCIAL CONSEQUENCES – CAPITAL

The proposed loan will be funded in line with the revised Treasury Management Strategy to be agreed in March 2019.