

**Manchester City Council
Report for Resolution**

Report To: Executive – 19 January 2011
Subject: The North West Evergreen Fund
Report of: The Chief Executive

Summary

This report seeks approval to the commitment by the City Council on behalf of the AGMA authorities to provide match funding in the form described below to the North West Evergreen Fund (Evergreen). This will enable Evergreen to satisfy a condition of its agreement with the EIB under which it will establish an urban development fund for Greater Manchester, Cumbria, Cheshire and Lancashire..

Recommendations

The Executive is recommended to:

1. Approve the proposal to provide match funding to the North West Evergreen Partnership on the terms described in the report, request that the Council approves the contingent capital liability that arises as a consequence and authorise the City Treasurer in consultation with the Executive Member for Finance and Human Resources to increase the capital programme accordingly in the event that a call is made on the commitment, subject to the AGMA authorities agreeing to share the liability.
2. Authorise the Chief Executive and City Treasurer to agree the final portfolio of properties to be identified as match funding and to agree from time to time the release and/or substitution of the properties from the arrangements in accordance with the terms of the agreement with the North West Evergreen Partnership
3. Authorise the Chief Executive and City Treasurer to negotiate and approve the final terms of the agreements necessary to implement the proposals and authorise the City Solicitor to arrange for the execution of the final agreements on behalf of the City Council.

Wards Affected:
All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	The JESSICA Fund has the potential to have a significant impact on performance of the regional and sub-regional economy through establishing an ever-green fund that can invest and reinvest in projects that will develop employment sites, infrastructure developments and carbon reduction projects. This will create jobs, increase GVA and provide the conditions required for sustained economic growth
Reaching full potential in education and employment	The JESSICA fund will create additional job opportunities across the City, the sub-region and the wider NW region. The establishment of the fund will create or safeguard (target) 2,920 jobs for the North West region outside of Merseyside. We expect minimum c. 1000 of these would be in Greater Manchester.
Individual and collective self esteem – mutual respect	By creating new employment in the area, there will be major opportunities for local residents to up-skill and gain new confidence.
Neighbourhoods of Choice	The establishment of a JESSICA fund will allow on-going investments in regeneration related projects that will create employment and investment opportunities making the City and the sub-region more attractive to investors and creating additional employment opportunities thereby contributing to creating and developing neighbourhoods of choice.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

None

Financial Consequences – Capital

The match funding commitment will be by way of a restriction over the title of City

Council owned land backed by a contractual obligation to invest cash up to the value of the commitment outstanding at any time. This will be a contingent capital liability for the purpose of the capital accounting procedures of the City Council and therefore requires Council approval. If the contingent liability is ever called upon, the City Council's contribution would have to be met from reserves.

Contact Officers:

Name: Sara Todd
Position: Asst Chief Executive (Regeneration)
Telephone: 0161 234 3286
E-mail: s.todd@manchester.gov.uk

Name: Desmond Gardner
Position: Head of Regeneration (Legal)
Telephone: 0161 234 3013
E-mail: d.gardner1@manchester.gov.uk

Name: Sean Davies
Position: Head of Finance Governance and Corporate Support
Telephone: 0161 234 1647
E-mail: s.davies3@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Report to Executive 24 November 2010

1.0 Introduction

1.1 At its meeting on 24 November 2010, the Executive approved the formal establishment of the North West Evergreen Partnership to act as the urban development fund for the North West excluding Merseyside under the European Commission's JESSICA initiative.

1.2 The final terms of the Operational Agreement with the European Investment Bank (EIB) are close to being agreed including the basis on which match funding will be secured for projects in AGMA and the other sub-regions that are partners in the project, Lancashire, Cheshire and Cumbria.

1.3 This report sets out for approval the proposed basis on which the City Council will provide match funding to Evergreen on behalf of the AGMA authorities.

2.0 Background

2.1 JESSICA (Joint European Support for Sustainable Investment in City Areas) is a European funding mechanism to promote investment in urban development projects. A North West JESSICA Holding Fund was established by the Northwest Development Agency in December 2009 utilising £50m of ERDF resources from the North West Operational Programme. This North West Urban Investment Fund (the NWUIF) will oversee the investment of the European and matched resources in projects in the region via two urban development funds (UDFs); one established for Merseyside the other for the rest of the North West.

2.2 The Evergreen fund has been appointed to act as the UDF for rest of the North West and the NWUIF has allocated £30m of funding to this UDF comprising £20m ERDF and £10m of Single Programme money. Of this funding, £10m of the ERDF money has been ring-fenced for Greater Manchester and £10m has been ring-fenced for the Cheshire, Cumbria and Lancashire sub-regions. The Single Programme money is available to be invested across the Evergreen area.

2.3 The NWUIF has appointed the European Investment Bank to act as its agent administering fund which will be regulated by the terms of an Operational Agreement between the bank and the fund. The terms of the agreement reflect the requirements of the JESSICA initiative including the EU rules governing the management of the European Regional Development Fund and the regional priorities identified for the North West in the NWDA's North West Operational Plan (NWOP). It will be a requirement as part of the management of the fund's operation that the ERDF requirements are observed, including the need to secure match funding and the NWDA's output targets are met in relation to the regeneration of Strategic Sites and creation of employment opportunities

3.0 Match Funding

3.1 Under the terms of the Operational Agreement between the EIB and the Evergreen Partnership, the fund has to secure match funding from its partners for the £20m of ERDF committed to the fund to replace the match funding the NWDA put in place when setting up the Holding Fund. Under the terms of the agreement, AGMA

have to source match funding of £10m to reflect that the same amount of ERDF money has been ring-fenced to be spent in AGMA. Following discussions with AGMA partners, the City Council has agreed to identify the land required to meet the EIB's initial requirements on behalf of AGMA.

3.2 The City Council's commitment is the first stage of a two tiered approach to meeting the ERDF requirement for match funding. On establishment of Evergreen initial match funding will be provided by the City Council in the form of land assets. Once the fund is established, Evergreen will actively source investment to act as match funding to support investment to final beneficiaries under the On-Lending Agreements (referred to as alternative match funding below). As this investment is secured the initial match funding will be released in accordance with the procedures contained in the Operational Agreement.

3.3 The City Council have identified a portfolio of properties which are available for use in connection with the match funding commitment. The properties which together have a value of approximately £13.5m are as follows:

3 & 4 Hardman Street, Spinningfields
Land at New Allen St Collyhurst
Land at Lord North Street, Manchester
Land off Ringway Road, Manchester
Former Oakwood High School, Barlow Moor
Ripon St, Manchester
Former Fujitsu site, West Gorton

3.4 Under the proposed arrangement the properties, together with other City Council properties as may be identified as being suitable from time to time, would be committed as match funding by entering against the registered title of each site a Restriction that provides that the land cannot be sold without the consent of the Evergreen Partnership. As projects are brought forward, the fund will secure alternative match funding to be invested into the project. The source of this alternative match funding may include developers, private sector financial institutions, including banks, promoter local authorities and other public funding sources such as Regional Growth Fund. As match funding into projects is secured, the equivalent value of land assets will be released from the arrangements. Thus having a range of assets with different values will allow sites to be deployed flexibly ensuring that the maximum value is released as the project proceeds. The project agreements will also allow for sites to be substituted for alternative sites of equivalent value should they be required by the City Council for development or other uses.

3.5 The first round of Evergreen investments must be committed by 31 December 2014 and the match funding into projects will, therefore, have to have been identified by that date or the balance of the EIB funding will be returned to the NWDA's holding fund. This means that all the land will be released from the match funding commitment and the City Council's contingent liability will come to an end by that date.

3.6 In addition to the land commitment outlined above the City Council will, in

order to satisfy the requirements of the EIB, have to provide a contractual commitment to the Evergreen Partnership as follows:

- not to dispose of property forming part of its portfolio without the consent of the Evergreen Partnership;
- not to substitute property forming part of its portfolio for replacement assets without the prior consent of the Evergreen Partnership, which shall be given by the Evergreen Partnership only in respect of replacement assets that comply, in all respects, with the EU Rules;
- not to release, or apply for a release of, the restriction in respect of any property forming part of its portfolio unless alternative ERDF Match Funding has been procured in compliance with EU Rules; and
- on demand by the Evergreen Partnership, to provide a cash contribution (or contribution in kind with equivalent cash value) up to the value of its portfolio

3.7 The contractual commitment is intended to ensure that the Evergreen Partnership is able to demonstrate to the EIB and, if required, the Commission's auditors that it is able to convert the land assets committed as match funding into cash or cash equivalent investments into projects and thus satisfy the technical requirements of the EU Structural Fund rules for JESSICA projects. The commitment is given only to the Evergreen partnership that is being established by the local authority partners and does not extend to the EIB and/or NWDA. Under the terms of the partnership agreement for the Evergreen Fund the other AGMA authorities will agree to share the liabilities (if any) that may arise as a result of the commitment.

4.0 Next Steps

4.1 The parties are currently negotiating the final terms of the EIB Operational Agreement and other key agreements, including the appointment of CB Richard Ellis as Investment Managers with the aim of completing the agreements and establishing the fund as soon as possible.

4.2 Under the terms of the Operational Agreement the securing by the Evergreen Partnership of its match funding commitment is a condition to the draw down of ERDF funds. Therefore, it is proposed to enter into the match funding arrangements either at the same time as the project is completed or shortly thereafter.

5.0 Recommendations

5.1 The recommendations are set out at the beginning of this report.

6.0 Contributing to the Community Strategy

(a) Performance of the economy of the region and sub region

6.1 The JESSICA Fund has the potential to have a significant impact on performance of the regional and sub-regional economy through establishing an ever-green fund that can invest and reinvest in projects that will develop employment sites, infrastructure developments and carbon reduction projects. This will create

jobs, increase GVA and provide the conditions required for sustained economic growth

(b) Reaching full potential in education and employment

6.2 The JESSICA fund will create additional job opportunities across the City, the sub-region and the wider NW region. The establishment of the fund will create or safeguard (target) 2,920 jobs for the North West region outside of Merseyside. We expect minimum c. 1000 of these would be in Greater Manchester.

(c) Individual and collective self esteem – mutual respect

6.3 By creating new employment in the area, there will be major opportunities for local residents to up-skill and gain new confidence..

(d) Neighbourhoods of Choice

6.4 The establishment of a JESSICA fund will allow on-going investments in regeneration related projects that will create employment and investment opportunities making the City and the sub-region more attractive to investors and creating additional employment opportunities thereby contributing to creating and developing neighbourhoods of choice.

7.0 Key Polices and Considerations

(a) Equal Opportunities

7.1 None

(b) Risk Management

7.2 The Evergreen Partnership shall appoint Investment Managers with responsibility to manage the risks associated with the fund's investment activity.

(c) Legal Considerations

7.3 The City Solicitor has advised the project team in the negotiation of the terms of the match funding commitment and will negotiate and agree the final terms of the documentation required to implement the proposals.