

DECISION MAKER Audit and Risk Management Panel	DATE 19 June 2024	ITEM NO 10
TITLE Community Municipal Investment and Green Finance Framework	WARD (S) All	
CHIEF OFFICER Director of Finance	CABINET MEMBER Finance, Resources and Social Value	
DECISION CLASSIFICATION Non-exempt report Non-exempt appendices	IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING? Yes	

1. **Decisions Required**

This report makes the following recommendations to the decision maker:

- 1.1 To note the launch of the Royal Borough of Greenwich green Community Municipal Investment (CMI) to fund green projects.
- 1.2 To note the Draft Royal Borough of Greenwich Green Finance Framework as set out in Appendix A.
- 1.3 To note the Council will be signing up to the Green Finance Institute (GFI) Local Climate Bond Pledge.

2. **Links to Our Greenwich missions**

- 2.1 This report relates to the Council's agreed missions as follows:

Greenwich plays an active role in tackling the climate crisis and improving environmental sustainability, in line with our commitment of being carbon neutral by 2030.

In 2019 the Royal Borough of Greenwich pledged to reach net zero carbon emissions by 2030. The issuance of a Community Municipal Investment (CMI) via an agreed Green Finance Framework would allow the Council to secure cost-effective funding for local green projects to help to support its pledge to reach net zero by 2030.

3. Purpose of Report and Executive Summary

- 3.1 In June 2019, the Royal Borough of Greenwich declared a climate emergency and made a commitment to be carbon neutral by 2030. This commitment has resulted in the inclusion of various energy efficient measures within the Councils capital strategies and asset management plans including light emitting diode (LED) light replacements, installation of electric vehicle (EV) charging points and retrofitting of corporate estate buildings.
- 3.2 In light of this, officers are exploring alternative ways to fund green projects and are specifically looking to launch a Community Municipal Investment (CMI) also known as the Green Investment Scheme via an Internet Crowdfunding page from Abundance.

4. Introduction and Background

- 4.1 In 2021 the Council carried out a consultation on its draft Carbon Neutral Plan which set plans for energy efficiency under seven key themes:

RBG Climate Theme	Theme Descriptor
Buildings	Retrofitting existing buildings to consume less energy, save carbon and money
New Development	Ensure newly constructed buildings are low carbon and are of quality environmental and social design
Transport	Reduce transport emissions
Energy Supply	Renewable energy generation and consumption
The Circular Economy	Reduce waste sent to landfill and reduce consumption of natural resources
The Natural Environment	Natural and regenerative solutions to climatic stresses, preserving our beautiful green spaces
Empowering Wider Change	Develop partnerships and empowering our communities to develop new projects, initiatives and actions that reduce carbon emissions

4.2 As detailed in the Council's Annual Emissions Report which went to Full Council on 24 February 2024, Royal Greenwich has made strides forward towards achieving its net zero target under these seven themes. Key examples of the work undertaken include:

- Investment in Council corporate estate, retrofitting 28 buildings, saving 750 tonnes of carbon dioxide equivalent (tco2e) per annum.
- Investment into Council owned homes: Over £20m retrofitting programme over 600 properties.
- Successful Public Sector Decarbonisation Scheme (PSDS) 3b funding: approximately £1.9m secured to retrofit our maintained schools - achieving 300 tco2e savings per annum.
- Phase 2 (2022-2026) of the Greenwich Builds programme is underway, with potential delivery of up to 1000 new zero carbon homes.
- £3.1m funding secured to deliver key priorities in our Transport Strategy
- Grant funding secured for a borough-wide heat network Detailed Project Design
- Successfully implemented fortnightly domestic refuse collection services
- The Repairs and Investment Team delivered energy efficiency measures to over 1000 households.
- Support to circular economy initiatives has mitigated 37.4 tco2e and saved residents approx. £138,000 in new item purchases.

4.3 As the Council continues in its pledge to address the climate emergency, it needs to ascertain other forms of funding for green projects and has identified a municipal investment as a way to provide a further diversified form of borrowing for these projects.

5 **Community Municipal Investment (CMI) Explained**

5.1 The Council is committed to achieving a net zero carbon target, which requires significant investment. One effective way to finance some of the required investment is through a green local authority security, also known as community municipal investment.

5.2 A CMI is a bond or loan instrument that local authorities issue directly to the public through an Internet crowdfunding platform. This provides an opportunity to engage with residents to support the net zero carbon strategy. The key benefits are:

- **Local Involvement:** CMIs provide a simple way for residents to actively participate in supporting their community's Net Zero strategies.
- **Low Risk:** They offer a low-risk investment opportunity.
- **Low Borrowing Rate:** local authorities can match or even undercut Public Works Loan Board (PWLB) borrowing rates while also providing a competitive and safe investment product.
- **Non-Repayable Capital:** An innovative donation feature allows CMIs to boost non-repayable capital for councils.
- **Simple:** easy-to-use online process
- **Investment Range:** You can invest as little as £5, making it affordable for all parts of the community.
- **ISA:** Investors can use toward their £20,000 tax free saving limit, as set for the 2024/25 tax year.

5.3 The Council is planning to raise an initial amount of £1 million from residents and local businesses. To make this investment opportunity accessible to many residents, a minimum investment of £5 will be set. The investment structure will be similar to Public Works Loan Board (PWLB), but the council will repay both interest and principal to investors over a period of five years. Investors will receive annual reports on the progress of the projects the borrowing is funding. The funds raised will be used exclusively for green initiatives, with priority given to those that deliver both cost and carbon reduction.

5.4 A CMI also provides the option for the investor to donate their interest return back to the council. This can then be reinvested in other green projects, ultimately benefiting the community and the environment. Evidence shows that on average 10% of total interest paid out on CMI has been donated back to the issuing councils, which can help reduce the overall cost of borrowing. The council will make sure that it has a clear and specific cause to encourage interest payment donations.

5.5 The CMI will be launched in partnership with Abundance Investment Ltd to deliver the CMI. Abundance is a UK-based crowdfunding platform that focuses on mobilising money for good, particularly in accelerating the green recovery. They offer investment opportunities related to sustainable projects, including renewable energy, green technology, and local council initiatives. Their investors can directly support initiatives that contribute to a more sustainable future while potentially earning returns. They will assist the Council in providing an online lending platform for lenders to invest and will manage all aspects of the individual loans. They will also assist in setting the interest rate for investors and work with the Council’s Communications team to create accurate messaging for the launch of the CMI.

5.6 Abundance have raised c£10m (as at June 2024) for 11 Councils since 2020. The most recent success stories have been:

Councils	Interest rate	Number of Investors	Total raised	Target achieved
Hammersmith & Fulham	4.85%	866	£1m	100%
Southwark	4.60%	656	£1m	100%
Hackney*	4.50%	154	£148k	Target £500k

* Currently live

6. **Risk to investors and Council**

6.1 It's important to note that borrowing via Abundance, like any other type of borrowing that the Council undertakes, carries some risk. The two main risks for the Council are the possibility of Abundance going out of business and the risk to the Council's reputation. Abundance is regulated by the Financial Conduct Authority (FCA) and is required to comply with the FCA rules and principles. One of these rules requires all companies to have a wind-down plan. In order to satisfy this requirement, Abundance has engaged a third-party provider to take over the administration of its platform in the event of bankruptcy. Abundance has already launched over 10 CMIs on behalf of Councils and is now one of the main providers to Councils in this space.

6.2 It's important to note that the council cannot act as a financial advisor for investors. It's recommended that investors seek their own independent financial advice and carefully read all relevant documentation before investing via crowdfunding platforms. However, here are some typical risks that investors might face when making this type of investment:

- **Capital is at risk** and returns are not guaranteed.
- **Investment is fixed for a long period** and investors should be prepared to hold the investment until the end date.
- **Fixed interest rate investment:** the interest rates available on other financial products may go up and down over the term of your investment.
- **Lack of Liquidity in secondary market:** Unlike publicly traded stocks, crowdfunding investments are often illiquid. However, you can look to sell your investment through the Abundance marketplace, but there is no guarantee you will be able to sell, or find a buyer at the price at which you are willing to sell.
- **Operational Risk:** This includes risk associated with system failures, fraud or business failures.

7. Deploying Green Bond Funds

7.1 As noted at 5.3, the Council will target the investment of funds generated via the issue of CMI on projects that will deliver both carbon and cost reductions.

7.2 A range of eligible schemes will be monitored for suitability taking into consideration delivery timescales, impact of the intervention on both carbon and cost savings and the availability (timing and level) of resources.

7.3 Royal Greenwich has committed to a range of interventions as part of its Carbon Neutral commitment, of which only some are suitable for CMI in the short term. One such area is towards the decarbonisation of its existing built estate through the replacement of fossil fuel systems (i.e. gas boilers with air source heat pumps). In combination with supplementary investments in solar photovoltaic technologies (PVs), thermal arrays and insulation, these projects also reduce energy costs; thereby providing revenue to support CMI repayments.

7.4 Operating alongside existing Public Sector Decarbonisation Schemes (PSDS) across the Corporate and Schools estates, the Council has control over the delivery of these projects and an existing mechanism to capture and monitor the impact of these investments.

7.5 Additionally, Royal Greenwich has successfully delivered an LED Street Lighting replacement programme and further opportunities exist across the public realm, including parks and housing estates, which will provide real reductions in emissions and energy costs.

8. **Communication and Marketing plan**

8.1 One of the most important steps in the process is to create awareness and encourage participation in the Green Investment Scheme. For many people, this may be the first time they have heard about the scheme, to build trust, all communication will be simple and straightforward, explaining what the scheme is about and how residents and businesses can benefit from it. It is important to note that taking part in the scheme is not restricted to affluent individuals only, as investments can be made starting from as low as £5.

8.2 The Council's communications team has initiated a comprehensive communications and marketing plan aimed at reaching all corners of our borough. The strategy will comprise a range of methods including press releases, email bulletins for residents and businesses, organic social media and campaigns. The hope is that these activities will not only create interest in the launched CMIs but also have a positive impact on the overall engagement of the community in green projects in the borough.

9. **Green Finance Pledge and Framework**

9.1 The Council is in the process of applying to become a signatory to the Local Climate Bond Pledge of the Green Finance Institute (GFI) prior to the CMI's launch in September 2024. This Pledge calls for the council to examine the feasibility of introducing a CMI for the funding of net-zero projects, to publicly disclose information about these projects, and to provide updates on the "measurable positive impacts" of these investments.

9.2 The GFI was established in 2019 with a mission to accelerate the transition to a clean, resilient and environmentally sustainable economy by channelling capital at pace and scale. The Council will benefit from the GFI resources and reach. This will mean informing their audiences of Royal Greenwich's intention to launch, and support raising the profile of the Council and its climate actions plans.

Establishing a Green Finance Framework

9.3 Establishing a Green Finance Framework provides a foundation upon which to issue an accredited Green Municipal Investment. It provides the overarching criteria and guidelines as to how the Council will issue and manage the CMI.

9.4 The Council's draft Green Finance Framework can be found in Appendix A and provides information regarding:

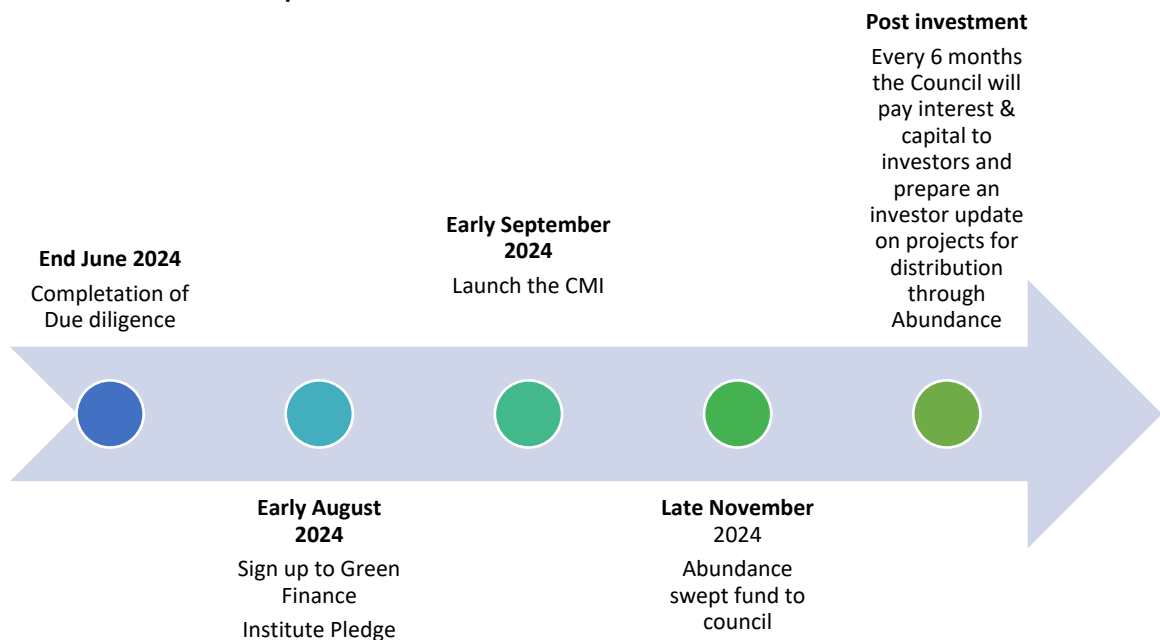
- How the proceeds from the investment will be used in accordance with the Green Loan Principles, including how they are managed and tracked.
- Which projects are eligible under the loan, how these are selected and how these link to the Council's Carbon Neutral Plan.
- Information on what reporting will be provided.
- Information on assurance and governance of the loan.

9.5 The Framework becomes a public document through which investors and the public can gain assurance and confidence regarding the purpose and integrity of the underlying loan.

10 Timeline & Next Steps

10.1 Work began at the end of last year to obtain approval for CMI investment through the Treasury Management Strategy Statement (TMSS) at the Full Council meeting in March 2024. The Council approved the report, granting the Council to borrow using this method.

The next main steps will be:



11. Available Options

- 11.1 Option 1- To note and comments on the Green Finance Framework and Community Municipal Investment.
- 11.2 Option 2- Do nothing. This option is not recommended as, by not reviewing the process for the CMI and Green Finance Framework, the ARM panel will not be fulfilling their financial oversight role.

12. Preferred Option

- 12.1 Option 1 - To note and comment on the Green Finance Framework and Community Municipal Investment.

13. Reasons for Recommendations

- 13.1 The CMI is an opportunity to engage with residents and other parties to support the Council's net zero carbon strategy. It is therefore recommended that the ARM Panel review the process of the launch of the CMI with Abundance Investment that will launch in early September.

14. Consultation Results

- 14.1 No consultation has been conducted regarding the recommendations set out within this report, as it is essentially a borrowing exercise to fund capital projects and not the provision of service to residents.

15. Cross-Cutting Issues and Implications

Issue	Implications	Sign-off
Legal including Human Rights Act	<p>Full Council approved CMI investment as a method of borrowing through the Treasury Management Strategy Statement at the Full Council meeting in March 2024.</p> <p>There are no recommendations requiring decisions and no Legal or Human Rights issues arise.</p>	Davidaire Horsford, Interim Head of Legal Services 04 June 2024
Finance and other resources	<p>The Community Municipal Investment (CMI) is an alternative borrowing method with the same financial implications as any other form of borrowing. It will have a duration of five years, and the interest rate will be set by the Council, aiming to be lower than the PWLB certainty rate to provide a more cost-effective form of external borrowing. Abundance Investment Ltd, the Council's loan facilitator, will charge a small fee for their arrangement and administration services, which will be deducted from the final rate offered to investors.</p> <p>The finance cost will be covered by the project's budgets and ongoing savings resulting from these green initiatives.</p>	Julian Gocool Accountancy Business Change Manager 11 June 2024

	The proposed CMI will have a minimal financial impact on the Council’s overall debt profile.	
Equalities	<p>The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no apparent equality impact on end users.</p> <p>Further, given the nature of the report it has a remote or low relevance to the Councils Equity and Equality Charter and the Council’s Equality Objectives 2020-2024.</p>	<p>Julian Gocool Accountancy Business Change Manager 11 June 2024</p>
Climate Change	<p>CMI itself has no direct environmental implications to the Greenwich Carbon Neutral Plan– the second action plan being adopted in February 2024.</p> <p>However, the funding will be invested in programmes that align with this strategy and contribute to a net reduction in carbon emissions in the Borough and it is therefore a clear opportunity to engage with residents to support the net zero carbon strategy.</p>	<p>George Brown Principal Sustainability Officer</p>

16. Report Appendices

16.1 The following documents are to be published with and form part of the report:

Appendix A: Draft Royal Borough of Greenwich Green Finance Framework

17. Background Papers

None

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