

Committee: **Regeneration Scrutiny Committee**
Date of meeting: **30th June 2021**
Report Subject: **Community Municipal Investment**
Portfolio Holder: **Councillor D Davies, Executive Member for
Regeneration and Economic Development**
Report Submitted by: **Amy Taylor, Team Manager Regeneration
Opportunities**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
02.02.21	21.05.21	20.06.21			30.06.21			

1. Purpose of the Report

- 1.1. To seek approval to take forward Community Energy Investment as a financial instrument to fund low carbon energy generation infrastructure and technology to provide energy and heat to Blaenau Gwent residents and businesses.

2. Scope and Background

- 2.1. The Council has the opportunity to become part of a nationwide EU funded pilot exploring using Community Municipal Investment (CMI) to fund infrastructure for the Council. The pilot project, known as SocialRES aims at closing non-technological research gaps that impede the widespread uptake of social innovation business and service models in the European energy sector.
- 2.2. Through research and pilot studies, the EU funded project will set the basis for a better understanding of the socio-economic, socio-cultural, socio-political and gender factors that influence the behaviour of consumers in the energy system.
- 2.3. The Council first approved an Energy Prospectus in December 2019. Within the prospectus there were a series of projects identified that would assist the Council in reducing its carbon footprint and fuel poverty in the Borough. One of the main barriers to delivery of the projects within the prospectus is availability of capital funding and as the Council does not have significant capital reserves it has to explore alternative methods of funding such investment.

- 2.4. A Community Municipal Investment (CMI) is a bond or loan instrument issued by a Local Authority directly to the public via an internet based crowdfunding platform. Due to the low-cost nature of crowdfunding CMIs can be issued via a proven, low risk, easy to use online process at rates which aims to undercut market borrowing rates and terms, while also providing a competitive investment product for local savers and investors.
- 2.5. The bonds are targeted at people living within the region of the issuing authority but are also available to people living across the UK. CMIs are built to prioritise individual investment but are compatible with the requirements of institutional investors such as pension funds. The Blaenau Gwent Community Bond would be focussed on low carbon energy generation schemes highlighted in the Energy Prospectus 2019.
- 2.6. The pilot scheme works by the Council issuing a community bond to fund circa £2m of the project costs. The bond is issued to residents and investors from Blaenau Gwent and the country to receive a percentage return on their capital for the investment. The scheme would be administered by Abundance, who are a separate Financial Conduct Authority (FCA) registered company, on behalf of the Council. Legal & General (and the UK pension funds it represents) are exploring opportunities with Abundance to help supplement interest from retail investors.
- 2.7. Abundance is an FCA regulated investment platform founded in 2012 with a mission to help turn members of the public into real stakeholders in things they care about. The platform connects businesses and public sector bodies alike with investors large and small by issuing direct investments with social or environmental benefits.
- 2.8. Ordinary people get the chance to build a portfolio of investments they truly believe in, allowing anybody to invest from as little as £5. Abundance has previously raised over £100 million on their platform from over 6,500 investors towards Community and Social schemes.
- 2.9. In 2016 Abundance launched the first Local Authority Green ISA bond with Swindon Borough Council, which funded two 5MW solar parks with the participation of more than 1,600 investors. Since then, Abundance has been working to find ways to help more Local Authorities finance public infrastructure through crowdfunding opportunities.
- 2.10. West Berkshire Council worked with Abundance Investment to launch bonds seeking up to £1m to invest in energy and wider environmental projects. They saw both Local people and others from across the UK investing in their Green Energy Bonds. Local investors on average invested more individually than

other investors. The total of £1million was raised over a period of three months.

2.11. Participation in this research and development pilot project will also directly address rural challenges and opportunities including:

- Participation opportunities in low carbon measures for the public;
- Measurement of citizen engagement in reducing carbon emissions as part of the Trinity College Dublin research study of resident's attitudes towards the Council in building a low carbon future;
- Promote and reinforce public support for the Blaenau Gwent Decarbonisation Plan;
- Support delivery of low carbon, reduced cost and locally generated energy and the development of the local foundational and circular economy;
- Access to low carbon energy for businesses and communities;
- Job creation in low carbon industries

3. Options for Recommendation

Option One – Proceed with Launching a Community Bond (preferred option)

- 3.1. Proceed with the SocialRes Project and work towards development of a Community Bond offer.
- 3.2. This will include undertaking initial due diligence of the legal agreements and overall approach but funding is available through abundance in order to carry out the required evaluation (See section 5.1).
- 3.3. By pursuing this option the Council would gain access to lower cost, financial investment to support with development of pipeline projects outlined in the Energy Prospectus 2019.
- 3.4. This can be used to replace or alongside Public Works Loan Board (PWLB) funding. If the pilot is successful further bond offers can be considered in the future.

Option Two – Do Nothing

- 3.2 Do nothing. There are no benefits identified with Do Nothing.

Preferred Option

It is recommended that Scrutiny:

- Endorses Option One as the preferred way to proceed;
- Due diligence commences alongside the Head of Legal and Corporate Compliance together with the Chief Officer for resources;

- Endorses the launch of Community Municipal Bonds subject to due diligence and final sign off of the necessary agreements delegated to the Head of Legal and Corporate Compliance in consultation with the Chief Officer for Resources; and
- That the Chief Officer for Resources is delegated to determine the date of the formal launch of the bond, bond length period and bond issue rate so long as it is below the PWLB rate.

4. Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan

- 4.1. SocialRes complies with the well-being five ways of working, supports the well-being goals and associated activities are expected to have a positive impact on all groups and people with protected characteristics.
- 4.2. This project would link to the Council's Corporate Plan 2018-2022 in creating strong and environmentally smart communities. It has the potential to assist in helping the Council realise its ambition to be a carbon neutral organisation by 2030. The project will also protect and enhance our environment and infrastructure to benefit our communities through development of an excellent low carbon local energy generation infrastructure including energy supply that can support the needs of the whole community.
- 4.3. The resulting low carbon infrastructure development opportunities listed in the Energy Prospectus 2019 such as hydro generation, solar and wind projects will also act to support a fairer sustainable economy and community by improving skills and promoting greater understanding and acceptance of low carbon energy generation and participation and ownership of climate emergency resolution.
- 4.4. Through the SocialRes Project, the Council also demonstrates its ambition as an innovative council delivering the quality services we know matter to our communities. By acting as a strong and effective partner, collaborating where possible the SocialRes project will deliver financial, business and community benefits to both Blaenau Gwent Council and the wider South Wales region.

5. Implications Against Each Option

5.1 *Impact on Budget*

- 5.1.1 The pilot includes up to £20,000 of external European funding for internal and external costs in setting up the bond. The due diligence is supported with external research from Trinity College Dublin on the success or otherwise of the bond issue so that there is a clear post implementation review of the

project; the bond must be used for low carbon / green initiatives to qualify for the pilot.

- 5.1.2 Other authorities who are taking part in the pilot are Leeds City Council, Kingston Council, Warrington Council and West Berkshire Council. They will be using the proceeds of the bond to fund their own green initiative schemes.
- 5.1.3 In order to raise funds through bond issue, the Council would need to review its treasury management policy and ensure that it includes the ability to raise funds in this way. If not a change would need to be made to allow this.
- 5.1.4 A worked example of the financial benefits associated with this approach are shown in **Appendix 1**.
- 5.1.5 Each of the projects considered for utilisation of the funding will be subject to a business case for investment. Each business case will consider whole life cost of the investment including capital and revenue costs associated with any installation and ongoing maintenance. These will be considered in line with the Council's Commercial Strategy.

5.2 ***Risk including Mitigating Actions***

- 5.2.1 Throughout the Project a risk register will be developed and maintained, with any high risks being reported within Regeneration Services Business Plan.
- 5.2.2 Risks of proceeding with Community Municipal Bonds include:
 - Lack of uptake from investors – bonds are open to investors both within and outside of Blaenau Gwent;
 - As a result of COVID-19 there may be less appetite for public investment when financial situations are uncertain
- 5.2.3 Risks of Do Nothing would include:
 - Disjointed delivery of low carbon infrastructure could lead to missed opportunities and delayed delivery of projects within the Energy Prospectus;
 - The Council would need to continue using PWLB for borrowing to support delivery of large scale projects; and
 - The Council would have less options for low cost funding to shape the future low carbon direction of the energy market for both supply and demand.

5.3 ***Legal***

- 5.3.1 The SocialRes Collaboration Agreement set out the Terms and Conditions of the EU Horizon 2020 funded grant offer, conditions of award and ownership

of assets including Intellectual Property Rights on behalf of Abundance Investment.

- 5.3.2 The Council would be a subcontractor to the EU Horizon 2020 SocialRes project, and would not be held to the terms and conditions of Horizon 2020 funding.
- 5.3.3 The Council would retain full rights to the IP generated and assets generated through involvement in the project alongside Abundance Investment. When the Council issue the bond, we will need to sign an engagement letter with Abundance Investment acting as arrangers and agent of the bond, but through this the Council will also retain rights to any IP / assets generated alongside Abundance Investment.
- 5.3.4 The agreement defines the need for confidentiality of sensitive commercial, financial and data protection measures to safeguard residents who participate in purchase of Community Municipal Bonds.
- 5.3.5 A comprehensive Due Diligence exercise has been carried out by Association of Public Sector Excellence Energy (APSE), EY, Cornwall Insights, Geldards Solicitors and James Goudie QC for West Berkshire Council.
- 5.3.6 Blaenau Gwent Council Legal Department would also carry out due diligence of the project and low carbon energy generation schemes as part of any legal and financial modelling prior to launching bonds to fund low carbon technologies in Blaenau Gwent.

5.4 ***Human Resources***

- 5.4.1 There are no immediate staffing/workforce implications. These will however be better understood once due diligence and review of the legal agreements has been completed. The project is being Project Managed by existing resources from within the Regeneration Section and we will seek support from other relevant departments where necessary.

6. **Supporting Information**

6.1 ***Performance Information and Data***

Once the project is established a performance framework will be developed and reported accordingly.

6.2 ***Expected outcome for the public***

The public will also benefit from better environmental and infrastructure management, supporting localised renewable energy generation and data

management of public service provision to drive down costs and improve efficiency through technological development.

6.3 *Involvement (consultation, engagement, participation)*

6.3.1 Abundance Investment will carry out consultation via a focus group of Blaenau Gwent residents to identify if residents would be supportive of the bond issue, which would allow Blaenau Gwent and UK residents to invest in green climate positive investments that are secure and low risk paying a competitive rate of interest.

6.3.2 The project will seek to bring together a range of partners including developers, community stakeholders and the Council to work collaboratively to assist Blaenau Gwent to meet its low carbon aspirations and to develop the community bond offer in line with local conditions and requirements identified through the consultation process.

6.3.2 Blaenau Gwent Council are already working across business and industrial energy communities through the Welsh Government Smart Living Programme, Tech Valleys Business Improvement Grant Pilot and with residents through social and private sector low carbon initiatives and each of these and other established fora will be consulted and engaged as part of any development of the local community municipal bond offer.

6.4 *Thinking for the Long term (forward planning)*

6.4.1 The project may also assist the Council with balancing its short term needs to identify areas for potential financial efficiency (reduced energy costs) alongside its long term business and community needs for a sustainable, low carbon future through local the development of energy generation.

6.5 *Collaboration / partnership working*

6.5.1 The project is being delivered through a partnership approach. The collaboration agreement will set out the formal partnership arrangements and this will be overseen by Trinity College Dublin as the organisational research lead for the duration of the pilot project under the co-ordination of the EU funding requirements of the European Horizon 2020 programme.

6.5.2 Other Authorities including West Berkshire have gone through the process of due diligence and issuing a bond offer so it is hoped that by using their experiences, lessons learned and our understanding of local conditions we can deliver a successful pilot in Blaenau Gwent.

6.5.3 In 2020, the UK was scheduled to host COP26, a global climate change conference. As a result of the COVID-19 pandemic this has been re-scheduled to November 2021 and this offers an opportunity for Councils including Blaenau Gwent to showcase during COP. The Green Finance

Institute are looking to provide support to get as much PR as possible to support the projects.

6.6 *Integration (across service areas)*

- 6.6.1 A range of service areas across the Council will need to be engaged with the SocialRes project including Legal, Finance and Technical Services, Procurement, Communications, in addition to the wider Regeneration Services Department.
- 6.6.2 Discussions have taken place with Resources and in principle they are supportive of the project. This however is subject to the necessary due diligence taking place prior to a bond offer being agreed.

7. Monitoring Arrangements

- 7.1. The project will be externally reviewed by Trinity College Dublin in accordance with EU grant conditions. Abundance Investment are regulated by the Financial Services Authority in accordance with UK Government.

Background Documents / Electronic Links

- *Appendix 1*