

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Cabinet

**Date:** 06/11/2023

**Subject:** Community Investment in Climate Initiatives

**Report of:** Councillor Rowan Ree, Cabinet Member for Finance and Reform

**Report author:** Hinesh Mehta – Head of Climate Change  
Kellie Gooch – Head of Finance (Environment)

**Responsible Director:** Bram Kainth – Strategic Director of Environment  
Sukvinder Kalsi – Strategic Director of Finance

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### SUMMARY

This report requests approval for the launch of a green local authority security, enabling the Council to finance green initiatives from community investment. This is essentially a loan from the community, allowing residents, local businesses, and anyone else to invest in H&F's climate change objectives (minimum £5 investment). These are fixed rate loans, with interest rates set by the Council. The Council will benchmark interest rates at below that of the Public Works Loans Board (PWLB), therefore representing a cheaper means of external borrowing for the Council, compared to external borrowing via PWLB.

The Council's Treasury Management Strategy (TMSS) was amended on 1 November 2023 to allow the Council to borrow in this way. It is expected that the H&F green local authority security will be launched from November 2023 (subject to project readiness), targeting a loan amount of up to £5m, the highest value green local authority security ever issued by a local authority. The funds raised will be invested in green initiatives, including decarbonisation of the Council's corporate property portfolio (such as heat pumps, solar panels, electric vehicle charging points etc). The lending platform and facilitation of the community loans will be provided by Abundance Investment Ltd (Abundance).

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### RECOMMENDATIONS

1. To approve the launch of the Hammersmith & Fulham green local authority security from November 2023, up to a maximum total value of £5m.
2. To delegate approval for the specific climate initiatives to be funded from the green local authority security (up to a maximum of £5m) to the Strategic Director of Environment, in consultation with the Cabinet Member for Finance and Reform, the Cabinet Member for Climate Change and Ecology and the Strategic Director of Finance.

3. To contract with Abundance Investment Ltd for the management and administration of the community loans, for the duration of the five year loan period (estimated contract value of £100,000).

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**Wards Affected:** All

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<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Building shared prosperity	The communications campaign will prioritise promotion of this opportunity to residents and local businesses and will offer a competitive low-risk investment with a 'fixed' return on investment compared to other forms of investment available on the market.
Creating a compassionate council	This investment opportunity will be available to anyone, with investment starting at a very affordable £5.
Doing things with local residents, not to them	The green local authority security allows residents to work with the Council on achieving its climate and ecological objectives.
Being ruthlessly financially efficient	The interest rate offered on the green local authority security will be benchmarked to below the PWLB rate, making this a cheaper form of external borrowing for the Council. Green initiatives that will deliver both carbon and cost savings for the Council will be prioritised.
Taking pride in H&F	This scheme will enable the Council to lead by example in driving down its own carbon footprint
Rising to the challenge of the climate and ecological emergency	The finance raised will only be invested in green initiatives, with the aim of reducing carbon and positively impacting the effects of climate change across the borough.

## **Financial Impact**

1. The green local authority security is an alternative means of borrowing that carries the same revenue implications as any other form of borrowing. It will have a duration of five years. The interest rate payable will be set by the Council, and will always be below the PWLB certainty rate 24 hours before launch (the PWLB certainty rate fluctuates daily) in order to provide a cheaper form of external borrowing for the Council. The Council's loan facilitator, Abundance Investment Ltd, will charge a small fee for their arrangement and administration services, which will be deducted from the final rate offered to investors. The rate set will also need to be competitive relative to other financial instruments with a similarly low risk profile in order to attract (although it is expected that some investors will prioritise their support of the proposed green initiatives over and above the interest rate they will receive). Abundance will provide support when deciding on the final rate.
2. For indicative purposes, the current annual financing costs if the sum of £5m was borrowed from PWLB are estimated at £450,000 (3.2% for capital sum repayment

(MRP) and 5.77% based on current rates for October 2023). The funding of this investment through this initiative is anticipated to be more favourable than PWLB.

3. The financing costs will be considered as part of the Council's annual budget setting process, and funded from ongoing savings delivered by these green initiatives as far as possible (green initiatives that will deliver both carbon and cost savings for the Council will be prioritised). For example, the cost of installing and maintaining a solar panel is expected to be recovered in full over a ten year period. Costs relating to the communications campaign are expected to be funded from existing revenue budgets and/or capitalised and funded from the green local authority security as appropriate.
4. The proposed green local authority security (community municipal investment) will have a minimal financial impact on the Council's overall debt profile.

*Kellie Gooch, Head of Finance (Environment), 14 September 2023*

*Verified by Sukvinder Kalsi, Strategic Director of Finance, 24 October 2023*

### **Legal Implications**

5. Section 1 of The Localism Act 2011 The General Power of Competence enables a local authority to borrow and to make loans under this Act.
6. The TMSS, to be approved by Full Council 1 November 2023 (and previously approved by Cabinet in February 2023), provides the necessary legal authority for the Council to issue the municipal investment via delegated authority within the TMSS to the Section 151 Officer.
7. The investment is facilitated as a person to person (P2P) loan. As such, the Council will be contracting as borrower with each individual lender. The terms of the contract are set out by and agreed with Abundance Investment Ltd.
8. Abundance Investment Ltd will provide the platform through which lenders can pledge their investment amount and facilitate the P2P loan. The Council will therefore engage and contract with Abundance Investment Ltd. The necessary waiver to the Council's Contract Standing Orders will be obtained to approve a direct award to Abundance Investments under the Council's Contract Standing Orders. Each investor will receive appropriate paperwork from the Council setting out the terms and conditions of the investment.

*Jade Monroe, Chief Solicitor, 20 September 2023*

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### **Background Papers Used in Preparing This Report**

None

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### **DETAILED ANALYSIS**

#### **Proposals and Analysis of Options**

9. The Council is working towards targeting net zero carbon, which requires significant investment to achieve. A green local authority security (community municipal investment) is an effective way to finance some of the required investment for a number of reasons as follows:
  - a. The Council will set the rate of interest payable to investors, but this will be benchmarked to be below that of the Public Works Loan Board, therefore representing a cheaper form of external borrowing for the Council.
  - b. This investment opportunity will be available to anyone, including residents and local businesses (with a minimum investment of only £5), enabling local people to support green initiatives in their own borough.
  - c. In order to attract investors, interest rates will be set to be competitive relative to other financial instruments with a similarly low risk profile. As such, this will provide a secure and good low-risk investment with a 'fixed' return on investment for residents and local business who choose to invest.
  - d. The launch of the green local authority security will be preceded by an in depth communications campaign, providing the opportunity to engage with residents and local businesses, champion the Council's climate and ecological aims and strengthen their support in achieving these. A draft communications plan has been jointly produced by the Council's Climate Change and Communications teams, and is included as Appendix 1.
10. The Council will engage and contract with Abundance Investment Ltd in delivery of the green local authority security. Abundance will provide the online lending platform (through which lenders can pledge their investment) and will facilitate and administer all aspects of the individual loans. They will also provide support and advice on both setting the interest rate payable to investors, and on the Council's communications plan in readiness for the local authority security launch. The Council will enter into a contract with Abundance Investment Ltd for the provision of their services for the duration of the five year loan period, for which a small arrangement and administration fee will be payable by the Council (around 2% of funds raised, or £100,000 in total assuming a £5m local authority security issuance).
11. The Council is ambitious in its climate and ecological aims, and is therefore targeting a local authority security value of up to £5m – the highest value green local authority security issued by any local authority to date (most green local authority securities to date have had a value of between £0.5m and £1m). It is expected that this increased level of investment will support bigger, more transformational green initiatives. For example, it could support the Council in implementing a system of smart energy integration, better linking the production of energy to its consumption (such as storing and redistributing energy from solar panels to other parts of the borough and/or the onward sales of surplus energy generated). It should be noted that as the targeted local authority security value increases, it is expected that the time taken to raise the targeted amount will also increase (from less than one month for £1m, to up to three months for £5m). If the targeted loan amount is not met before the target date, the Council will fund the shortfall through more traditional means of borrowing, in the same way as any other capital scheme requiring borrowing.
12. The funds raised will be restricted to investment in green initiatives only, with priority being given to those projects that deliver both cost and carbon savings, for example, measures that enable reduced energy costs for the Council (such as a ten year payback period on the installation and maintenance of solar panels). The initiatives to be funded will be promoted as part of the communications campaign in readiness

for the local authority security launch, and could include a range of climate and ecological improvements. The communications campaign will allow for flexibility in the application of funds, based on robust business cases and validated benefits, but will also make it clear that these are ringfenced funds for green initiatives only (as this will be important to some investors). Some more complex proposals will require validation by specialist experts, which will be funded from the green local authority security.

13. To enable business cases and benefits to be properly scrutinised and validated, it is proposed to delegate approval for the specific green initiatives to be funded from the green local authority security to the Strategic Director of Environment (in conjunction with the Cabinet Member for Finance and Reform, the Cabinet Member for Climate Change and Ecology, and the Director of Finance).

### **Reasons for Decision**

14. The proposed investment will support the Council in delivering its climate and ecological aims.

### **Equality Implications**

15. There are no direct equalities implications in the issuance of the green local authority security.

### **Risk Management Implications**

16. The report recommends establishing and launching a green local authority security, enabling the Council to finance green initiatives from community investment. Interest paid will be tracked to PWLB rates. The report also recommends appointing a loan facilitator to attract investment into the fund. The recommendations are in line with the objective of being ruthlessly financially efficient and support the Council's response to the climate crisis.
17. It is noted that the proposal refers to provision and management of funds only. Should the Council become involved in providing advice / review of project proposals then legal liabilities may attach, and this will would need additional insurance coverage, should such be agreeable to insurers.

*David Hughes, Director of Audit, Fraud, Risk and Insurance, 28 September 2023*

### **Climate and Ecological Emergency Implications**

18. The sole purpose of the green local authority security is to finance green initiatives that will drive down carbon emissions and reduce the impact of climate and ecological change across the borough.

*Approved by Hinesh Mehta, Assistant Director for Climate Change, 14 September 2023.*

## **Consultation**

19. This project has been devised to help support delivery of the Council's climate and ecology targets by generating a compelling form of local finance to invest in decarbonisation projects and engage the wider community in the climate agenda.

## **LIST OF APPENDICES**

Appendix 1 – H&F Green Local authority security Communications Plan (Draft)

## Appendix 1

### H&F Green Local authority security Communications Plan (DRAFT)

The Council declared a climate emergency in 2019 and is working towards targeting net zero emissions by 2030 across the borough. The investment required to fund this ambition is considerable. As part of helping to meet this need, H&F will seek to raise £5m of community investment from residents and the wider public through a green local authority security.

The platform enabling this investment will be provided by Abundance Investment Ltd, who have experience of conducting similar investment offers for other councils (including Westminster and Lewisham in 2023, and Camden in 2022).

Higher-income individuals are expected to provide a large majority of the investment required (see section 3, Audiences). However, the launch of the campaign is an opportunity to encourage all residents and local businesses to engage in the conversation on climate change. With the low bar to entry (a £5 minimum investment), the campaign will enable a wide range of demographics to feel part of, and benefit from, the borough's green transition.

This communications plan sets out the Council's approach to securing its financial goal whilst empowering residents and local businesses to contribute to specific local net zero projects.

#### 1. Campaign objectives

- Raise £5m of investment by the end of the campaign period
- Demonstrate that positive action is taking place and is planned across H&F
- Enable non-typical investors to feel the benefits of the green transition
- Raise awareness of the climate emergency.

#### 2. Insight

Over 80% of the UK public are concerned about climate change, in a trend consistent over several years now<sup>1</sup>. A majority of the public have expressed that they wish to see effective climate action even if this incurs a cost to them personally<sup>2</sup>.

This reveals a constituency who would be willing to contribute financially to H&F's efforts to reduce carbon emissions and to protect the public and nature from the effects of climate change, particularly if (a) the actions taken can be shown to be effective, and (b) they can see a low-risk investment with a 'fixed' return on their investment.

Previous Abundance campaigns have seen approximately 10% of the investment raise coming from local residents. While the role of H&F's communication with its

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<sup>1</sup> Annual polling commissioned by Dept for Energy Security and Net Zero

<sup>2</sup> Polling conducted by FocalData, August 2023, 52% answering positively when asked "I would accept an increase to the cost of living"

residents should not be overestimated, the campaign provides an excellent opportunity to deepen local engagement on environmental issues.

### **3. Audiences**

The target audiences are split into “investors” (those we will encourage to invest) and “influencers” (spokespeople, beneficiaries). There may be some overlap between the two.

#### Investors

Research conducted by Westminster City Council for their local authority security offer, which raised £1m, determined that people who are more likely to invest include the below. The H&F campaign will initially target similar groups, as the large majority of capital will derive from here:

- o Age 30+
- o Higher earners
- o Homeowners
- o People with excess capital (money is locked up for 5 years)
- o Families

The campaign offers a low barrier to entry (£5 minimum investment), affording an opportunity to engage people in much wider demographic groups. In particular:

- o All environmentally conscious residents
- o Community-conscious businesses
- o Faith groups
- o Council staff

#### Influencers

The following groups will be asked to support promotion of the investment offer:

- o Previous investors
- o Environmental charities or funders based in the borough
- o Project beneficiaries such as schools, residents of estates
- o BIDs and the H&F Climate Alliance (business forum)
- o Arts and theatre sector with their networks
- o Council teams
- o Councillors

### **4. Strategy**

#### **a. Build awareness early**

In the pre-launch phase, it is important to build local awareness of the coming investment programme, to maximise momentum.

#### **b. Repeated mentions across multiple channels are key**

Research from Abundance indicates that people are more likely to consider investing when they see content about the raise between 6 and 10 times across different channels. This is particularly important for people who are less regular investors, as they will need to be comfortable with the financial decision they are making.

#### **c. Positive messaging and total clarity**



Tackling the climate crisis is, conversationally, not frequently perceived as ‘win-win’, yet its benefits are widespread. Case studies that enable people to see what they are investing in and how they improve the borough will be key.

The positive messaging will need to be accompanied by total clarity over how the money is to be spent, (a) to diffuse possible cynicism about the Council’s motives and (b) because more regular investors will be accustomed to detail.

The key messages, which must be agreed with Abundance Investment Ltd, would cover:

- H&F residents, businesses and organisations have the opportunity to be at the forefront of the transition to a greener, better borough for generations to come
- We’re coming together as a borough to tackle the greatest challenge and opportunity of our time
- Investing in net zero projects in H&F will have many benefits felt locally from improved air quality and cheaper energy bills to better green spaces
- An opportunity to get the greenest low-risk investment with a ‘fixed’ return on your investment at a competitive rate

There will be three main communications phases:

- Pre-engagement (3 months)
- Climate Local authority security launch (date to be confirmed)
- Project updates (ongoing post-local authority security)

## **5. Implementation**

The campaign will take an audience-targeting approach to help the Council reach its investment goal.

H&F will develop the following assets:

- Call to action campaign video – could include “influencer-style”, local figures (including councillors) announcing their pledges, must clearly explain what the local authority security is and how it works in 2 mins max.
- Graphics sized for social media ads, google ads and outdoor advertising including BT screens
- Printed assets including leaflets and posters for libraires, community centres, local sustainable businesses and council tax insert
- Webpages including Abundance landing page and council climate webpage
- Press release
- Hashtag

H&F will use the following channels:

- Social media paid advertising campaign to target audiences based on location, income-level and other insights
- LinkedIn ads targeting local businesses and individuals

- Organic social media including collaborating with partners with large following and councillors
- Paid google ads including search terms such as 'sustainable investment'
- WhatsApp and Nextdoor organic posts
- Council and partner newsletters including Climate Connects, BIDs and Abundance mailing list
- Press/media including local press, radio and magazines, sustainability/investment blogs, business newsletters
- Climate café webinar
- Out-of-home including BT screens; consider JCD boards
- Public events and the H&F climate engagement stall

All advertising will be directed to the Council's Abundance Investment landing page.

## **6. Caveats**

To note that all messaging must be agreed with Abundance Investment Ltd, with some finessing of the above therefore to be expected.