

# Cabinet



Date of meeting:	08 December 2022
Title of Report:	<b>Plymouth Habitat Banking Vehicle</b>
Lead Member:	Councillor Bill Wakeham (Cabinet Member for Environment & Street Scene)
Lead Strategic Director:	Anthony Payne (Strategic Director for Place)
Author:	Kat Deeney
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Your Reference:	HBV_OutlineBC
Key Decision:	Yes
Confidentiality:	Part I - Official

## Purpose of Report

We are bringing forward the first business case relating to Green Finance for a Habitat Banking Vehicle. This report sets out the requirements, opportunity and options available to the Council in relation to Biodiversity Net Gain policy set out under the Environment Act 2021.

The Business Case sets out the opportunity to utilise the requirement for Biodiversity Net Gain provision to stimulate a sustainable revenue stream and business model, which the Council can establish through private investment and the developer market. This will fund enhancements of green space and generate associated social, environmental and financial benefits.

## Recommendations and Reasons

### It is recommended that the Cabinet:

1. Approves the principle of creating a Habitat Banking Vehicle (HBV) as set out in the Business Case.
2. Delegates to the Strategic Director of Place the approval to work to scope pilot sites and associated background infrastructure required to trial a habitat banking approach as set out in the Business Case.
3. Approves recommendation that details of implementing the HBV including scope of services, final structuring, contracting and governance arrangements (including appointing directors) to be brought back for Cabinet decision as soon as practicable but within 12 months.
4. Approves the Business Case.

### Reason for recommended decision:

The HBV will provide opportunity for a more efficient and impactful planning process in line with current net gain policy requirements in the Joint Local Plan and the Environment Act 2021. This will be delivered by ensuring that development mitigation will be directed to strategic sites for greatest benefit and as the mitigation will be delivered in advance of impact, provide a cost-effective offer to developers to meet Biodiversity Net Gain obligations with maximum benefit for the city the main benefits being:

- The proposed HBV option offers a low-cost, low-risk opportunity for PCC to direct the development of the emerging BNG market across the Plymouth Policy Area.

- The operational cost of running the HBV is £6.38m and the financial risk will sit with the HBV.
- Through the contracting arrangements between the HBV and PCC, the Council will generate a forecast net benefit of £175k p.a. (£5.263m over 30 years.). This is forecast to consist of £50k of savings and £125k income to meet existing income targets from pilot sites.
- Simultaneously, the HBV structure supports the delivery of PCC's strategic goals, the growth of the local restorative economy, and improved access to high-quality natural assets.
- It will also serve as a proof of concept for a new mechanism that can sustainably fund the long-term creation, restoration, and management of habitats in parks and green space.

### **Alternative options considered and rejected**

**Do nothing** – Significant risk to Plymouth's natural environment, ecosystems and communities and a loss of around £328k per annum for greenspace improvements. This would mean that the city's green estate would not deliver the benefits it has the potential to deliver for the people of Plymouth. Along with this, the condition of sites across the city would likely continue to erode and cause a greater maintenance and financial burden on already stretched services.

**Use of existing third party habitat banking vehicle** - Lower revenue and investment generation potential and growth. No endowment generated. Potential loss of control over delivery & habitat planning, based on land and habitat management preferred by private operator. Potential decrease in PCC control over quality of outcomes, based on agreement with private operator. Potential decrease in PCC control over quality of outcomes, based on agreement with private operator. Potential that habitats may fall back to LA management with no associated revenue streams, if the private operator fails and declares insolvency.

**The Council directly operating a 'Habitat Bank' without an SPV** – highest financial risk to PCC. Lack of interest of external investors in investing directly with a local authority. This in turn will lead to a lack of funds for the HBV to deliver habitat improvements and bank biodiversity units. This would result in a lack of credible supply of Biodiversity Units for developers and alternative suppliers being used which do not meet PCC strategic aims. There is a greater risk to PCC to repay investors.

### **Relevance to the Corporate Plan and/or the Plymouth Plan**

The development of the Habitat Banking Vehicle will support the aims of the Corporate Plan in the following ways.

#### **Caring for People and Communities**

The HBV will be developed to the highest possible standards, set to ensure that enhancement of nature sites is close to communities and ensure that the benefits of nature are felt close to communities with the greatest need. The HBV will look to improve access to and within high quality nature sites.

#### **Unlocking the city's potential**

It will enable the Council to be accountable and environmentally responsible in the way it manages its own green estate and ensure the strengthening and enhancement of this is cohesive across the City in line with duties set out under the Environment Act. It provides a significant opportunity to be one of the first Local Authorities in the country establishing this kind of vehicle and to demonstrate our commitment to being a green, sustainable city that cares about the environment.

It will also unlock investment into the city's natural spaces providing job security and creation and providing a platform for skills development in Environmental Planning, Landscaping and Ecology

#### Joint Local Plan

DEV026 Protecting and enhancing biodiversity and geological conservation,

DEV028 Trees, woodlands and hedgerows

#### Plymouth Plan

SO1 – Delivering a healthy city

HEA7 - Optimising the health and wellbeing benefits of the natural environment



A	Briefing report							
B	Business Case							
C	Equalities Impact Assessment							

**Background papers:**

\*Add rows as required to box below

Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	1	2	3	4	5	6	7

*If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*

**Sign off:**

Fin	DJN. 22.2 3.30 6	Leg	MS/2 /380 78	Mon Off	N/A	HR	NA	Asset s	NA	Strat Proc	NA
Originating Senior Leadership Team member: Anthony Payne (Strategic Director for Place)											
Please confirm the Strategic Director(s) has agreed the report? Yes											
Date agreed: 20/10/2022											
Cabinet Member approval: <i>Approved verbally at briefing</i>											
Date approved: 24/11/2022											