

# Cabinet



Date of meeting:	09 March 2023
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)
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Your Reference:	HBV_BriefingReportFinal
Key Decision:	Yes
Confidentiality:	Part I - Official

## Purpose of Report

At Cabinet in December 2022 we were mandated to return with specific details on the establishment of a PCC owned company group to act as the local authority's Habitat Banking Vehicle. After discussing this across Council Departments and following further development work, we are bringing the details and recommendations of this summarised in the accompanying Briefing Report.

## Recommendations and Reasons

That Cabinet:

1. Approves creation of vehicles/ company structure, as outlined in the Briefing Report
2. Approves the appointment of the following officers to serve as Directors of the Habitat Banking Special Purpose Vehicle ("HBV"):
  - Philip Robinson (Service Director for Street Services)
  - Zoe Sydenham (Natural Infrastructure Projects and Partnership Manager)
3. To appoint the Service Director for Finance (David Northey) to act as Member representative in respect of the Holding Company ("HoldCo") and to exercise all voting rights on behalf of the Council as Member of the company, including the appointment and termination of Company Directors and subject to Key Decisions (as defined by the Council's Constitution) being reserved to the Leader/ Cabinet and take any necessary action to protect, safeguard and effectively manage the Council's interest in the HoldCo.
4. Delegate to the Service Director of Finance (David Northey), the authority to approve or enter into all relevant documentation and agreements on behalf of the Council in relation to the HoldCo and HBV.

## 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 £7.324m 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 £196k p.a. (£6m over 30 years.).
- 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 a special purposes vehicle** – 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

SOI – Delivering a healthy city

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

**Implications for the Medium Term Financial Plan and Resource Implications:**

The recommended option is forecast to generate an annual income for PCC of £193k per annum, spread across savings and income to meet existing income targets.

All Corporate Service support that is required in operating the vehicle is accounted for in the business model of the HBV which begins once finance is raised and the company becomes operational and these costs will be paid to PCC through contracting arrangements between the HBV and PCC.

We propose, in alignment with mandate provided at CE Board on 8<sup>th</sup> November, there will be the establishment of an internal 'Green Finance Working Group' with representation from key corporate functions that will be critical in progressing this work. The HBV project will report to this group. This will expand on the project-focused approach taken to date and will oversee the programme of work around green finance initiatives. This will require continued and sustained support from Finance and Legal in particular.

**Financial Risks**

Outstanding development costs = £90k. This development cost is funded by the budget from external grant funding raised through the Natural Environment Investment Readiness Fund. Therefore there is negligible cost to PCC through some core staff time to inform development. In addition, the establishment of an endowment fund will provide for long-term financial security for Plymouth's green spaces, providing support for ongoing maintenance funding and reducing strain on central funds.

There is therefore negligible financial risk to PCC through the development of an HBV in this way.

**Carbon Footprint (Environmental) Implications:**

This programme of works aligns with and supports the delivery of the Plymouth Climate Emergency Action Plan by delivering a programme of works that will enhance and add resilience to the city's green estate.

Plymouth's parks and green spaces provide £188m worth of benefits to the city per year through health and wellbeing benefits to people, carbon sequestration and property value uplift.

In addition Plymouth currently has just under 400,000 trees which contribute £4.6m of annual benefits to the city through the Ecosystem Services that they provide, including £1.1 million of carbon storage and £2.9 million of pollution removal (i-Tree Eco survey 2020). The work to establish a HBV will protect and enhance this service provision.

Hugely beneficial and positive impact for the environment of the city. A climate change decision wheel is included in the main briefing report illustrating this.

**Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:**

*\* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

None – EqIA completed and included as background paper

**Appendices**

\*Add rows as required to box below

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>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.</i>						
		1	2	3	4	5	6	7
A	Briefing report title "230301 Briefing Report_Part I _Plymouth HBV"							
B	Equalities Impact Assessment (if applicable) "221118 EqlA_HBV"							

**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) <i>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.</i>						
	1	2	3	4	5	6	7

**Sign off:**

Fin	DJN. 22.23. 401	Leg	MS/0 0000 860/0 2/03. 23	MO		HR	NA	Assets	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: 06/02/2023											
Cabinet Member approval: Councillor Bill Wakeham (Cabinet Member for Environment & Street Scene)											
Date approved: 27/02/2023											

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