

Cabinet



Date of meeting:	16 October 2023
Title of Report:	Plymouth Habitat Bank
Lead Member:	Councillor Tom Briars-Delve (Cabinet Member for Environment and Climate Change)
Lead Strategic Director:	Anthony Payne (Strategic Director for Place)
Author:	Chris Avent
Contact Email:	Chris.avent@plymouth.gov.uk
Your Reference:	Habitat Bank_Decision3
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

The business case report recommends that the Council invests £0.5m in its newly created Habitat Banking Company – Ocean City Biodiversity (OCB) – to provide working capital for the Company to undertake habitat improvement activity on 3 PCC sites (Chelson Meadow, Ham Woods LNR and Cann Woods LNR) to generate Biodiversity Units (BU) to be able to engage with the emerging market for Biodiversity Net Gain (BNG). This business case is modelled against delivery on 3 pilot sites covering 109 hectares owned by PCC and is expected to generate 271 BUs for the BNG market. The report illustrates how the business model for the Habitat Bank works and how the investment will be repaid to the Council over a 10 year period at standard commercial rates.

Recommendations and Reasons

It is recommended that the Cabinet:

1. Approves the Business Case and approves £0.5m loan to Ocean City Biodiversity for the delivery of the Habitat enhancement activities across the 3 pilot sites and operation of the Company.

Reason: this is the preferred option set out in the Business Case with the greatest cost/risk:benefits to the Council and the city.

2. Confirms that the appointed PCC Member Rep – David Northey as Interim Strategic Director of Finance – will be responsible for implementing the loan agreement at suitable point in time and for reviewing and monitoring the repayments from OCB to PCC.

Reason: This aligns with previous Decision to proceed with Company set up and the Reserved Matters authority given the Strategic Director of Finance under Articles of Association of the Company

Alternative options considered and rejected

1. PCC does not invest in OCB and OCB seeks £0.5m investment from other investors
Discounted as PCC investment route preferable as first option, better loan repayment rate and opportunity for PCC to invest safely in its own assets.
2. Commit to invest minimum £0.2m requirement for first phase

Discounted as inefficient and creates unneeded risk

3. Invest £1m to invest in more sites and generate more BU's

Discounted as this option is similar to the preferred option, but requires twice the level of capital investment without no guarantee in the early BNG Market for this level of demand

Relevance to the Corporate Plan and/or the Plymouth Plan

The proposed investment in OCB will deliver the following objectives of the Joint Local Plan:

- DEV026 Protecting and enhancing biodiversity and geological conservation
- DEV027 Green and play spaces
- DEV028 Trees, woodlands and hedgerows
- DEV041 Derriford Community Park*

The OCB investment will deliver the following objectives of the Plymouth Plan:

- SO1 – Delivering a healthy city
- SO10 – Maintaining a beautiful and thriving countryside
- SPT12 – Strategic approach to the natural environment
- HEA7 - Optimising the health and wellbeing benefits of the natural environment
- HEA1 - Addressing health inequalities, improving health literacy
- HEA2 - Delivering the best outcomes for children, young people and families
- HEA7 - Optimising the health and wellbeing benefits of the natural environment
- INT6 - Enhancing Plymouth's 'green city' credentials
- GRO6 – Delivering Plymouth's Natural Network

It will be delivered within the Net Zero Action Plan and in line with the Plymouth Charter.

Implications for the Medium Term Financial Plan and Resource Implications:

The recommended route is forecast to lead to £187k p.a. net benefit to the Council through realising a small real terms saving (replacing funding source for management and maintenance of the 3 pilot sites) and a new sustainable source of funding to meet existing income targets across Environmental Planning and Street Scene and Waste divisions.

Financial Risks

There is a medium level risk that the Habitat Bank fails to make sufficient sales to be able to make repayments.

This has been mitigated through:

- Detailed modelling of the Habitat Bank finances, including cash flows that incorporates 10% redundancy rate (i.e. non-sale) for BUs, conservative sales strategy (average 25 BUs p.a. over first 5 years), conservative BU value and suitable capital buffers in first 10 years to provide security of cash flows and continued operation
- Demand assessment from the 5 year Housing supply and wider JLP allocated sites which provides good level of confidence that modelled sales strategy is feasible
- Engagement with developers has taken place to assess market demand for BNG units and the financial model has accounted for a £10k marketing budget to scale these engagement efforts.

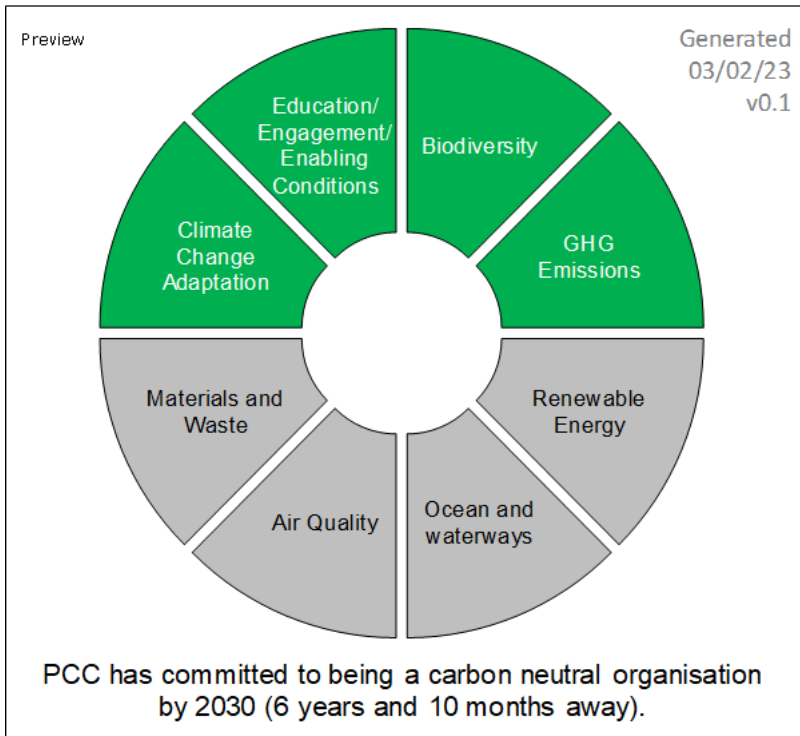
Further mitigation options include:

- Forward contracts may also be signed with potential off-takers to further reduce the risk.
- Updating the sales strategy to take advantage of increased 'land banking' where BUs are sold ahead of full creation bringing forward revenue income.

Carbon Footprint (Environmental) Implications:

The purpose of OCB is to support investment into the strategic delivery of habitat creation and/or restoration across the city. OCB will accelerate habitat creation and/or restoration in advance of development impacts, and will seek to fund the long-term or perpetual maintenance of restored sites through a capitalised endowment fund. While the carbon benefits of the majority habitats do not currently have a verifiable Carbon Credit scheme, PCC is working on as part of a funded pilot project

– Nature-Base Solutions for Climate Change – which is building the evidence base for this. Our Climate Wheel Assessment shows that we are confident that the net impact will be beneficial and there will be opportunity to generate future revenues from 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)						
		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.						
		1	2	3	4	5	6	7
A	Briefing report 231003 Briefing Report_Plymouth HabitatBank_FINAL							
B	Equalities Impact Assessment (if applicable)							
C	Climate Impact Assessment (if applicable)							

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)						
	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.						
	1	2	3	4	5	6	7
231003 HabitatBank_Full Business Case_2023_v4							

Sign off:

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Originating Senior Leadership Team member: Anthony Payne											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 06/09/2023											
Cabinet Member approval: Councillor Tom Briars-Delve - approved by email Date approved: 05/10/2023											