

BUSINESS CASE

Investment in Ocean City Biodiversity – Plymouth’s Habitat Bank



EXECUTIVE SUMMARY

The Executive Summary is a short summary of the Business Case and should be the last section you complete, this will enable you to extract or only the key facts from relevant sections i.e. ‘project on a page’.

The summary is a ‘snapshot’ of the business case which will need to tell the story and sell the proposal.

A Habitat Bank for Plymouth – Delivering biodiversity net gain for the future of green infrastructure in the city.

This detailed business case sets out the detail of PCC investing £0.5m of capital funds to implement the Council’s arms-length Habitat Bank - Ocean City Biodiversity (OCB) - to enhance and maintain the city’s green spaces for people and wildlife and generate a forecast £5.8m revenue for PCC over 30 years.

PCC has established a Green Finance company group – Ocean City Nature - in response to the approved Executive Decision from Cabinet on 9th March 2023.

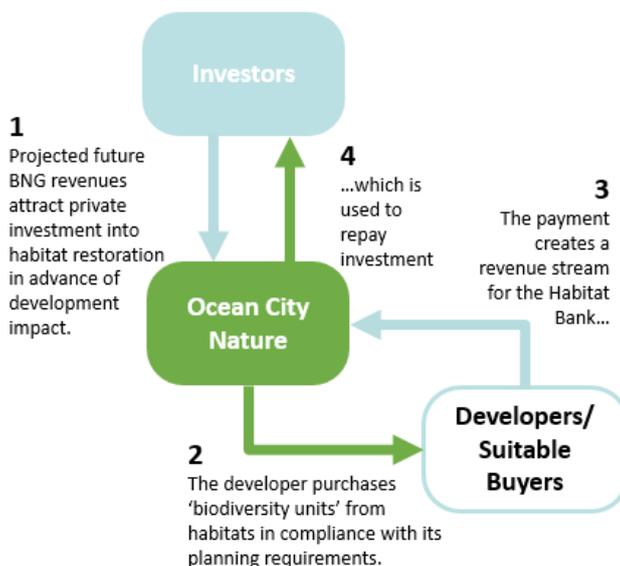


Figure 1 – Plymouth’s Habitat Bank

Habitat banking is one form of green finance. A habitat bank allows investors to finance habitat restoration and creation. **The investor receives their original investment returned plus interest payments** and is also rewarded with environmental returns, such as improvements to habitats – woodlands, meadows, rivers etc. – and enhanced access for people.

Habitat banking provides a way for landowners – in this case local authorities – to create or restore a habitat in advance through investment raised and “bank” the resulting biodiversity units. These units can then be purchased by developers seeking to comply with the mandatory 10% net gain. If developers have need to provide units off-site from

development then they are able to purchase these with any Habitat Bank provider in the country. We have established Ocean City Nature to provide a credible and affordable BNG provider in the city. The sale of biodiversity units means the investor who provided the finance gets their initial investment back with interest and information about the social and environmental impact of their funding. The sale of biodiversity units also provides a critical revenue stream for local authorities to maintain the newly restored or created habitat for a minimum of 30 years and longer through the creation of an endowment.

Key points to consider:

- This business case is modelled against pilot delivery in 3 sites (109 hectares) owned by PCC, all figures quoted are relative to that. Post the pilot stage, we have identified further 29 sites (269 hectares) to be included in future phases.
- The £0.5m investment required to establish Plymouth's Habitat Banking will be to Ocean City Biodiversity and will be in the form of a phased loan (Service Borrowing) drawn down over two financial years.
- The £0.5m investment will be repaid over a fixed term of 10 years to the Council but will catalyse revenues of £7.4m over the 30 year lifespan of this investment period for OCB.
- This can result in £5.8m revenues to PCC in payments for management and operation of OCN in addition to the loan repayments over the 30 year period.
- Detailed finance table is included as Appendix I.
- Ocean City Nature is a Company Limited by Guarantee which is owned by PCC. Ocean City Biodiversity is a Company Limited by Shares and is wholly owned by Ocean City Nature (OCN). Both Companies have been structured in partnership with external and internal legal advice and in line with Executive Decision from 9th March 2023. An Executive Board will be structured to invite input from local economic and environmental stakeholders, while retaining council control over decision making.
- Based on the success of this pilot programme, OCB could scale up to generate further benefit for Plymouth, with indicative revenues of £25-30m based on scale up across the Local Nature Recovery Network (LNRN). In addition, Ocean City Nature stands as a pioneer for a group of Green Finance initiatives which have the potential to attract even further investment into Plymouth's natural environment and open spaces.

SECTION I: PROJECT DETAIL

Project Value (indicate capital or revenue)	£0.5m Capital investment	Contingency	£0.028m (5%)
Programme	Natural Infrastructure	Directorate	Place
Portfolio Holder	Cllr Tom Briars-Delve, Environment	Service Director	Philip Robinson (Street Services)
Senior Responsible Officer (client)	Kat Deeney	Project Manager	Chris Avent
Address and Post Code	NA	Ward	Citywide

Current Situation: (Provide a brief, concise paragraph outlining the current situation and explain the current business need, problem, opportunity or change of circumstances that needs to be resolved)

The UK is among the most nature-depleted countries in the world, with 56% of our species in decline and 15% threatened with extinction. In response to this, planning policy has increasingly tightened requirements for conservation and most recently looks to drive habitat enhancement through development activity. Property developments are encouraged to follow the mitigation hierarchy to avoid, minimise, restore and finally offset their impacts on local wildlife and habitats. Although offsets are the last stage in the mitigation hierarchy, Biodiversity Net Gain policy is generating a market for biodiversity offsets.

Biodiversity offsets are measurable conservation outcomes designed to compensate for adverse and unavoidable impacts of property development on biodiversity, and are intended to supplement the prevention and mitigation measures that have already been implemented.

With the passage of the Environment Act through Parliament, an emerging market for biodiversity offsetting has begun to develop across England. Under the Environment Act, new developments must deliver a 'net gain' for biodiversity of at least 10%. The impact and required offset(s) are measured using a biodiversity metric developed by Defra to quantify this gain. Measured in 'Biodiversity Units', this market is expected to be worth in excess of £200m per year (Defra, 2019).

Supply and Demand assessments undertaken across Plymouth show a need for about 106 BU's annually over the next 5/10 years to enable development to come forward. We have an estimated supply of 300 Biodiversity Units ("BU's") across the pilot sites. This number excludes the redundancy rate and is subject to change based on the adopted sales strategy.

Failure to meet this demand locally risks stifling development pipeline and/or biodiversity offset being delivered in other parts of the UK.

Furthermore, PCC already mandates that all large projects deliver biodiversity net gain in line with the biodiversity metric under DEV 26 of the Joint Local Plan (JLP). The first project to follow this approach is the Forder Valley Link Road ('FVLR'). PCC is seeking to apply the learnings of the FVLR biodiversity offset project to design and create a Habitat Bank that:

- Takes a pragmatic approach to this emerging market, ensuring that high-quality and strategically located offsets are delivered to maximise environmental and social benefits **for Plymouth.**
- That Plymouth has a reserve of BUs available to ensure nature is not stripped from the city, or that BNG becomes a barrier to business and the delivery of key infrastructure.
- That a fair market price is charged for biodiversity units, both allowing for the provision of BNG units at cost for affordable housing, while ensuring that pricing is appropriate to reflect the impact on natural capital of development activity across the city. Indicative pricing (from research and own experience of delivery and sales) per unit ranges from £17,500 to £37,500 depending on habitat type and maintenance requirements, and can be adjusted based on development type. A pricing of £25,000 per unit has been used across habitat types and distinctiveness in the current financial model.

Proposal: (Provide a brief, concise paragraph outlining your scheme and explain how the business proposal will address the current situation above or take advantage of the business opportunity) **and** (What would happen if we didn't proceed with this scheme?)

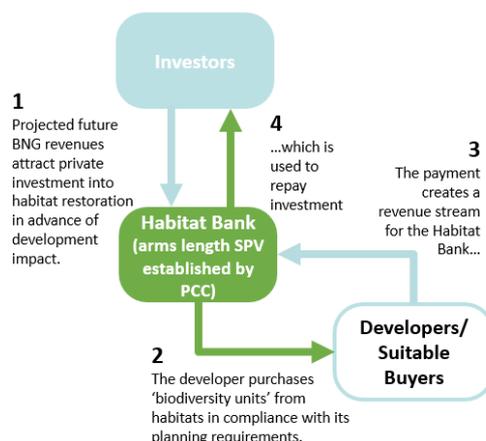
This business case proposes the Council invests £0.5m in its newly created Habitat Banking Company – Ocean City Biodiversity – to provide working capital for the Company to undertake activity improving 3 PCC sites and engage with the emerging market for biodiversity net gain (BNG). This business case is modelled against pilot delivery in 3 sites (covering 109 hectares) owned by PCC, so all figures quoted here are relative to that scale. We have identified a further 29 sites (further 269 hectares) that can be included in subsequent phases. The 3 Pilot sites were chosen based on a number of key criteria including geography within the city, habitat types, cost and risk.

Biodiversity offsets are expected to offer a significant new revenue generating opportunity for the natural environment. Importantly they will replace and exceed funding previously received through S106, for green space enhancement. OCB provides additional revenues to be used efficiently to deliver on PCC objectives including the JLP and LNRN, with any surpluses made available for distribution for aligned purposes (projects defined by Plymouth's Green Infrastructure Delivery Plan).

OCB will seek to capitalise an endowment to provide a perpetual income stream for the maintenance of the restored sites. This structure will be designed to ensure that projects do not become liabilities for PCC in the long-term.

The lifecycle and processes of the Habitat Bank is summarised below.

1. OCB raises investment to fund habitat creation and/or restoration in advance of local development activity and generate Biodiversity Units (BU). OCB funds the establishment and maintenance (for a set period, minimum 30 years, or as targeted, in perpetuity) of the habitat.
2. Local developments with a net negative impact on biodiversity are required to offset their impacts, as defined by the Defra Biodiversity Metric. OCB engages with local developers seeking to buy Biodiversity Units to offset their impacts. Developers purchase the units to fulfil planning obligations under the Environment Act and JLP.
3. OCB uses a portion of the proceeds from selling the biodiversity units to capitalise an endowment for the ongoing maintenance of the habitats created/restored.
4. OCB repays investment, provides the working revenue to manage the sites and the operational activity of OCB with surpluses re-invested in Plymouth's green spaces:



Ocean City Nature is the strategic company sitting at the head of a small company group also including a subsidiary company as the operating vehicle - OCB. The company structure of OCN is as a Company Limited by Guarantee (CLG). OCB is a Company Limited by

Shares (CLS). External and internal legal advice has been provided to establish this and was agreed through Cabinet Decision on 9th March - this is illustrated below.



In the event PCC decides not to pursue this opportunity, we would seek investment from other external, mission-aligned investors such as philanthropic investors through flexible loans.

In lieu of OCB becoming operational other organisations are expected to enter the market and may deliver lower-quality, short-term offsets with limited strategic and ecological benefits with no public access and far from Plymouth. By contrast, PCC has the opportunity to set standards for the delivery of biodiversity net gain within the Plymouth Policy Area (PPA), which also deliver maximum social value and can be replicated by local authorities throughout England. The principles and approach behind this have been tested with a range of sector specialists including other LPAs, environmental NGOs, Defra and Environment Agency policy leads and academics. Proposed principles will target the delivery of environmental and social objectives setting a high bar for this emerging market. The Business Model has been built around providing high quality infrastructure on these sites to not only protect biodiversity but also encourage appropriate access and public use.

Why is this your preferred option: *(Provide a brief explanation why this option is preferred) and (Explain why this is a good capital investment and how this would be an advantage for the Council) and (explain how the preferred option is the right balance between the risks and benefits identified below).*

The proposed investment offers a low-cost, low-risk opportunity for PCC to direct the development of the emerging biodiversity offsetting market across the Plymouth Policy Area. Through the expected contracting arrangements between OCB and PCC, the Council will generate a forecasted net benefit of £187k p.a. (£5.8m over 31 years) This is forecast towards existing income targets in Environmental Planning and Street Scene and Waste, with some smaller savings generated through cost replacement. The obligation for delivering the BNG rests with OCB and it will hold the lease for the sites for a minimum 35 year period. Simultaneously, OCB supports the delivery of PCC’s strategic goals, the growth of the local restorative economy, and improved access for people 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 and support the local development market with a good market product for BNG provision.

Through OCB, the Council retains a high degree of control over the delivery of biodiversity offsets within Plymouth, ensuring that this emerging market yields the best possible outcomes for nature and communities. Importantly it also provides an investment which retains market control and ability to work collaboratively to offer packages that accommodate affordable housing provision – OCB as an independent company will have the ability to differentiate its pricing and therefore accommodate affordable housing aligned to PCC strategic goals around housing delivery.

This will entail the need for in-house resource and expertise to support the operation of OCB in the near term and strategic oversight from the Environmental Planning division in the long term to ensure alignment to council priorities. This increased capacity requirement is recognised within the OCB business model and the current modelling shows OCB will need to enter into a Management Service Agreement contract to the value of £0.187m p.a. to pay for the operation of the Company and the maintenance of the sites. In addition costs related to financial and legal support required are built into the business model.

The remaining risks and proposed mitigants are further detailed below.

Option Analysis: (Provide an analysis of 'other' options which were considered and discounted, the options considered must be a 'do Nothing' and 'do minimum' and 'viable alternative' options. A SWOT – Strength, Benefit, Opportunity, Threat analysis could be attached as an appendix).

Do Nothing Option	PCC does not invest in OCB and OCB seeks £0.5m investment from other investors
List Benefits	No risk on borrowing to PCC
List Risk / Issues:	<ul style="list-style-type: none"> • longer period to raise investment and operationalise OCB • Risk of missing savings target of £27k for 23/24 increases • Lose first mover advantage • Risk (very low) of not raising suitable investment
Cost:	£27k cost of delay to operationalisation of OCB. Missing 23/24 savings target of £27k
Why did you discount this option	PCC investment route preferable as first option, better loan repayment rate and opportunity for PCC to invest safely in its own assets.
Do Minimum Option	Commit to invest minimum requirement for first phase
List Benefits	<ul style="list-style-type: none"> • Low financial risk to PCC and lower capital investment required
List Risk / Issues:	<ul style="list-style-type: none"> • Requirement to come back through BC to acquire phase 2 funding if required which is in-efficient
Cost:	£0.2m
Why did you discount this option	Inefficient and creates unneeded risk
Viable Alternative Option	Invest £1m to invest in more sites and generate more BU's
List Benefits	<ul style="list-style-type: none"> • Generation of additional Biodiversity Units for sale in response to developer demand
List Risk / Issues:	<ul style="list-style-type: none"> • Over supply of BU's
Cost:	£1m
Why did you discount this option	<ul style="list-style-type: none"> • 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

Strategic Case:	
Which Corporate Plan priorities does this project deliver?	Green investment, jobs, skills and better education
Explain how the project delivers or supports delivery of Joint Local Plan/Plymouth Plan Policies (include policy references)	<p>The proposed investment in OCB will deliver the following objectives of the <u>Joint Local Plan</u>:</p> <ul style="list-style-type: none"> ● DEV026 Protecting and enhancing biodiversity and geological conservation ● DEV027 Green and play spaces ● DEV028 Trees, woodlands and hedgerows ● DEV041 Derriford Community Park* <p>The OCB investment will deliver the following objectives of the <u>Plymouth Plan</u>:</p> <ul style="list-style-type: none"> ● 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 <p>It will be delivered within the Net Zero Action Plan and in line with the Plymouth Charter.</p> <p><i>*Derriford Community Park has already been delivering BNG from the Forder Valley Link Road scheme for habitat enhancement, quantified through the Defra Biodiversity Metric.</i></p>

Project Scope: (To avoid scope creep and cost escalation it is important to have an agreed scope of what the project will and will not deliver. List below what is included and not included in the project 'budget'. Projects should be delivered within scope and budget, but should project change happen then the business case requires revisiting, updating and re-approval)

In Scope	Out of Scope
<ul style="list-style-type: none"> ● Capitalise OCB with £0.5m of capital investment to begin capital work programme across 3 pilot sites. ● Continue BNG Unit Sales Engagement with local development projects to provide a cost efficient and ecologically strategic solution. ● Undertake habitat restoration and enhancement on chosen pilot sites. 	<ul style="list-style-type: none"> ● Investment in sites outside of 3 pilot sites – Cann Woods LNR, Ham Woods LNR & Chelson Meadow

- Share learnings across aligned cities/places through the Future Parks Accelerator and through NEIRF.

Project Governance:

The decision to approve the capital investment is governed through PCC channels culminating in an Executive Decision.

OCN is governed by the Board of Directors and the PCC Member Representative. OCB is governed by its Board of Directors and in turn to OCN.

Governance arrangements for OCN and OCB have been designed with support from external legal counsel and supported by PCC Legal team. At all times transparency and maintaining PCC control have guided this work.

Corporate Structure & Governance

The proposed corporate structure consists of two companies, OCN - the HoldCo - and OCB - the SPV.

OCN is established as a company limited by guarantee. It has one member, PCC, with a board of directors appointed by PCC. The board of directors is responsible for strategic decision making, including:

- Sales, pricing and marketing strategy
- Sales of biodiversity units to local buyers
- Review of, and reporting to PCC on the operating performance of the SPV
- Use of surplus generated by the SPV, including reinvestment in Plymouth's green estate. This will include scope to progress further green investment programmes for example in sustainable urban drainage opportunities.
- Any other "Reserved Matters" set out in the OCN's Articles of Association.

Directors of OCN report to the Member (PCC) representative, acting as sole controller of the company.

The Directors of currently consist of:

1. Anthony Payne
2. Kat Deeney, with further appointments to follow.

Due to the innovative nature of this set-up, it is also proposed to include a Cabinet Member act as an ex-officio Director for assurance on key matters (e.g. sign-off of accounts) and to act as a Champion of the Company.

The OCN board will meet quarterly.

OCB is established as a company limited by shares. The company is established with a sole shareholder, OCN, but is designed so that PCC may sell the majority stake (up to 74.9%) in the company to a third party, without divesting control. The board of directors of OCB has a limited role and is limited to operational items including:

- Negotiating and approving spend on operational contracts

- Negotiating sale of Biodiversity Units
- Approving spend on reactive site maintenance

Directors report to the shareholders, the OCN Board and any third party equity investors in the company (if any). Directors consist of an executive of PCC officers, and may also include investor representation.

PCC Governance

The Member Rep (David Northey, Service Director for Finance) acts as the controlling decision maker for PCC in relation to the OCN. There are a number of Reserved Matters set out in the Articles of Association for OCN which control the ability of OCN to act without PCC approval, these restrictions include:

- Raise funds
- Employ personnel
- Enter into lending of guarantee arrangements
- Sign new lease agreements
- Sell BUs to unapproved purchasers
- Change approval and governance procedures.

These restrictions allow PCC to retain a high degree of control over company operations at arms-length.

Contract Milestones and Dates:

A detailed forward looking workplan is available for review if required

Phase	Start	End
Vehicle establishment	March 2023	September 2023
Fundraising and sales engagement	July 2023	March 2024
Onsite delivery	February 2024	Ongoing

<p>Who are the key customers and Stakeholders</p>	<ul style="list-style-type: none"> ● Plymouth residents ● Tourists & visitors to Plymouth ● Plymouth’s natural environment ● Residential and commercial developers ● Plymouth City Council ● Aligned NGOs (incl. National Trust) 	<p>Which Partners are you working with</p>	<p>Internally –</p> <ul style="list-style-type: none"> ● Finance – Capital Investment, Commercial and Treasury Management ● SSW/ Environmental Operations ● Environmental Planning ● Legal ● Housing Delivery ● Development Planning ● JLP <p>Externally -</p> <ul style="list-style-type: none"> ● Finance Earth ● National Trust ● Future Parks Accelerator ● Local developers ● External Legal Advisors ● Environment Bank
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			<ul style="list-style-type: none"> ● Esmee Fairburn ● UK Nature Impact Investment Strategy ● External Tax Advisors ● Natural England ● DEFRA ● Greater Manchester Environment Fund <p>Seeking to engage-</p> <ul style="list-style-type: none"> ● Environment Agency ● National experts on net gain (academic, commercial and public sector partners)
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SECTION 2: PROJECT RISK, OUTCOMES AND BENEFITS

Risk Register: *The Risk Register/Risk Log is a master document created during the early stages of a project. It includes information about each identified risk, level of risk, who owns it and what measures are in place to mitigate the risks (cut and paste more boxes if required).*

Potential Risks Identified		Likelihood	Impact	Overall Rating
Risk	The Environment Act secondary legislation is delayed or materially changes, affecting the outcomes of the biodiversity net gain market	Low	Med	Low
Mitigation	JLP Dev26.5 states that net gains in biodiversity will be sought from all major developments. As such some demand is expected to continue under local policy. The Defra Biodiversity metric rewards the early delivery of projects through a time discount factor; as such delays will have a reduced impact on the economics of the proposed vehicle.	Low	Low	Low
Calculated risk value in £ (Extent of financial risk)	£50k	Risk Owner	Chris Avent	
Risk	Lack of demand for BNG units or an inability to sell BNG units	High	High	High
Mitigation	Engagement with developers is underway to assess market demand for BNG units and the	Med	Med	Med

	<p>financial model has accounted for a £10k marketing budget to scale these engagement efforts.</p> <p>A 10% BNG unit redundancy rate has been assumed within the model which acts as a risk buffer in case BNG units are not generated or sold over first 12 years.</p> <p>The chosen sale strategy will have several implications. For example, taking a Habitat Banking sales approach may reduce risk exposure with units being sold only after the BNG is verified. On the other hand, a land banking approach, especially in the short term, ensures that units are available to meet immediate demand and enables transactions in a nascent market.</p> <p>The forecasted sales strategy is conservative with average of 25 BU sales p.a. for first 5 years.</p> <p>Additionally, forward contracts may also be signed with potential off-takers to further reduce the risk.</p>				
Calculated risk value in £ (Extent of financial risk)	£0.5m	Risk Owner	Ocean City Nature		
Risk	Project operation and maintenance risks e.g. contractor failure.	Low	Med	Med	
Mitigation	OCN will sub-contract site maintenance to PCC or an independent 3rd party and to minimise risk, fees will be paid in arrears. Insurances will be obtained by PCC (e.g. D&O indemnity) and OCN (e.g. extreme weather insurance, asset related insurances).	Low	Low	Low	
Calculated risk value in £ (Extent of financial risk)	£187k p.a. if OCN decides to use 3 rd party contractor over PCC	Risk Owner	Chris Avent		
Risk	Unforeseen macroeconomic events delay project delivery and take-up of services.	Low	Medium	Medium	
Mitigation	Contingency planning to be in place and reviewed with regularity	Low	Low	Low	
Calculated risk value in £	£50k	Risk Owner	Chris Avent		

(Extent of financial risk)				
Risk	Implication of requirement for BNG affecting viability of housing development particularly affordable housing (Risk to Habitat Bank not development market)	Med	Med	Med
Mitigation	Soft engagement with affordable housing developers and Housing Delivery team already underway to ensure OCN design is complementary and identifies mechanism to control this risk. Arms-length OCN gives stronger ability to price units appropriately and take social value of BNG requirements into consideration when pricing BUs	Med	Low	Low
Calculated risk value in £ (Extent of risk)	Not quantifiable	Risk Owner	Chris Avent	
Risk	Risk of property issues e.g. existing rights over the land or covenants against using it except for particular purposes, existing designations or conflict with existing rights holders. This could interfere with the principle of granting a lease to OCN for that site.	Med	Med	Med
Mitigation	Extensive due diligence is being carried out on the chosen pilot sites and in case of any property risks, they can be easily replaced since a total of 29 sites have been identified within the LNRN.	Med	Low	Med
Calculated risk value in £ (Extent of risk)	Low IRO £10k	Risk Owner	Chris Avent	
Risk	Risk that OCN becomes insolvent.	Med	Med	Med
Mitigation	The financial model includes a minimum working capital buffer to mitigate for insolvency risks. This includes the proposed annual expenditure on habitat maintenance and services such as accounting.	Med	Low	Low
Calculated risk value in £ (Extent of risk)	£0 (we are confident that a 12 month working capital buffer is suitable to meet wind up costs).	Risk Owner	Chris Avent	

Outcomes and Benefits	
List the outcomes and benefits expected from this project. (An outcome is the result of the change derived from using the project's deliverables. This section should describe the anticipated outcome) (A benefit is the measurable improvement resulting from an outcome that is perceived as an advantage. Benefits are the expected value to be delivered by the project, measurable whenever possible)	
Financial outcomes and benefits:	Non-financial outcomes and benefits:
<p>Based on detailed financial assessment and modelling, the following financial outputs are expected / are possible:</p> <ul style="list-style-type: none"> • OCB once operational provides a new ongoing income stream to PCC's Environmental Planning and Operations teams for the maintenance of high-quality habitats and offset existing costs. In the short-term an average of £187k p.a. through contracted services for OCN and long-term through the proposed endowment structure. This represents approximately £5.8m of revenue for PCC over life. • OCB is expected to generate an estimated £7.4million in revenues from the 3 identified pilot sites over 30 years as a minimum. • Further investment and scale up could see benefits multiply to c.£25-30m. • It is proposed that any surpluses generated will be used for the delivery of city priority green infrastructure projects. • If approved, PCC will receive principal and interest repayments on its loan of £0.5m to OCB. 	<ul style="list-style-type: none"> • PCC investment in Nature sites complying with strengthened duties under Environment Act to maintain and enhance biodiversity • Delivery of site enhancement as part of Plymouth's Biodiversity Network as objective of JLP. • Creation of principles and approach for biodiversity offsetting and net gain delivery that also provides maximum social value. • Delivery of an effective offsetting solution for local development projects. • Safeguarding of public access to high quality nature within the city. • Creation of new, local jobs within the restorative economy. • Engagement and collaboration with local eNGOs. • PCC seen as a leader in adaptation to emerging natural capital markets and climate change. • Proof-of-concept for further financially sustainable natural environment investment models.

SECTION 3: CONSULTATION

Does this business case need to go to CMT	Yes	Date business case approved by CMT (if required)	26/09/2023
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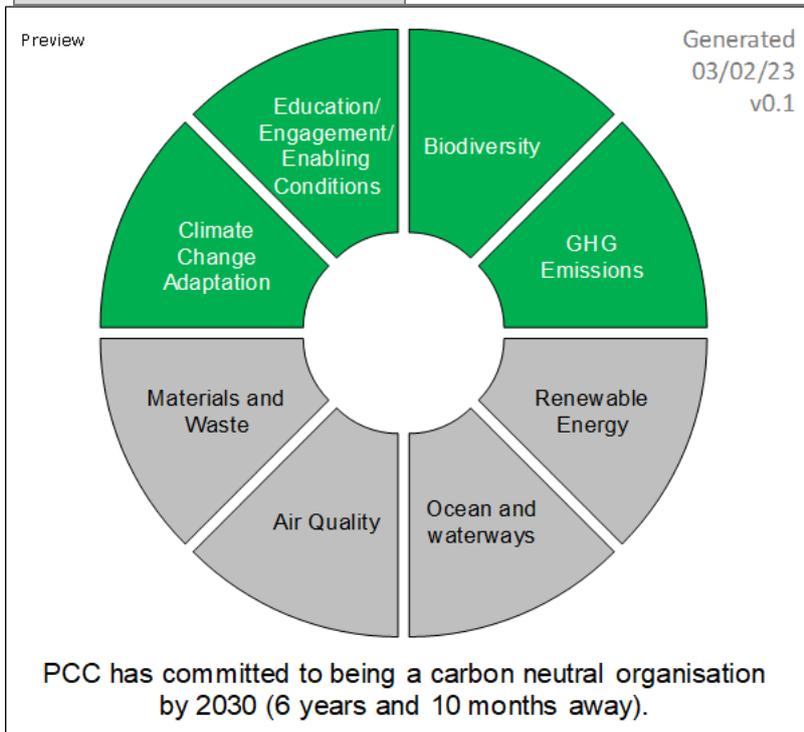
Have you engaged with Planning Department. (If no, please state the reason)	Yes
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If yes, summarise the planning requirements. <i>(If PP is required ensure you engage with planning prior to seeking approval of this Business Case)</i>	The Biodiversity Units generated will need to be registered with the National Biodiversity Register but also with the LPA through Conservation Covenants. NI Planning team acting as advisors. Planning will be consulted on any pilot activity as required.
Is the budget cost reflective of planning requirements	Yes
Who is the Planning Officer you consulted with.	Jo Lee, Jo Perry (JLP), DM team, Mike Oxford
Planning Consent Date	NA

Have you engaged with Building Control. <i>(If no, please state the reason)</i>	No
Is the Building Control pre-application registered	NA
What is the pre-application number	NA
Is this classed as a HRRB building	NA
Is this building classed as 'high risk'	NA
Who is the Building Control Case Officer	NA

Low Carbon	
What is the anticipated impact of the proposal on carbon emissions	The purpose of OCN is to support investment into the strategic delivery of habitat creation and/or restoration across the city. OCN 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.
How does it contribute to the Council becoming Carbon neutral by 2030	OCN will contribute to the Council becoming carbon neutral by 2030 by: <ul style="list-style-type: none"> • Supporting the early delivery of habitat sites with a net carbon negative impact. • Supporting the growth of the restorative economy and expertise within Plymouth. • Ensuring that public access to nature is protected and enhanced, improving awareness of and

	<p>connection to nature, leading to positive behaviour change and environmental action.</p> <ul style="list-style-type: none"> Any surpluses generated by the OCN will be reinvested into projects identified in Plymouth’s Green Infrastructure Development Prospectus (GIDP) which will also promote green infrastructure, sustainable jobs and engagement with Plymouth’s natural environment.
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Have you engaged with Procurement Service		Yes
Procurement route options considered for goods, services or works	Using framework agreement such as EM Lawshare or PCC Request for Quotation process (RfQ).	
Procurements Recommended route.	RfQ Process for the appointment of external legal advisors. RfQ allows legal advisors to participate that are not currently on the EM Lawshare Framework agreement thus opening competition to more specialist law firms.	
Who is your Procurement Lead.	Paul Williams	

Which Members have you engaged with and how have they been consulted (including the Leader, Portfolio Holders and Ward Members)	Portfolio holder briefings – Cllr Briars-Delve, 9 th August 2023
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Confirm you have taken necessary Legal advice, is this proposal State Aid compliant, if yes please explain why.	Yes both internal and external legal counsel have been sought and continue to support the development of OCN.
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Who is your Legal advisor you have consulted with.	Alison Critchfield, Karen Trickey and Sue Wallis. (Previously Mo Sajjad and Emma Jackman)
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Equalities Impact Assessment completed <i>(This is a working document which should inform the project throughout its development. The final version will need to be submitted with your Executive Decision)</i>	Yes
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SECTION 4: FINANCIAL ASSESSMENT

FINANCIAL ASSESSMENT: *In this section the robustness of the proposals should be set out in financial terms. The Project Manager will need to work closely with the capital and revenue finance teams to ensure that these sections demonstrate the affordability of the proposals to the Council as a whole.*

The financial information set out here outlines the proposed loan from PCC to OCN in order to undertake habitat restoration and maintenance on PCC sites for the sale of Biodiversity Units to developers.

CAPITAL COSTS AND FINANCING								
Breakdown of project costs including fees surveys and contingency (on present value basis)	22/23 £m	23/24 £m	24/25 £m	26/27 £m	27/28 £m	28/29 £m	Futu re Yrs. £m	Total £m
Project Development on PCC pilot sites		0.099						0.099
Habitat enhancement and infrastructure on PCC pilot sites		0.172	0.201					0.373
Development contingency			0.028					0.028
Total capital spend		0.271	0.229					0.5

Provide details of proposed funding: Funding to match with Project Value								
Breakdown of proposed funding	Prev. Yr. £m	23/24 £m	24/25 £m	26/27 £m	27/28 £m	28/29 £m	Futur e Yrs. £m	Total £m
PCC Service Borrowing		0.271	0.229					0.500
Total		0.271	0.229					0.500

REVENUE COSTS AND IMPLICATIONS	
<i>Cost of Developing the Capital Project (To be incurred at risk to Service area)</i>	
Total Cost of developing the project	£161k These costs are funded via external grants we have secured - Future Parks Accelerator Programme and NEIRF and £99k of the loan value.
Revenue cost code for the development costs	2153
Revenue costs incurred for developing the project are to be included in the capital total, some of the expenditure could be capitalised if it meets the criteria	N/A
Budget Managers Name	Chris Avent

<i>Ongoing Revenue Implications for Service Area</i>							
(Inflated values)	22/23 £	23/24 £	24/25 £	25/26 £	26/27 £	27/28 £	Future Yrs. (Ongoing, Annual)
Service area revenue cost							
Cost of borrowing repayments			0.0704	0.0704	0.0704	0.0704	0.0704
OCN Development costs	0.05	0.111					
Service area revenue benefits/savings							Ongoing, Annual
Loan repayment from OCN to PCC			0.0704	0.0704	0.0704	0.0704	0.0704
Benefits from OCN to PCC through Management Service Agreement			0.187	0.187	0.187	0.187	0.187
Grant Funding Received	0.05	0.111					

Net Cost/Benefit	0	0	0.187	0.187	0.187	0.187	0.187
Which cost centre would the revenue pressure be shown	2114		Has this been reviewed by the budget manager		Yes		
Name of budget manager			Chris Avent				
Loan value	£0.5m	Interest Rate	6.75%	Term Years	10	Annual Repayment	£0.0704m
Revenue code for annual repayments				2114 – but new code required TBC by Finance			
Service area or corporate borrowing				Service			
Revenue implications reviewed by				Emma White			

SECTION 5: MONITORING PERFORMANCE & POST PROJECT REVIEW

To conclude, the purpose of a business case is to outline the business rationale for undertaking a project and to provide a means to continually assess and evaluate project progress throughout delivery. It is the responsibility of the project manager to ensure the project remains on time and within budget during delivery and to monitor the project throughout and provide a Post Project Review on completion.

Investment Team Monitoring:

The Investment Team are required to report on completed projects and what they have achieved. To do this information will need to be captured during delivery and on completion of the project from your Post Project Review including:

- Did the project deliver the intended outcomes and benefits as stated in the business case?
- Which company was the contract awarded, is this a local company?
- How many jobs did this project provide?
- How much income from Council Tax and NHB will be collected?
- How have the carbon emissions been mitigated and how much did this cost?
- Was the project delivered on time and on budget (including contingency)?

Finance Monitoring :

- It is essential for Capital Finance Team to monitor the financial element of projects during delivery for reporting purposes. Monthly spend profiles against budget, matching with finance profiles will be collected monthly during delivery and on completion of the project.

Version Control: (The version control table must be updated and signed off each time a change is made to the document to provide an audit trail for the revision and update of draft and final versions)			
Author of Business Case	Date	Document Version	Reviewed By
Chris Avent	14/07/2023	v 1.0	Alison Critchfield, David Northey, Carolyn Haynes, Wendy Eldridge, Sarah Scott, Sharon Gillet, Philip Robinson, Anthony Payne, Kat Deeney
Chris Avent	28/08/2023	V 2.0	Philip Robinson, Paul Barnard, David Draffen, Anthony Payne, Kat Deeney, CMT members
Chris Avent	29/09/2023	V 3.0	Cabinet members
Chris Avent	03/10/2023	V4	<p>Updated following comments from CMT and Cabinet Planning. Amends to:</p> <ul style="list-style-type: none"> • Page 8 – addition of “Due to the innovative nature of this set-up, it is also proposed to include a Cabinet Member act as an ex-officio Director for assurance on key matters (e.g. sign-off of accounts) and to act as a Champion of the Company.” • Page 10/11 – Updated risk details (ratings and mitigation) around risk of “Lack of demand for BNG units or an inability to sell BNG units.” • Page 12 – update to risk rating and mitigation for risk of “Implication of requirement for BNG affecting viability of housing development particularly affordable housing”

SECTION 6: RECOMMENDATION AND ENDORSEMENT

Recommended Decision

It is recommended that the Cabinet:

1. Approves 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.
2. Confirms that the appointed PCC Member Rep – David Northey as Interim 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.

<i>[Tom Briars-Delve, Cabinet Member]</i>		<i>Service Director</i>	
Either email dated:	<i>Date 04/10/2023</i>	Either email dated:	<i>date</i>
Or signed:		Signed:	
Date:		Date:	