
Community Investment Scheme

Committee considering report:	Executive on 19 December 2019
Portfolio Member:	Councillor Ross Mackinnon
Date Portfolio Member agreed report:	20 November 2019
Report Author:	Joseph Holmes
Forward Plan Ref:	EX3860

1. Purpose of the Report

- 1.1 The Council has the opportunity to be part of a pilot of local authorities to issue community “bonds” (either through a bond or loan mechanism) that provide funding for infrastructure. To align with the Council’s climate emergency and emerging Environment Strategy, it is proposed that the community bond becomes a ‘Climate Change Bond’ to fund activities that help deliver the commitment to be carbon neutral by 2030.
- 1.2 This report sets out the ability to take part in the pilot and for the Council to seek to issue a community bond or loan that investors can buy into.

2. Recommendations

- 2.1 It is agreed that the Executive approves the Council taking part in the pilot scheme for Community Bonds.
- 2.2 That the Executive agrees for a subsequent paper to come back to the Executive to approve or otherwise the issuing of Community Bonds.

3. Implications

- 3.1 **Financial:** For this report, the only implications are the receipt of an external grant of up to £25,000.

Taking part in the scheme, pending due diligence and a subsequent report to the Executive, may enable the Council to access borrowing rates at a cheaper rate than PWLB. On a £1m capital scheme, the saving over 5 years of a rate that is 35 base points (0.35%) lower than the prevailing rate would be £10,000 over a five year period.

- 3.2 **Policy:** This proposal is strongly aligned to the Council’s policy within the Council Strategy of ‘Maintain a green district’. The ability to provide funding for initiatives that support this activity should enable these to take place through this ‘Climate Change Bond’.

This scheme also supports the priority of ‘Ensure sustainable services through innovation and partnerships’

through working on a new business model and with partners to support Council services.

3.3 Personnel: Some officer time from within finance, communications and legal; the grant for the setup of the scheme will help fund this activity.

3.4 Legal: There are a number of legal and procurement issues per the below:

Implication	Mitigation
Ability to issue community bonds	- Work is ongoing through the pilot to establish whether the issue will be via bond or loan and discussions are taking place with the Financial Conduct Authority to achieve ISA (Individual Savings Allowance) compliance. If ISAs cannot be issued, investors can still invest and it will be issued through the personal savings allowance.
Procurement of Abundance to act as provide of bond issuance, FCA compliance and administration.	- On the basis of a £1m issue, fees payable by the Council would be @£7.5k and so below the procurement threshold for OJEU and in procurement would be in line with the council's own contract rules of procedure. <i>If</i> the bond was issued for a 20 year period, the fees payable by investor could be £60k but again would be below OJEU levels. - The procurement through Abundance will be considered further through the due diligence work
Due diligence of Abundance and the respective contracts	To be completed and funded through external grant of up to £25k prior to the commencement of any bonds being issued

3.5 Risk Management:

Implication	Mitigation / opportunity
Reputation	This is a new scheme and way of funding for the Council so does increase reputational risk. This can be mitigated by clear and regular communication with investors on the respective scheme(s). This is also

	an opportunity to enhance the Council’s reputation through making a clear link between a personal investment and improved social and environmental return for the investor and wider taxpayer through the Council
Scheme does not progress	The scheme is commencing as a pilot. External grant is available for due diligence to enable the scheme to progress or not and so ensure that there has been thorough supporting evidence put into the scheme.
Infrastructure work does not take place	There are a number of items in the capital programme that could be supported through the bond – the clearest link being an expansion of the solar PV pilot
Lack of uptake from investors	If retail investors locally and nationally fail to buy into the £1m scheme, the Council will borrow via the PWLB or other source. Also, Legal & General (and the UK pension funds it represents) is exploring opportunities with Abundance to help supplement interest from retail investors.

3.6 **Property:** None directly – individual schemes supported by the bond will be considered through the respective scheme plan

3.7 **Other:** None

4. Other options considered

4.1 Not progress with the pilot. This has been discounted as this is a rare opportunity to be part of a scheme such as this at its inception.

4.2 Progress with other non-Public Works Loans Board (PWLB) borrowing. This option is being progressed simultaneously to ascertain the options for private sector and public sector borrowing, but will be on a similar timescale to the Community Bond. The Community Bond alone will not provide, in the pilot, all of the Council’s borrowing requirement for the coming years.

Executive Summary

5. Introduction / Background

- 5.1 The Council has the opportunity to become part of a nationwide pilot exploring using community municipal bonds to fund infrastructure for the Council. The community bond would be focussed on capital schemes that would assist the Council in delivering its Environment Strategy and meeting the aims of the climate emergency declaration made by the Council in July 2019.

6. Proposals

- 6.1 The Council has a clear strategic intent to maintain a green district, whilst at the same time has an investment need to help achieve this priority. To align with the Council's climate emergency and emerging Environment Strategy, it is proposed that the community bond becomes a 'Climate Change Bond' to fund activities that help deliver the commitment to be carbon neutral by 2030. There is an opportunity for the Council to help address these challenges through the issuing of 'Climate Change bonds' that utilise individuals' spending power to deliver schemes at a cheaper borrowing rate for the Council.
- 6.2 This pilot scheme works by the Council issuing a community bond to fund a climate change related scheme. The bond is issued to residents and investors from across the country to receive a percentage return on their capital for the investment. The scheme would be administered by Abundance, who are a separate FCA registered company, on behalf of the Council. The council would receive up to £25,000 of external funding to complete due diligence on Abundance and the scheme principles before any launch. The Council would then be able to access a cheaper rate of borrowing compared to using the Public Works Loans Board (PWLB) as it does for all borrowing at present. It would also mean that the Council has greater control over its borrowing costs rather than being subject to the prevailing PWLB rate, which is prone to sudden change.

7. Conclusion

- 7.1 This is an opportunity for the Council to utilise an innovative form of financing for the public sector and be part of a wider scheme that will have the benefit of an independent review of the project. The pilot aligns well to the Council's strategic priorities and represents an innovation with the potential to deliver schemes at a lower cost than the prevailing borrowing costs to the Council.

8. Appendices

- 8.1 Appendix A – Data Protection Impact Assessment
- 8.2 Appendix B – Equalities Impact Assessment
- 8.3 Appendix C – Supporting Information
- 8.4 Appendix D – Grant funding proposals

Appendix A

Data Protection Impact Assessment – Stage One

The General Data Protection Regulations require a Data Protection Impact Assessment (DPIA) for certain projects that have a significant impact on the rights of data subjects.

Should you require additional guidance in completing this assessment, please refer to the Information Management Officer via dp@westberks.gov.uk

Directorate:	Resources
Service:	Finance & Property
Team:	Finance
Lead Officer:	Shannon Coleman-Slaughter
Title of Project/System:	Community Bond
Date of Assessment:	30.10.19

Do you need to do a Data Protection Impact Assessment (DPIA)?

If the scheme progresses to a launch, a DPIA will likely be required to stage 2 and this will be included in the subsequent Executive paper.

	Yes	No
<p>Will you be processing SENSITIVE or “special category” personal data?</p> <p><i>Note – sensitive personal data is described as “data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, and the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person’s sex life or sexual orientation”</i></p>	<input type="checkbox"/>	X
<p>Will you be processing data on a large scale?</p> <p><i>Note – Large scale might apply to the number of individuals affected OR the volume of data you are processing OR both</i></p>	<input type="checkbox"/>	X
<p>Will your project or system have a “social media” dimension?</p> <p><i>Note – will it have an interactive element which allows users to communicate directly with one another?</i></p>	<input type="checkbox"/>	X
<p>Will any decisions be automated?</p> <p><i>Note – does your system or process involve circumstances where an individual’s input is “scored” or assessed without intervention/review/checking by a human being? Will there be any “profiling” of data subjects?</i></p>	<input type="checkbox"/>	X
<p>Will your project/system involve CCTV or monitoring of an area accessible to the public?</p>	<input type="checkbox"/>	X
<p>Will you be using the data you collect to match or cross-reference against another existing set of data?</p>	<input type="checkbox"/>	X
<p>Will you be using any novel, or technologically advanced systems or processes?</p> <p><i>Note – this could include biometrics, “internet of things” connectivity or anything that is currently not widely utilised</i></p>	<input type="checkbox"/>	X

If you answer “Yes” to any of the above, you will probably need to complete [Data Protection Impact Assessment - Stage Two](#). If you are unsure, please consult with the Information Management Officer before proceeding.

Equality Impact Assessment - Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity as set out in the Public Sector Equality Duty (Section 149 of the Equality Act), which states:

- “(1) A public authority must, in the exercise of its functions, have due regard to the need to:**
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;**
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; this includes the need to:**
 - (i) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;**
 - (ii) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;**
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it, with due regard, in particular, to the need to be aware that compliance with the duties in this section may involve treating some persons more favourably than others.**
- (2) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.**
- (3) Compliance with the duties in this section may involve treating some persons more favourably than others.”**

The following list of questions may help to establish whether the decision is relevant to equality:

- Does the decision affect service users, employees or the wider community?
- (The relevance of a decision to equality depends not just on the number of those affected but on the significance of the impact on them)
- Is it likely to affect people with particular protected characteristics differently?
- Is it a major policy, or a major change to an existing policy, significantly affecting how functions are delivered?
- Will the decision have a significant impact on how other organisations operate in terms of equality?
- Does the decision relate to functions that engagement has identified as being important to people with particular protected characteristics?
- Does the decision relate to an area with known inequalities?
- Does the decision relate to any equality objectives that have been set by the council?

Please complete the following questions to determine whether a full Stage Two, Equality Impact Assessment is required.

What is the proposed decision that you are asking the Executive to make:	To be included in a pilot scheme to issue a community bond used to finance capital schemes to assist the Environment Strategy
Summary of relevant legislation:	
Does the proposed decision conflict with any of the Council's key strategy priorities?	No
Name of assessor:	Shannon Coleman-Slaughter
Date of assessment:	30.10.19

Is this a:		Is this:	
Policy	No	New or proposed	Yes
Strategy	No	Already exists and is being reviewed	No
Function	No	Is changing	No
Service	Yes		

1 What are the main aims, objectives and intended outcomes of the proposed decision and who is likely to benefit from it?	
Aims:	To provide a funding source for climate change reduction activities
Objectives:	To raise £1m of money from retail investors at a rate lower than the Council's current borrowing rate from the PWLB
Outcomes:	<ul style="list-style-type: none"> - To provide a cheaper source of funding - To assist delivery the Environment Strategy - To enable local residents to have a positive socio-environmental investment opportunity
Benefits:	<ul style="list-style-type: none"> - Reduce financial costs - Delivery of Council policy

2 Note which groups may be affected by the proposed decision. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this.

(Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)

Group Affected	What might be the effect?	Information to support this
Age	None Need to check if Junior ISA can be used	
Further Comments relating to the item:		
3 Result		
Are there any aspects of the proposed decision, including how it is delivered or accessed, that could contribute to inequality?		No
<p>Please provide an explanation for your answer:</p> <p>All will have access to this investment opportunity and as the lowest amount that can be invested is £5 then this should provide an opportunity to as many people as possible in the district who have the ability to save.</p> <p>The investment opportunity will only occur at a rate which is below the prevailing PWLB borrowing rate; if this was to be above the PWLB rate then the wider taxpayer would be subsidising those who invest in the community bond which would be iniquitous.</p>		
Will the proposed decision have an adverse impact upon the lives of people, including employees and service users?		No
<p>Please provide an explanation for your answer:</p> <p>The proposed decision should have a positive impact on the lives of people as it will provide cheaper borrowing for the Council, and so all taxpayers in the district, and it should have a positive impact on investors by providing a new product that provides a rate of return commensurate with the strong financial position of the Council.</p>		

If your answers to question 2 have identified potential adverse impacts and you have answered 'yes' to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage Two Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the [Equality Impact Assessment guidance and Stage Two template](#).

Name:

Date:

Please now forward this completed form to Rachel Craggs, Principal Policy Officer (Equality and Diversity) (rachel.craggs@westberks.gov.uk), for publication on the WBC website.