



City of Westminster

Cabinet Member Decision Report

Decision Maker:	Cabinet Member for Finance and Council Reform and Cabinet Member for Climate Action, Regeneration & Renters
Date:	02 March 2023
Classification:	General Release
Title:	Community Municipal Investment
Wards Affected:	All
Policy Context:	Fairer Environment
Key Decision:	Non-key.
Financial Summary:	The Cabinet Member for Finance and Council Reform is asked to approve the launch of a community municipal investment to raise finance intended for green initiatives.
Report of:	Phil Triggs Tri-Borough Director of Treasury and Pensions

1. Executive Summary

- 1.1 As part of the Fairer Westminster Strategy, the Council has pledged to launch a 'local climate bond', a community municipal investment that is conducted as a peer-to-peer (P2P) loan, allowing residents, local businesses, and anyone interested in investing in Westminster's climate action goals to invest an amount of £5 or greater.
- 1.2 The Council's Treasury Management Strategy (TMSS) was amended on 21 September 2022 at Full Council to allow the Council to borrow via a community municipal investment.

2. Recommendations

- 2.1 It is recommended that the Cabinet Member for Finance and Council Reform and the Cabinet Member for Climate Action, Regeneration & Renters approves the launch of the Westminster Community Municipal Investment.

3. Reasons for Decision

- 3.1 This will be the first time the Council has launched a community municipal investment and as a key component of our Fairer Environment Strategy and Net Zero ambitions.
- 3.2 The municipal investment will be used to support green initiatives within Westminster. The initiatives that will be explored will include solar PV, LED lighting replacements, draught proofing, insulation measures, heat pump technology, glazing upgrades, and EC fan replacements.
- 3.3 The municipal investment will benefit the Council by securing an alternative means of funding for its net zero ambitions. Additionally, it gives the community an opportunity to feed into the Council's climate action goals.

4. Background, including Policy Context

- 4.1 As part of the Fairer Westminster Strategy, the Council has committed to launching a community municipal investment, a bond like instrument that enables P2P lending. The capital raised will finance green initiatives.
- 4.2 Additionally, the Council is always exploring alternative forms of financing as part of its wider borrowing strategy.
- 4.3 The TMSS was approved by Cabinet on 17 February 2022 and Full Council on 2 March 2022. A new version of the TMSS went to Full Council on 21 September 2022, where a suggested amendment concerning alternative sources of green capital financing was approved.

4.4 The additional wording approved and now included in the TMSS is as follows:

“The treasury management strategy will also allow the use of community municipal investments, a bond like instrument, where funds can be raised from multiple investor sources, including individuals. This is an alternative financing route, which will help facilitate the Council’s commitment to becoming a carbon neutral council by 2030 and carbon neutral city by 2040. Proceeds from the bond issue will be used as a funding source for green projects within the Council’s capital programme.”

4.5 The TMSS sets out the Council’s approach for ensuring that capital investment plans remain affordable, that the associated financing is properly planned, and any cash held by the Council generates optimum returns in respect of security and liquidity.

4.6 Any new funding undertaken under this amendment would be a relatively small proportion of the Council’s total debt portfolio and would therefore not exceed the authorised limit as approved by Council under the Prudential Code.

4.7 The additional source of financing is compliant with the CIPFA Treasury Management Code and CIPFA Prudential Code (both documents are 2021 versions).

4.8 Abundance Investment Ltd has been engaged to assist the Council in realising this commitment and will host the platform through which it will be available.

5. Financial Implications

5.1 The community municipal investment, a bond like instrument, should be viewed as an alternative means of green borrowing that carries the same revenue implications as any other form of borrowing. It will have a duration of five years which may require refinancing at the end of that period and will carry an interest charge set in accordance with market rates at the time of issue.

5.2 The interest rate will be set by the Council, although it will be based on the PWLB certainty rate 24 hours before launch. As at 16 January 2023, the PWLB Certainty Rate for a five-year annuity loan was 4.24%. After fees, the rate set would be in the region of 3.95% (based on the 16 January 2023 scenario).

5.3 The rate will need to be competitive relative to other financial instruments with a similarly low risk profile in order to attract investors. Abundance will provide support when deciding on the final rate.

5.4 The potential need to refinance in five years does not present any significant interest rate risk. That is because the Bank Rate is forecast to drop to 2.50%

in December 2023, meaning that if the need for refinancing exists after that time, the Council will likely be able to refinance the loan with rates better than or at least similar to those at the time the bond like instrument will be issued.

- 5.5 Relative to the Council's capital programme and debt profile, the community municipal investment will have a negligible financial impact.

6. Legal Implications

- 6.1 The TMSS, approved by Full Council 21 September 2022, provides the necessary legal authority for the Council to issue the municipal investment via delegated authority within the TMSS to the Section 151 Officer.
- 6.2 The investment is facilitated as a P2P loan. As such, the Council will be contracting as borrower with each individual lender. The terms of the contract are set out by and agreed with Abundance Investment Ltd.
- 6.3 Abundance Investment Ltd will provide the platform through which lenders can pledge their investment amount and facilitate the P2P loan. The Council will therefore engage and contract with Abundance Investment Ltd.

7. Carbon Impact

- 7.1 The Council has an ambitious net zero target of 2030 operationally, and City Wide by 2040.
- 7.2 This project has been devised to help support delivery of the Council's net zero 2030/2040 targets by generating a compelling form of local finance to invest in decarbonisation projects and engage the wider community in the climate agenda.
- 7.3 The green initiatives the funding will target will be aimed at reducing carbon emissions through energy reduction, efficiency, or generation methods.
- 7.4 The carbon impact is therefore expected to be positive, helping to reduce the overall carbon emissions of the City.

8. Equalities Impact

- 8.1 The Equality Act 2010 requires public authorities to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations. The Council must further take into account its wider public sector equality duty under section 149 of the Equality Act 2010 when making decisions.
- 8.2 There are no direct equalities implications in the issuance of the community municipal investment.

9. Consultation

- 9.1 The community municipal investment will be open for all residents to participate in.
- 9.2 Furthermore, it will not have any implications for a specific ward.
- 9.3 When selecting projects to help finance, the Council will consider where the greatest impact can be achieved in line with ensuring this is a sustainable initiative going forward. Therefore, the Council will consider whether there are community organisations operating within Westminster that could benefit from energy efficiency measures but that may not have the means to outlay the initial capital. Where possible, the Council will look to support these organisations through the provision of a loan. The loan would then be paid back from the energy savings derived from each measure.
- 9.4 The Council will engage these organisations and work closely with them to determine best fit for the use of funds.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

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APPENDICES

None.

BACKGROUND PAPERS

- Treasury Management Strategy Statement 2021/22

NB: For individual Cabinet Member reports only

For completion by the **Cabinet Member for Finance and Council Reform**

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report



Signed:

Date: 01/03/2023

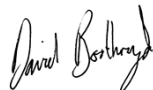
NAME: **Councillor David Boothroyd**

State nature of interest if any:

(N.B: If you have an interest, you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled **Community Municipal Investment** and reject any alternative options which are referred to but not recommended.

Signed:



Cabinet Member for Finance and Council Reform

01/03/2023

Date:

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:

If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, City Treasurer and, if there are resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2)

your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.

NB: For individual Cabinet Member reports only

For completion by the **Cabinet Member for Climate Action, Regeneration & Renters**

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed:  Date: 01/03/2023

NAME: Councillor Matt Noble

State nature of interest if any:

(N.B: If you have an interest, you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled

Community Municipal Investment and reject any alternative options which are referred to but not recommended.

Signed: 

Cabinet Member for Climate Action, Regeneration & Renters
01/03/2023

Date:

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