Report author: Andrew White

Tel: 0113 378 1561

Green Finance Options

Date: 26 July 2023

Report of: Director, Communities, Housing & Environment

Report to: Executive Board

Will the decision be open for call in? ☒ Yes ☐ No

Does the report contain confidential or exempt information? ☐ Yes ☒ No

Brief summary

Leeds City Council continues to make progress in our ambitions for the city to be carbon neutral (net zero) by 2030. The council has spent around half a billion pounds in the last five years, and continues to focus on the actions which will deliver the greatest reductions in emissions.

Following a White Paper Motion at the full Council meeting in January 2023, the council has been requested to provide a report on Green Municipal Bonds (CMB) or Community Mutual Investments (CMI). The report outlines the different types of finance the council has applied for or developed successfully in order to fund net zero initiatives, as well as detailing the work that is underway to deliver potential finance options for wider scale retrofit. Lack of finance is often held up as the reason that net zero will not be achieved; however from our experience the landscape is more complex, and finance is not necessarily the biggest barrier – issues such as public understanding and engagement, an unsupportive policy framework, and the lack of availability of skills and supply chain, are often much bigger barriers than the availability of finance.

The report concludes that whilst a CMB or CMI approach to raising finance for local green projects is something we may wish to consider in the future, it's not something that we would propose be progressed at the present time. This conclusion recognises the relatively minimal investment (e.g. likely less than £1m) that could be secured, especially when compared to the Council's overall investment of £500m, the majority of which has been achieved through grant rather than borrowing. The report also identifies that such a scheme would require borrowing at a higher rate, would need to be focussed on projects that offer direct community benefit, many of which are already funded, and when gaps in our net zero plans are considered, these relate to areas where CMB/CMI funding couldn't be used, such as capital investment in privately owned properties.

Recommendations

1. To note the council's current plan to use a range of funding routes to fund a package of approved programmes that contribute to net zero (the reduction in carbon emissions and associated improvements in sustainability) in the city.
2. To note the range of challenges to achieving net zero, which includes financing, but includes a series of larger and more profound challenges and barriers.
3. To note the review of green finance options for the council, which include bonds or CMIs, as included in the White Paper, and the aim of seeking stronger local and regional green financing, from institutions and businesses, as well as individuals, and for the city as well as the council.
4. To note the features of CMIs supporting net zero projects in other UK authorities, and note that a CMI approach might be something that the council can take forward but will be based on an alignment of financial borrowing and project type, which does not appear to be the position at present.

What is this report about?

1 The council's Climate Emergency declaration highlights the urgency of delivering net zero and as a result creates an expectation that the council must take every action within its means to reduce emissions, including attracting alternative finance to fund improvements.

2 UK local authorities seeking, like Leeds City Council, to fund these improvements have a wide and increasing range of options and funding choices. However, as the UK emerges from a sustained (15 year) period of historically low interest and inflation rates, and interest rates look likely to remain relatively high, the UK market for green finance is changing.

3 The January 2023 White Paper Motion stated:

Council notes that Leeds City Council declared a Climate Emergency in March 2019 by a majority vote, resolving to work to make Leeds carbon neutral by 2030.

Council further notes that that there are now just 7 years left until this 2030 target date. In passing the Motion, the Council resolved not only to declare a climate emergency, but to sign up to a science-based carbon reduction target consistent with achieving the Paris Agreement of no more than 1.5°C global temperature increase.

Council understands that any planetary warming above 1.5°C will result in an increasingly unliveable world, with food production and water supplies threatened whilst populations and communities have to withstand increasingly extreme weather events such as those we have experienced in Leeds over the last few years.

Council welcomes the significant work, including through our impressive Sustainable Energy and Air Quality team, since 2019 to move the city closer to its carbon neutral target. Council further welcomes the Leeds Climate Commission being the first of its kind in the UK.

Council further notes that the recent LGA Peer review noted that Leeds has 'solid building blocks in place' on our net zero ambition, including a 25% reduction in the council's own energy consumption since March 2019.

Council welcomes recognition from the renowned International Carbon Disclosure Project for Leeds City Council's inclusion on their "A List" of leading city authorities in the world on climate action.

Council recognises the work of the Leeds Climate Change Citizens' Jury in 2019 and notes their recommendation to explore a variety of funding sources, including a Local Government Green Bond.

Council welcomes work already underway to explore the possibility of using community bonds to support part of the solar investment and notes the Community Municipal Bonds (CMB) model provides for the issuing of local green bonds to channel local savings into local projects with low risk and a modest return to investors. They provide an opportunity for those residents who have the means to invest in projects that enable others locally to help tackle the climate emergency. In this way they are also investing in the green economy of the future.

Council believes that offering local savers and other ethical investors a way to support the City's journey to carbon neutrality would mobilise community engagement in the process of change, attracting significant sums for named projects whilst offering security and a modest rate of interest.

Council acknowledges the successful bids for national government funding for schemes that address the climate emergency, but recognises that much more funding will be needed, especially at a time of significant financial challenges for Councils. Council also recognises the essential role of financial institutions in providing funding to meet this challenge, and Council remains committed to accessing all available funding sources to enable the 2030 target to be achieved.

Council welcomes that to date Leeds City Council has secured £100 million of grant funding since 2019 as well as investing £26 million via prudential borrowing into the district heating network and committing £100 million to support council housing retrofit. Recently the council also agreed to inject funding to support the delivery of both solar farms and rooftop solar.

Council therefore calls for a report to be brought to Executive Board within 6-months detailing the different options for issuing Leeds Climate Bonds and the most appropriate option for their adoption.

White Paper Motion, January 2023

Progress to date, yet significant challenges

4 In responding to the White Paper Motion (WPM), it is worth outlining the scale and scope of the council's spending on climate emergency related programmes, initiatives and projects. The council has spent over half a billion pounds on climate emergency related funding since 2019, and almost half a billion pounds of that funding on net zero. Over £130m of that funding has been spent by the council's Climate, Energy & Green Spaces service, see summary in **Appendix A**. The projects and initiatives' funding for 2023/24 and beyond is expected to continue at this level, of grants of more than £30m and borrowing of around £3-5m a year. Looking at the source of this funding, approximately 80% is grants and awards, requiring no repayment, and around 20% borrowed, requiring the funds to be paid back, and in some cases, interest as well.

5 However, the enormous scale of the work required to achieve climate emergency aims, and the national aims of building net zero into all development and investment means that in the UK, according to the House of Commons Treasury Committee 2021 report, the question is not *whether* to fund projects, but *how* to match up projects, capacity and funding to deliver a best fit.

The costs of global inaction significantly outweigh the costs of action. Higher temperatures and an increased prevalence of extreme weather events could lead to reduced productivity growth in the UK and significant damage to UK capital stock. Most studies do not reflect the economic impact of indirect effects and global spillovers; for example, damage to global supply chains affecting trade, reduced production in trading partner nations pushing up the cost of imported goods, and changes to migration from regions heavily affected by climate change. The true cost of a warmer climate to the UK economy could be higher than current estimates.

House of Commons Treasury Committee 2021, p4

6 Net zero carries huge cost savings because of more efficient vehicles and buildings, and the economic boost of many thousands of good jobs in the green industries that we hope will be the growth story of the 21st century. Getting to net zero will avoid an escalation of the enormous costs that are already being faced across the world as a result of the more regular extreme weather events due to climate change, as laid out in the IPCC report. The 2015 Storm Eve flooding was estimated by WYCA to have an impact costed at around half a billion pounds. Reducing fossil fuel burning also brings benefits such as reduced air pollution, which while improved significantly in Leeds, still kills about 40,000 people a year in the UK. For the UK, once the fuel efficiency savings are included, the Office for Budget Responsibility's (OBR) 2021 cost estimate of net zero falls to around 0.4% of GDP a year. In the same report, the OBR also suggested that delaying decisive climate action by a decade could double the cost to the government. Yorkshire & Humber Climate Commission estimates the annual regional cost of climate change at £4.6bn.

7 A number of bodies, including the Carbon Trust, Local Government Association, and the UK100, (UK's network of 100 climate focused local authorities), draw attention to the fact that there are for local authorities a number of factors to consider and challenges to overcome to reach net zero, other than financing:

- **Navigating the complex policy framework** for UK projects and initiatives which deliver large improvements in carbon use and cost – for the wider city, as well as the buildings and spaces the council owns and manages. This involves building and maintaining relationships with multiple government departments, funders, local and regional partnerships, who each will have differing, sometimes conflicting, priorities, responsibilities, and views of alignment of projects for carbon reduction.

- **Deepening and harnessing public involvement, knowledge engagement, and commitment to change**. While there are increasing areas where individuals, businesses

and communities are engaging with climate emergency, there is not a consensus, and some of the least engaged groups and communities are also the most affected (such as income, demographics, level of engagement, property ownership or tenure type) by hot weather, disruptions caused by climate change, high energy prices. Interestingly, this is one area where a CMI approach could deliver a different level of engagement and commitment, although investment would not be limited to Leeds residents.

- **Delivering infrastructure and integration**, rather than separate isolated improvements. The challenge of developing and integrating effective public transport infrastructure has been well established in Leeds for many years, and remains critical to the city's ambitions for jobs, housing and the wider economy. Turning to more recent net zero projects, the council has for some time explored using land to develop a solar farm to improve its mix of energy from renewable sources and contribute to national grid; in parallel to shifting energy use from gas to electricity, and from carbon intensive to lower carbon. According to a report from the House of Commons Environmental Audit Committee, the UK national electricity distribution infrastructure is frustratingly unable to guarantee connection of solar developments to the UK powergrid sooner than 10 or 15 years, well beyond the council's 2030 target.

- **Developing the council's and partner organisations' supply chain to deliver,** sustain and demonstrate the improvements, which are vital to large scale programmes such as retrofit. In particular, the supply chain and market is susceptible to changes in national funding – periodic bulges in funding forces costs up, but don't necessarily create long term capacity, in organisations, or in skills, knowledge and experience in the local and regional labour markets.

8 However, the Climate Emergency Annual Report 2023 identified significant gaps and challenges in the city's Net Zero Housing Plan, particularly for people who are not in the lowest income groups, or where a multiple solution (rather than single measure proposed by UK government) would be most effective to improve overall carbon efficiency and save families energy costs. The report also raised concerns about limitations in the council's and city's capacity to deliver and sustain the lengthening list of projects. The next sections of the report outline two forthcoming projects, which utilise different funding methods, but have a long-term delivery and payback timeframe.

Retrofit and Property Linked Finance: Green Homes Financial Accelerator

9 Despite Leeds City Council's successful track record on bidding, we know that to achieve net zero that we need to access significantly more funding, especially on the capital-intensive projects such as retrofit. Retrofit is a broad term used to describe a wide range of actions to improve the energy efficiency (in terms of energy cost and CO2 emissions) of buildings, and more than 20 of the projects summarised in Appendix A have delivered heating or energy retrofit improvements.

10 Focusing on retrofit for residential properties, the potential scale and scope is enormous: there are a total of almost 360,000 residential properties in Leeds. The Climate Emergency Annual Report identified a number of actions already underway for domestic property retrofit, funded by a range of sources (including but not limited to the Social Housing Decarbonisation Fund, European Regional Development Fund),the majority not requiring any funds to be paid back.

11 The next phases of projects include Leeds Low Carbon Accelerator, a Leeds model of the Green Homes Financial Accelerator (GHFA), with an initial fund of just under £200k, funded by Lloyds Bank. The project aims to develop a one-stop-shop delivery vehicle. The GHFA project creates and tests green finance retrofit offers (such as free solar/battery/heat pump offer linked to a smart tariff), for around 50 properties to support the smooth customer journey that the one stop shop will create, with a view to extend it to a much larger group. GHFA funding will be used to design and test a potential property linked finance offer, where borrowing, debt and repayment obligation is attached to the property, rather than the individual borrower, and is suitable for a much longer-term payback, in excess of 20 years.

12 Where an area-based approach has been used in fuel-poor areas, Leeds City Council has achieved almost 100% take-up from owners and private landlords. The one stop shop approach has been designed to create demand and ensure a smooth customer journey, but has deliberately been designed not to provide finance. The project is focused on creating a financial offer which will be available to all households, but will not be a pre-requisite to retrofit works. As part of the wider project, it will test consumer appetite for new property linked finance and smart tariff products in Leeds.

Public-Private funding: Electric Vehicle Charging Points

13 Many cities are developing and extending publicly accessible electric vehicle charge points (EVCP), and some authorities are using CMIs to fund EVCPs. EVCP capacity and availability is fundamental to achieving confidence in the transition from petrol and diesel to low emission vehicles. However, such schemes usually have a long payback timescale, upwards of 8 years, and also involve the local authority (or other landowner) partnering with a commercial electric

charge point operator. The council has this year secured over £15m for the West Yorkshire region in direct funding for EVCP through Local Electric Vehicles Infrastructure (LEVI) funding schemes, in the form of non-repayable central government grant. without needing to borrow funding for the council to repay, with a total value in the region of £25-30m.

14 The funding– a £1.5m regional grant from central government with projected private sector investment of the same value via LEVI pilot funding and a further allocation for West Yorkshire of £14.3m of capital funding via the full LEVI scheme, is designed to support EVCP installations over 3-5 years.

15 The council intends to secure further private investment as part of the delivery of projects with this further combined £14.3m LEVI grant, so anticipate that the total value of the infrastructure to be installed through the LEVI schemes will be circa £25-£30m based on the government funding also (not repayable) and commercial investment. This is funding for West Yorkshire – not just Leeds – although we would expect our share of this to be in the region of 40% in line with the typical distribution model for WYCA dispersing funds to districts, though as an area with higher growth in plug in vehicles we may attract higher levels of commercial investment.

16 The council aims to secure revenue income for the authority via lease fees for allowing infrastructure that will be owned by operators on our land as well as to identify opportunities for revenue generation through profit share schemes too. Essentially, the council will be seeking income, but not expenditure as the charge point operators will be the owner of the infrastructure and therefore will pay for the energy costs / customer platforms / repairs and maintenance.

17 Further to this we are exploring opportunities for additional fully externally funded projects with the commercial sector as well as seeking to utilise any remaining funding from other government sources, such as the On-Street Residential Chargepoint Scheme (ORC) funding. It is also worth noting that a significant amount of EV charging for Leeds will be provided by the commercial sector on private land (such as hotels, supermarkets, leisure, food outlets and retail sites), and as such, the council will have a minimal role in delivery of that capacity, whilst pro-actively encouraging such installations through planning conditions at new developments.

18 This project suggests there is significant direct government funding and opportunities for commercial investment and huge scope for delivery of EVCP commercially on non-council land without the need for further borrowing and investment to be sought.

Green Finance Options and Community Municipal Investments

19 As the overview of funding methods demonstrates, the council has been able to fund a large proportion (80%) of the net zero capital programme through grants and awards, requiring no repayments, and a comparatively small proportion (20%) through borrowing, which does require repayment and will almost always incur interest charges.

20 There are a wider range of green finance routes for the council and the city, summarised below and in more detail **in Appendix C**.

- Public Works Loan Board borrowing
- UK Infrastructure Bank (UKIB) borrowing
- Institutional borrowing
- Bidding for central government grant
- Partnership (shared assets)
- Transfer of assets to 3rd party
- Local crowdfunding
- Community Mutual Investment

21 There are further green finance options, for residents and businesses in the city.

- **Green investments** – there is a growing list of UK green, sustainable, ethical investment vehicles such as ISAs or bonds, including national saving and investment bonds;

- **Green mortgages** – where home buyers receive a preferential interest rate by improving the energy efficiency of their property or buying an energy efficient home; and

- Investment and lending decisions linked to **businesses' net zero responsibilities** as set out in COP26.

Similar to the planned GHFA one stop shop pilot of 50 households, the council could play a role in linking businesses, especially financial institutions to homeowners, landlords seeking to make properties net zero.

22 A Leeds Climate Bond, as noted in the White Paper Motion, or a similar Community Municipal Investment (CMI), would be a bond or loan instrument issued by the council directly to the public and businesses through an internet crowdfunding platform, and financing a project to deliver an asset providing a financial return, like a dividend, and based on the council borrowing the funds from a CMI issuer, such as Abundance Investment, which is the UK's main provider of CMIs. The council's financial rules apply to all forms of borrowing, as set out in the financial implications section below, and there are considerable implications for the form of borrowing and repayment of a CMI.

23 The council has held meetings with the Green Finance Institute, who provide councils with financing advise and expertise, and Abundance Investment who are registered by the Financial Conduct Authority and have launched all of the local authority CMIs to date. XX state that they currently (23 June 2023) have 23 local authority CMIs for green projects, almost all in delivering retrofit, solar panels/farms, electric vehicle charge points, and battery storage. The CMI model also appears to build confidence in some of the local authorities to follow up one CMI offer with more, to fund more work of the same type – a number of authorities have multiple CMIs.

24 Investors in a Leeds CMI may be able to secure more favourable returns from other finance products, but some rates are not always guaranteed over the full term and may offer limited tax advantages. A CMI, like other fixed rate products, is expected to be held for the full 5-year term, however there is a secondary market available (hosted by Abundance Investment) where investors can exit an investment early if there is a willing buyer and value can be agreed.

25 Across all UK CMIs launched to date, the average individual CMI was worth around £700k, with the largest at £1m, the average individual investment was approximately £2000, and research indicates that local investors invest more on average. Evidence from the Green Finance Institute shows that there are many reasons why individuals invest in a CMI, including but not limited to, supporting climate action and supporting their local communities. Investors are also given the option of donating their interest payments to the council, which would reduce the cost of borrowing, compared to PWLB. Most recent evidence suggest between 5 and 10% of investors forego their interest payment.

26 A challenge for authorities considering CMIs would be to find the right sort of project to provide a significant rate of return. It would be an opportunity to engage with residents and businesses to support the council's net zero carbon strategy. Owing to the comparatively low-cost nature of crowdfunding, a CMI could be issued via a proven, low risk, easy to use online process. A CMI would match or slightly undercut current PWLB 5 year borrowing rates, currently 5.66% (23 June 2023), whilst also providing a competitive 'safe' investment product, as the risk of the investment is linked to the wider strength of the local authority. It should also be noted that the council often borrows money at rates below the PWLB rate.

27 A CMI needs to create an enhanced asset that is available for public or community use, as demonstrated by the list of projects in **Appendix C**. That could be matched quite well to publicly located capacity such as on street electric vehicle chargers, where people then pay to use the electricity. However, as sections 13-18 above showed, Leeds has recently been successful in securing £8m of funding for new charging infrastructure, a CMI for such would not necessarily add to the project, and extend beyond 5 years to the likely 8-year repayment

timeline. A CMI would be unlikely to match well to domestic retrofit (sections 9-12) as it would not create a community asset without tying in the homeowners or landlords to making repayments, which could be extremely challenging to administer, and would not be the correct vehicle for a project taking 20 years or more.

What impact will this proposal have?

28 This report is not setting out a firm proposal for a Leeds CMI; it is providing a review of the green finance options, including CMI. While the council has historically been successful in winning bids for (interest free) finance, it should not rule out, but embrace, innovative forms of financing, providing they align with projects and do not create unnecessary risks.

29 If a CMI were approved, it would be the responsibility of the council to fulfil its legal and financial obligations, as set out in sections later in this report.

30 The council would help publicise a CMI and administer it once established (including, for example, investor updates). The council has used a number of channels to provide updates and engage residents, including both general channels with a broad audience and climate-specific channels. Some of these specific channels include:

- A dedicated monthly 'Leeds Climate' newsletter highlighting updates, opportunities for residents and businesses, and spotlighting best practice is currently sent to more than 6,800 subscribers every month
- the council's climate focused Twitter account has 3,139 followers and typically reaches over 7,500 users per month
- the council's climate change strategy page on the council website was downloaded more than 3,000 times in 2022.

31 The council also intends to use Leeds' Climate Action Plan as a tool to help engage with every community in Leeds on climate change and the city's progress so far. The Climate Emergency Advisory Committee (CEAC) is a cross party advisory committee authorised to consider and make recommendations regarding climate change, progression towards net-zero and sustainability. The CEAC has a working group focused on finance, and this can provide a forum to evaluate options, suggest communications and scrutinise progress.

How does this proposal impact the three pillars of the Best City Ambition?

☒ Health and Wellbeing ☒ Inclusive Growth ☒ Zero Carbon

32 As stated elsewhere, this report provides a review of the green finance options, including CMI. Net zero contributes to the pillars of health and wellbeing and inclusive growth in the city, in addition to being a pillar itself. While the council has historically been successful in winning bids for (interest free) finance for net zero projects, it should consider innovative forms of financing, providing they support projects which deliver significant improvements in carbon reduction.

33 What consultation and engagement has taken place?

Wards affected:		
Have ward members been consulted?	☐ Yes	☒ No

34 The council has consulted and engaged very widely about Climate Emergency broadly, but has not hitherto consulted explicitly on green finance. The Big Leeds Climate Conversation final report (2019) made little mention of sources of finance as it was primarily focused on seeking views on climate emergency, and ideas about what individuals and the city should do.

35 If the council decided to pursue a CMI, it would need to engage, but not necessarily consult, with stakeholders, households and businesses as part of its plans. The evidence from other authorities' CMI issues is that an CMI issue based on crowdfunding is an opportunity to improve general awareness and action on a range of green finance packages, in addition to the specific project for which funds are being sought.

36 As part of wider Climate Emergency governance, this content has been circulated to the Executive Member and a summarised version to the Climate Emergency Advisory Committee Finance in July 2023. Comments from officers and members respectively will help to develop a possible Leeds green finance plan.

37 An Equality, diversity, cohesion and integration (EDCI) screening form has been completed for this report (**Appendix D**). Looking forward, separate and more detailed EDCI assessments would need to be undertaken for net zero projects and proposals.

What are the resource implications?

Financial implications:

38 As earlier sections of the report have stated, the significant cost of projects to reduce and replace carbon has to be weighed against the undoubtedly even higher cost of not taking effective action. The most recent House of Commons Treasury Committee report (2022) advises that for the UK to achieve net zero by 2050 (twenty years after Leeds' target), the choice is how, not whether, to fund and accelerate next zero, resilient and inclusive development.

39 In February 2023, the council approved the latest capital programme for 2023/24 which includes a number of programmes that contribute to a net reduction in carbon emissions and associated outcomes in the city. A fully subscribed Leeds CMI of c.£1m, provided it could be matched to the right type of net zero project, would very likely increase the council's cost of borrowing, rather than free up new sources of funding.

40 As the council would be responsible for setting the rate for a CMI, this could be agreed at a level which undercuts PWLB but will reduce the rate on a CMI. This may impact on interest from potential investors due to historically low interest rates and a Leeds CMI will likely be launched at a higher rate much higher than earlier CMIs at 1.20%. However, evidence from recent CMI issues suggests that investors prioritise local and environmentally focused investments above achieving the highest rate of return. An interest rate of around 5.66%on a fund of £1m requires an annual interest repayment of around £57k, plus other fees of up to £25k.

41 Decisions to inject schemes into the capital programme that require funding of any type, be it borrowing, or the issuing of bonds are delegated to the Chief Financial Officer and should be subject to a full business case.

What are the key risks and how are they being managed?

42 This report sets out the broader green finance options, both for the council, and for the city. It provides a review of the green finance options, including CMI. The risks of any specific project and its associated funding will be set out at the time when the business case is developed and the specific decision is taken.

What are the legal implications?

43 The legal implications of issuing a Leeds CMI would be different from borrowing from PWLB, in terms of a 3rd party, such as Abundance Investment, being the lender. If the council chose to

pursue a Leeds CMI, the council would need to seek treasury advice from officers on the financial and legal implications of borrowing via a CMI and issuing it for a typical 5-year period.

44 Abundance Investments make clear in offer documents and factsheets for investments that while most CMI projects have to be directed at comparatively low risk ventures, part/all of an investor's capital may be at risk and that investment values can rise and fall. Since Abundance Investment's inception no investments have failed, however some have been restructured, and the council should be aware of the reputational risks, even if the risks for a CMI is much lower.

45 The council's decision-making framework applies for all types of borrowing, and the delegated decision would be the responsibility of the council's Chief Financial Officer.

Options, timescales and measuring success

What other options were considered?

46 The council has identified challenges in developing and delivering net zero projects and initiatives, and finance is one of the challenges, but not the over-riding barrier. The council is exploring a range of financing methods to fund the considerable range of programmes and projects in order to achieve the council's and city's climate and sustainability aims.

47 It is possible that a Leeds CMI could reach a wider set of business and institutions, such as financial institutions with headquarters based in West Yorkshire, but not necessarily in Leeds. However, the programmes and funding routes would require significant review to match up projects with the most effective types of funding. Projects which are more likely to provide a financial return can be funded in innovative ways in order to allow other sources of funding to fund those with less certain returns. To date, the council has been successful in attracting funding at no significant repayment cost, such as those for retrofit and electric charging points. Given the recent increase in UK interest rates, and uncertainty about future interest rates and inflation, it is not the ideal timing to pursue a CMI.

48 However, rising interest rates and new developments in green financing more generally, such as CMIs, green mortgages and businesses' COP26 priorities, offer routes for innovative projects and project funding. The council should continue to explore and evaluate such options.

How will success be measured?

49 Success will be measured by a series of discussions within the council and with stakeholders to consider possible new green finance options.

What is the timetable and who will be responsible for implementation?

50 The council will continue to pursue new programmes that will accelerate net zero. This will sit under the responsibilities of the Chief Officer, Climate, Energy and Green Spaces but the Chief Officer, Financial Services will support in ensuring that the most appropriate finance solution is chosen for each programme.

Appendices

Appendix A Summary of green finance routes/options

Appendix B Summary of major climate emergency projects and funding

Appendix C Examples of CMI net zero projects, 2023

Appendix D Equality, diversity, cohesion and integration (EDCI) screening form

Background papers

None

Further Reading

Abundance Investment Mobilise your money for good (abundanceinvestment.com)

The Carbon Trust (2019) Local authority climate emergency: what's next? | The Carbon Trust

Debt Management Office: Public Works Loan Board (2023) Current Interest Rates (dmo.gov.uk)

Department for Transport, Office for Low Emission Vehicles (2023) £56 million of public and industry funding electrifies chargepoint plans across the country - GOV.UK (www.gov.uk)

Green Finance Institute Green Finance Institute

House of Commons Treasury Committee Thirteenth Report (2021) Decarbonisation and Green Finance (parliament.uk)

House of Commons Energy Audit Committee (2023) MPs call for grid improvements and affordable household loans so more can join the solar revolution - Committees - UK Parliament

Leeds City Council Climate Emergency Annual Report (2023) (Public Pack)Agenda Document for Executive Board, 15/03/2023 13:00 (leeds.gov.uk)

Leeds City Council Full Council meeting January 2023 https://democracy.leeds.gov.uk/documents/g12014/Printed%20minutes%2018th-Jan-2023%2013.00%20Council.pdf?T=1

UK100 (2023) UK100 launches new Powers in Place report on council powers | UK100

University of Leeds: Community Municipal Investments (2021) Community Municipal Investments (CMIs) : The Bauman Institute (leeds.ac.uk)

Appendix A Summary of major climate emergency projects and funding

Funding secured (£ millions)	Funder	NZS/CAP Sector/s	Funded…
		2019-20	
24.0	ERDF	Heat/Buildings; Energy	Housing retrofit schemes, included innovative external wall insulation on 750 council owned back-to-backs in priority neighbourhoods; taking a whole house insulation and solar PV approach.
1.9	Highways England / National Highways	Transport	Electric vehicles used for EV Trials service. Now used by LCC Fleet.
2.5	HNIP (BEIS)	Heat/Buildings	Phase 2 extension of the Leeds PIPES district heating network
16.7	DEFRA	Transport	CAZ ANPR infrastructure and financial support for local businesses to switch to low emission vehicles.
0.1	See notes	Heat/Buildings; Energy	Other smaller amounts including £30k from White Rose Energy's social responsibility fund for Housing Leeds to convert lighting to LED in up to 1000 council houses & £40k from DCMS to work with Abundance to explore the use of crowd-funding as a means of financing solar PV systems on Council buildings
45.2	**Sub-total**		
		2020-21	
25.2	BEIS	Heat/Buildings; Energy	Public Sector Decarbonisation Scheme: Installation of air source heat pumps, connections to district heating network, solar PV, building energy management systems, LED lighting, double glazing, variable speed drives, metering and radiator upgrades across 40 public buildings including schools, leisure centres and civic buildings
0.1	OZEV (DfT)	Transport	On-street Residential Charging Scheme (ORCS): part-funded the delivery of charge points in residential areas in Leeds based on a community hub approach at off-street locations in areas characterised as lacking in off-street parking.
3.0	BEIS	Heat/Buildings; Energy	Green Homes Grant Local Authority Delivery: Solar PV and Insulation measures to reduce fuel bills of 385 low-income homes of mixed tenure.
2.7	DLUHC	Heat/Buildings	Getting Building Fund: External wall insulation, room in roof insulation, new windows, doors, heating systems and repair work for 100 private homes in Holbeck as part of Holbeck Group Repair scheme. This builds on the previously successful Local Growth Fund investment in the Recreations area.

4.0	BEIS	Heat/Buildings; Energy	Social Housing Decarbonisation Fund: whole house retrofits to 190 flats located on the Holtdale estate, in north west Leeds. The work included: air source heat pumps, solar PV panels, replacement of ventilation systems, replacement of extractor fans with environmentally friendly mechanical ventilation systems, internal and external insulation throughout each property including high performance windows and external doors, LED lighting.
0.2	BEIS / OZEV (DEFRA) / Innovate UK	Transport	The installation of six vehicle-to-grid (V2G) chargers across two local authority locations. There are five units installed at the Council's busy Knowsthorpe Gate site. These units supplement existing charge point facilities which in turn support a number of the authorities' large electric vehicle fleet.
35.2	**Sub-total**		
2021-22			
0.4	DLUHC	Heat/Buildings	Getting Building Fund: underspend from other projects funded additional 12 whole-house back-to-back retrofits in Holbeck.
1.0	BEIS	Heat/Buildings; Energy	Green Homes Grant Local Authority Delivery: underspend from other authorities to deliver further solar PV and insulation measures to reduce fuel bills of additional low income homes of mixed tenure.
5.4	BEIS	Heat/Buildings; Energy	Green Homes Grant Local Authority Delivery: additional funding to deliver further solar PV and insulation measures to reduce fuel bills of low income homes of mixed tenure.
3.1	HNIP (BEIS)	Heat/Buildings	Phase 3 extension of the Leeds PIPES district heating network
9.6	BEIS	Heat/Buildings	Social Housing Decarbonisation Fund: installation of external wall insultation, reroofing, roof insulation and provision of ventilation in 630 council homes across 7 high-rise buildings.
0.1	DfT	Transport	Purchased 27 e-cargo bikes to provide to businesses to trial e-cargo solutions in Leeds/Bradford/ Figure given is Leeds' share
0.2	DfT	Transport	On-street Residential Charging Scheme (ORCS): part-funded the delivery of charge points in residential areas in Leeds based on a community hub approach at off-street locations in areas characterised as lacking in off-street parking.
19.8	**Sub-total**		
2022 +			

0.2	BEIS	Heat/Buildings	Heat Pump Ready: feasibility study undertaken into potential of installing networked heat pumps in Chapel Allerton.
1.0	BEIS	Heat/Buildings	Social Housing Decarbonisation Fund: installation of shared loop ground source heat pumps in two high-rise buildings benefiting 108 council properties. The work will upgrade properties from EPC D to C and save residents approx. £600.
15.5	BEIS	Heat/Buildings	Home Upgrade Grant: retrofit of 750 properties over 2 years that are off gas grid. Could include district heating, heat pumps, solar, insulation etc…
0.2	BEIS	Heat/Buildings	Heat Networks Delivery Unit: detailed project development for a more detailed feasibility study regarding the extension of Leeds PIPES district heating into the South Bank.
0.1	MCS Charitable Foundation	Heat/Buildings; Energy	Officer in SEAQ to build capacity for building retrofit related projects.
0.2	BEIS	Heat/Buildings; Energy	Green Home Finance Accelerator: funding capacity to develop a property linked finance offer for able to pay customers to encourage domestic retrofit
0.1	WYCA	Heat/Buildings; Energy	Customer research to develop the Leeds Retrofit Accelerator project between March and July
0.7	WYCA	Cross-cutting	Better Neighbourhoods Fund: will provide small grants to Leeds communities aimed at reducing carbon emissions.
4.3	BEIS	Heat/Buildings; Energy	Public Sector Decarbonisation Scheme: Installation of air source heat pumps, solar PV, building energy management systems, LED lighting,and more across 10 public buildings including schools and children's centres.
10.3	BEIS	Heat/Buildings; Energy	Public Sector Decarbonisation Scheme: low carbon heating, energy efficiency, and renewable energy measures across 21 additional public buildings.
0.5	TBC	Transport	Investment secured from a private sector partner to increase EV charge point infrastructure in Leeds, rather than grant funding. Exact amount and number of charge points installed TBC.
0.1	White Rose Forest	Nature	Woodland Creation Accelerator Fund: funding for agricultural and ecological surveyor capacity to 'unlock' additional tree planting sites.
33.2			

Appendix B Summary of green finance routes/options

Type	Example	Pros	Cons
Borrowing from local authority reserves		No need to repay funds No interest rate variations	Limited funding envelope Competing with other council priorities for funding
Public Works Loan Board borrowing	Much of current LCC Capital Programme	Historically low interest rates and small interest rate variations	Much higher current interest rates and chance of larger interest rate variations Focus on capital schemes, not maintaining existing provision.
UK Infrastructure Bank (UKIB) borrowing		UKIB headquarters in Leeds	Likely to be higher rates of interest than PWLB
Local crowdfunding		Generates strong local publicity and awareness	Uncertainty of amount of funding achieved Likely to be limited to small funding pots
Institutional borrowing		Access to larger funding pots	Not suitable for riskier projects, or where no new asset

Type	Example	Pros	Cons
Bidding for central government grant	Clean Air Grant Public Sector Decarbonisation Schemes (PSDS) 1-3 Others	Large funding pots – PSDS = £1.5bn No need to repay funds No interest rate	Central government may require specific actions as a condition of receiving funds Competing with other council bids for funding
Partnership (shared assets)	Private finance initiative		
Transfer of assets to 3rd party	Community venture	Council transfers some of the risk	Council loses ownership of the asset
Community Mutual Investment	Local investment or bond issued to raise funds for specific project	Suitable for projects delivering a new asset and a financial return CMI provider performs much financial and legal Generates strong publicity and awareness	Not suitable for riskier projects, or where no new asset Not necessarily strong local awareness

Appendix C Examples of CMI net zero projects, 2023

Authority	Description of project
3 for LB Camden	This investment supported Camden Council to fund public electric vehicle charging points, replace Camden's fleet of diesel and petrol vehicles with green alternatives, continue to roll out of the Healthy School Streets programme, and install solar panels on public buildings as part of their plan to reach their zero-carbon target by 2030.
1 for Cotswolds	This investment supported local projects in the Cotswolds such as installing public EV charging points, and upgrades to buildings to reduce the council's emissions to help Cotswold Council tackle the climate crisis and improve the local environment for residents.
12 for LB Islington	This investment backed community initiatives in the borough of Islington including public electric vehicle charging facilities, improved recycling facilities, and the ongoing rollout of the School Streets greening programme to cut air pollution. It will also help the council reduce its own emissions by greening public buildings and converting more of its vehicle fleet to electric.
2 for Telford & Wrekin	This investment from Telford & Wrekin Council supported local projects from the council's Climate Change Fund including energy efficiency upgrades to its temporary and supported housing accommodation, and the electrification of its community minibus fleet to help reach the council's goal of creating a carbon neutral borough by 2030.
3 for Warrington	This investment helped fund the development of a 20MW ground mounted solar system with the addition of 40MW of battery storage located in Cirencester, Gloucestershire to help

	the council reach its target to become the UK's first carbon neutral town. The aim of the council's investment strategy is to both generate green energy to tackle the climate crisis and generate an income for the council to fund core services.
2 for West Berkshire	This investment helped fund the installation of rooftop solar panels at council owned sites around West Berkshire to help the council deliver its Environmental Strategy 2020 which revolves around key themes of sustainable transport, buildings, energy, waste and resource efficiency, and the natural environment.