

# GREATER MANCHESTER LOW CARBON HUB BOARD

Date: 29 July 2019

Subject: GM Environment Fund

Report of: Mark Atherton, Asst Director Environment

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## PUPOSE OF REPORT

The purpose of this report is to outline the progress made in establishing a Greater Manchester Environment Fund.

## RECOMMENDATIONS

The Board asked to:

- Note the progress in identifying the role and opportunities of setting up a GM Environment Fund, based initially on voluntary contributions.
- Note the GMCA's 'in principle' approval to initiate the Fund and delegate authority to CEX, Solicitor and Treasurer, in consultation with the portfolio holder, to agree the form and make-up of the Fund.
- Note that, in the interim, Lancashire Wildlife Trust has been asked to hold existing donations to the Fund.
- Advise whether Board partner organisations could further assist in establishing the Fund.

## CONTACT OFFICERS

Mark Atherton: [mark.atherton@greatermanchester-ca.gov.uk](mailto:mark.atherton@greatermanchester-ca.gov.uk)

Hayley Meaker: [hayley.meaker@greatermanchester-ca.gov.uk](mailto:hayley.meaker@greatermanchester-ca.gov.uk)

## BACKGROUND PAPERS:

The proposal for the GM Environment Fund was previously raised in:

Greater Manchester Springboard Report (what do people want, what does the science say)  
<https://www.greatermanchester-ca.gov.uk/what-we-do/environment/springboard/>

GM 5 Year Environment plan (what are we going to do in the next 5 years)  
[https://www.greatermanchester-ca.gov.uk/media/1986/5-year-plan-branded\\_3.pdf](https://www.greatermanchester-ca.gov.uk/media/1986/5-year-plan-branded_3.pdf)

## **1.0 BACKGROUND**

At the 2018 Green Summit, the Mayor announced the vision for ‘a carbon neutral, climate resilient city-region with a thriving natural environment and circular, zero-waste economy’. To support the delivery of this, an action was agreed explore the creation of a Greater Manchester Environment Fund (GMEF).

The aim of the GMEF is to improve the quality of the environment within Greater Manchester by providing grant funding to non-statutory environmental initiatives that are currently underfunded through existing funding mechanisms. A fund is required to close the gap between corporate organisations and institutions who wish (or are required) to address their negative environmental impact either through voluntary contribution, to achieve compliance with their environmental objectives or as compensation and smaller, grassroots organisations who aim to deliver schemes and projects that improve the environment within GM.

In particular, it is proposed that there will be a focus on three themes:

- biodiversity and natural environment,
- carbon reduction/offsetting,
- resource efficiency and reducing waste.

Currently there are several large companies and organisations who have expressed interest in philanthropic donations. Additionally, some organisations could raise funds through regulatory measures. As an example, the Environment Agency could include the GM Environment fund to the list of possible benefactors of enforcement undertakings in future, potentially seeing enforcement undertakings to be directed into such a Fund.

For some environmental groups looking to attract funding, it is extremely difficult to access from these corporate bodies and often their projects, which are generally low value, have to brigade funding from multiple sources. This is an ineffective process for these organisations with high set up costs, duplication in the bidding process and potentially long lead-in times as a result of awaiting multiple bid outcomes before projects can be mobilised.

A GM Environment Fund would provide a clear, consistent and transparent mechanism for funders and delivery organisations to set priorities, access and blend finance and deliver accountable results, whilst supporting the Mayor’s goal of developing a green city region.

## **2.0 PROPOSED SCOPE OF THE FUND**

Since June 2018, a steering group led by the GMCA, with representation from several public and private organisations based or operating in GM have been working together to identify what a Greater Manchester Environment Fund might look like. The work has been supported by consultants with expertise in environmental finance and investment, as well as the Legal team at MCC.

The steering group’s vision is that the fund will start small and be comprised of philanthropic donations. It will mainly focus on natural environment projects but, in time,

may expand to include carbon offsetting projects, resource efficiency and non-statutory waste reduction initiatives.

Examples of such projects could include, but are not limited to:

- Green infrastructure improvements e.g. tree, wildflower and hedgerow planting on roadsides/cycleways/paths.
- Quality improvements to waterways e.g. sustainable urban drainage systems
- Improvements to energy efficiency and carbon reduction e.g. building retrofit schemes
- Energy generation and carbon offsetting e.g. peat restoration, PV on community buildings
- Circular economy schemes and improvements to recycling e.g. deposit return schemes
- Environmental education to connect people with their green spaces/ environments

### **Fund Model**

Environmental Finance, an organisation that specialises in facilitating private sector funding into environmental conservation and community benefit schemes, have worked with the GMCA to develop a proposed finance model. Initially, it is proposed that a simple fund model should be established which can receive donations and disseminate them.

### **3.0 PROPOSED FORM OF THE FUND**

The form that the fund should take has been considered by the steering group with advice from MCC Legal Team. There are benefits and limitations with each form but, based on the legal advice received, the steering group has a preference for the Fund to be a Charitable Company Limited by Guarantee. It is worth noting that the existing entity for the Lancashire Environmental Fund is Lancashire Environmental Fund Ltd, a (charitable) company limited by guarantee, with no share capital, of which various councils and other bodies are the members/owners.

This model provides sufficient flexibility to grow the Fund in the future (if appropriate) into alternative funding approaches. It is envisaged that the GM Fund will be set up in this way, however the final decision on form and function will be agreed as per the recommendation.

### **4.0 CURRENT FUNDING PROPOSALS**

A small amount of funding was raised via voluntary contribution from Green Summit attendees (c. £1500). Lancashire Wildlife Trust have been approached to hold this existing funding until a charitable company can be established.

Steering group members have been asked to commit a sum towards the initial set up costs of the GMEF and also to confirm their ability to direct fines and enforcement undertakings

into the fund (specific to just the EA and UU). So far steering group organisations have pledged:

<b>Member organisation</b>	<b>Set up cost contribution</b>	<b>Ongoing contribution/ approval of fine directing</b>
Peel L&P	£5000	N/A
Environment Agency	£5000	Yes
United Utilities	£5000 (anticipated)	Yes

Additionally if GMCA matches these contributions (by making £15k available from the retained business rates reserve) to initial set up costs there would be at least £30,000 available to set up the GMEF.

United Utilities have committed to considering the directing of future enforcement undertakings into the Fund, ring-fenced to water related schemes. The Environment Agency, (as the relevant regulatory body) has also confirmed their willingness to include the GM Environment fund in the list of possible benefactors of enforcement undertakings in future, potentially leading to wider future environment fines into a GM Environment Fund. As an example, a recent enforcement undertaking of £540,000 for an environmental breach in Poynton was directed into the Mersey Rivers Trust, the Cheshire Wildlife Trust and City of Trees. These funds aim to improve conditions in the area ranging from increasing fish passage to increase their population, to developing wet woodlands and even reducing downstream flood risk. The GMEF could still fund these charities (as well as smaller organisations currently unable to access UU/ EA funds) but add benefit by enabling more direct access to funds and blended funds.

Additionally further funds could be applied for from the National Lottery Heritage Fund, which has funding up to £250,000 available.

There are a number of other income streams for the fund which, in time, could be further explored. This includes several expressions of interest for longer-term investment, received from both steering group member organisations and others. For these discussions to progress to a positive conclusion, the Fund first needs to be established and operate successfully under a more basic donations based model.

#### **4.1 Setup costs**

In order for the GMEF to become established, a dedicated resource will be required to set up the fund's legal structure as a CLG, encourage additional corporate contributions and (if appropriate) develop the funding model further in the future. It has previously been agreed that GMCA currently lacks capacity to do this but a number of existing GM Charitable Trusts could undertake this role and would charge a percentage of the fund as their commission for administration. It is therefore recommended that an external organisation is competitively procured to do this. The GMCA would have a seat on the Board of this charitable trust, enabling it to retain some influence over the running of the GMEF including setting the parameters in its articles, but the organisation would remain independent.

With initial investment of £30,000 it is envisaged that this would enable:

CLG bank account	£5000 + £1500 donations
CLG legal costs	£5000
Initial costs of Fund Manager/advocate	£20,000

## 5.0 NEXT STEPS

It is proposed that a procurement exercise is undertaken to identify a suitable body to set up and manage the GM Environment Fund.

The application process to become a Charitable Company Limited by Guarantee will be undertaken by this body. MCC advise that it will take up to 3 months to go through the application process which will require a clear mission statement, articles of association and governing documents. To submit an application for charitable status, a bank account will also need to be set up with a minimum balance of £5000.

Trustees of the organisation will have to be recruited, with a minimum of three advised for a Board. A number of suitable individuals, from within and out with the steering group, have expressed an interest. The Environment Agency are also willing to sit on the board in an advisory capacity.

## 6.0 RECOMMENDATIONS

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