

GM LOCAL ENTERPRISE PARTNERSHIP BOARD

SUBJECT: 15th December 2020

DATE: Greater Manchester Environment Fund Update

FROM: Mark Atherton, Director of Environment, GMCA
Anne, Selby, Chair of the Greater Manchester Natural Capital Group

PURPOSE OF REPORT

In the Greater Manchester 5 Year Environment Plan, the Greater Manchester Combined Authority (GMCA) committed to supporting the development of a Greater Manchester Environment Fund (“GMEF”). Substantial development work has taken place over the last year. This report provides an update on the progress made, and next steps towards the establishment of a self-sustaining business model.

RECOMMENDATIONS

The LEP Board is asked to ...

- Note the progress made in developing the GMEF.
- Consider how the LEP Board can support scale-up of the GMEF through providing funding or identifying potential funders.
- Consider how the LEP Board can support the ambitions of the fund by considering whether the fund could be utilised to meet LEP Board partner’s compliance regulations or as a voluntary carbon offsetting schemes to support the wider ambitions of the 5 Year Environment Plan.

EQUALITIES IMPLICATIONS

Research suggests that there is a correlation between poor environmental quality and IMD areas. Where possible, the projects supported by the fund will aim to alleviate this differential.

CLIMATE CHANGE IMPACT ASSESSMENT AND MITIGATION MEASURES

The purpose of the fund is to stimulate investment to deliver positive environmental impact across Greater Manchester. As the fund is established, there is potential to establish a carbon sequestration credit scheme which will prioritise nature-based carbon storage as a way to achieve the net zero carbon target by 2038.

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Number of attachments to the report: 1

Greater Manchester Environment Fund Briefing Note (Annex 1)

BACKGROUND PAPERS

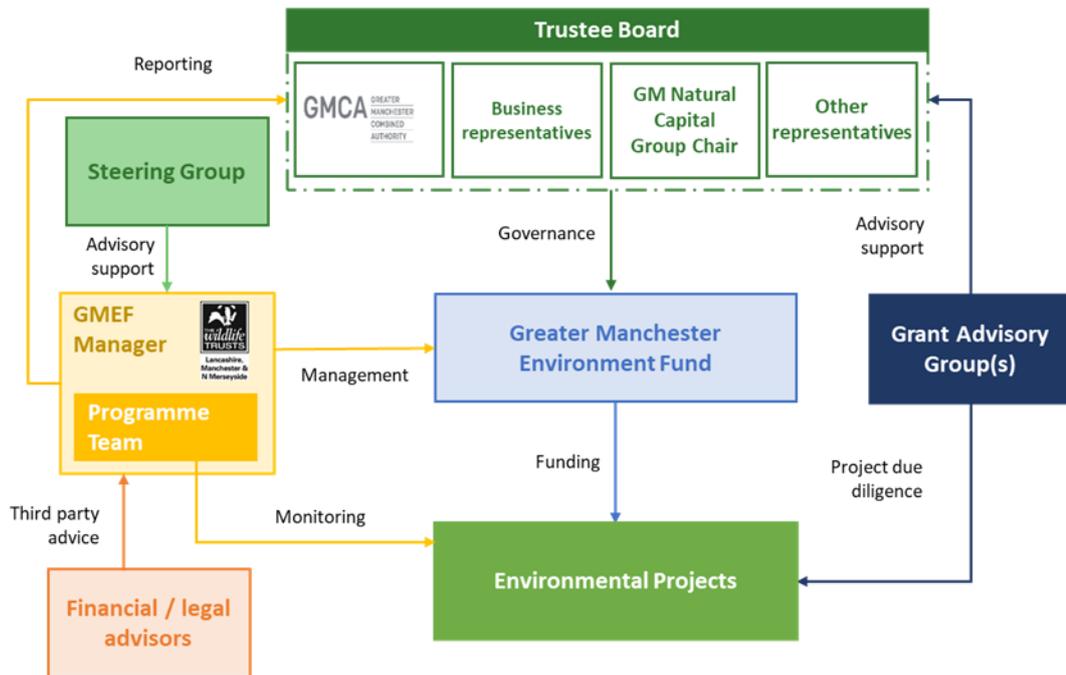
[GM Natural Capital Investment Plan](#)

1. INTRODUCTION

- 1.1 Greater Manchester has set out ambitious plans to improve and enhance its environment. Key to achieving this is to increase investment into projects that will help deliver on this aim on the ground in the city-region. As such, a key action in the 5 Year Environment Plan was to support the development of a Greater Manchester Environment Fund (GMEF).
- 1.2 Given current pressures on public spending, broadening the range of investment into projects to improve and enhance the natural environment – to philanthropic, impact first, responsible and mainstream investments – is crucial. The challenge of securing varied and sustained investment in the natural environment is common to all cities across the UK and is recognised in the Government’s Green Finance Strategy (2019).
- 1.3 Achieving this is also a key priority defined within Greater Manchester’s Local Industrial Strategy (2019) which refers to the role that natural capital plays in delivering a clean, green and resilient city region. The Strategy specifically refers to making use of innovative finance, policy and delivery mechanisms to increase natural capital and realise the ecosystem service benefits that go with this (such as health, resilience, air quality and reduced flood risk).
- 1.4 Working with partners, the Greater Manchester Combined Authority (GMCA) is developing structures and enabling mechanisms to mobilise existing and new sources of funding through supporting the establishment of the GMEF. This aims to blend public and private sector funding to close the gap between corporate organisations and institutions, that either wish or are required to address their negative environmental impact, and smaller, grassroots organisations, that aim to deliver schemes and projects.
- 1.5 The GMCA committed, in the 5 Year Environment Plan, to support the development of the GMEF and utilise £15,000 (along with matched contributions totalling £15,000 from the Environment Agency, United Utilities and Peel) to cover the initial set up costs of procuring a partner to establish the fund as a charitable vehicle with governance arrangements independent of GMCA.
- 1.6 A number of developments have taken place since then and this report provides an update on progress to date, including key milestones and next steps.

2. ESTABLISHING A GREATER MANCHESTER ENVIRONMENT FUND

- 2.1 Establishing the GMEF is the start of a long-term process which aims to grow funds and investment over time, both in size and breadth of opportunities and business models. The first building block of this is to establish the GMEF as a charitable vehicle.
- 2.2 The GMEF will provide a unified governance and decision-making framework to enhance delivery of Greater Manchester’s natural environment priorities. It will allow a range of funding sources to be aggregated within a single vehicle to leverage funding from the public sector, foundations and aligned corporates for strategic deployment. Initially, a straightforward grant funding model is envisaged, as set out below, with the fund being established as a charitable vehicle.



2.3 Through a competitive tendering process, Lancashire Wildlife Trust was appointed in May 2020 to begin the set-up of the charitable vehicle to deliver the GMEF.

3. DEVELOPING THE GREATER MANCHESTER ENVIRONMENT FUND

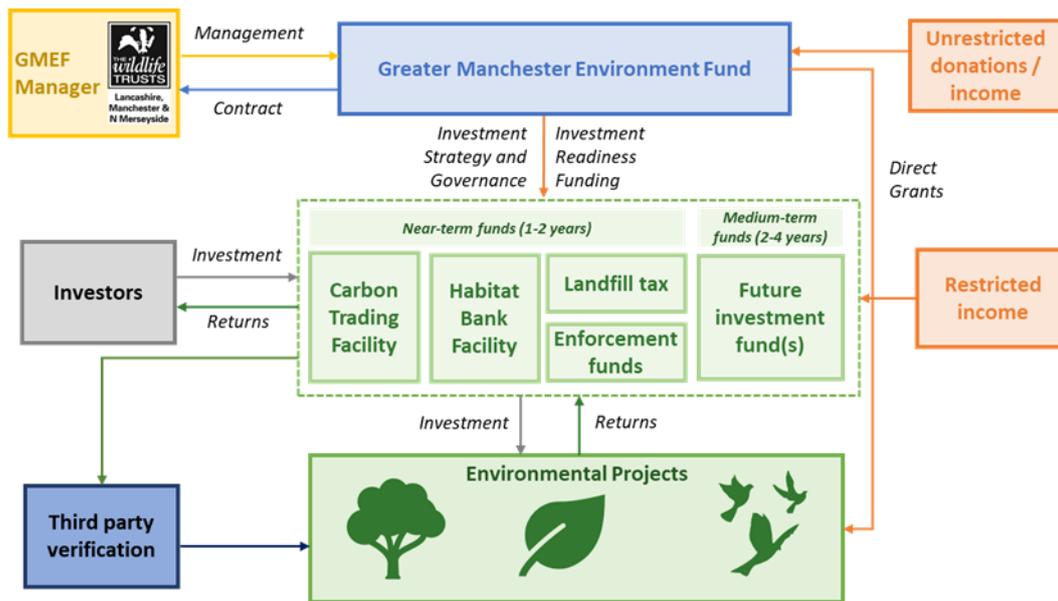
3.1 In the longer term, the aim is for the GMEF to grow beyond this initial straightforward grant-funding model and provide governance and oversight to a series of more focused sub-funds designed to deliver on specific environmental outcomes.

3.2 In particular, as identified in the Natural Capital Investment Plan commissioned by the GMCA in 2019, there is a significant opportunity to mobilise private investment in habitat creation across Greater Manchester through securing biodiversity net gain and carbon income streams (e.g. through peatland restoration and tree planting). These opportunities have been prioritised as a result of changes in regulation and pose the greatest short-term opportunities within Greater Manchester to support investment into the environment.

3.3 In January 2020, GMCA contracted Environmental Finance, an organisation that specialises in facilitating private sector funding into environmental schemes, to support the development of these two models. By the end of the year, Lancashire Wildlife Trust, the GMCA and Environmental Finance, will:

- Produce an Investment Strategy to provide a more compelling opportunity to potential funders for what the GMEF can achieve to attract additional funding – beyond unrestricted, donative income.
- Create Business Cases for priority habitat banking and carbon offsetting investment models to outline how these could be incorporated within the GMEF.

3.4 The ambition for the GMEF in the longer term is shown below.



- 3.5 The ambition is for the fund to become self-sustaining within 5 years as funding streams become aligned to Greater Manchester wide aspirations and new funding mechanisms and investment models are established. To realise this ambition, pump priming grants will be required to bring in much needed development capacity and provide the ability to trial and showcase the benefits that GMEF has to offer.
- 3.6 Initial engagement will focus on philanthropic funding partners to support capacity funding to build the models and enable fund implementation with grant applications to National Lottery Heritage Fund (NLHF), Charitable Trusts and proposals to other partners by the end of the year.
- 3.7 The GMEF has started to build a portfolio of 'shovel ready' projects that can demonstrate how new investment will contribute to priorities identified within the emerging Local Nature Recovery Network Strategy. These projects have also been submitted within a bid for £1.8million on behalf of a consortium of partners to the Green Recovery Challenge Fund. This involved aligning the priorities of 10 locally based environmental Non-Governmental Organisations into 1 strategic bid, to avoid 10 separate and competing bids. The portfolio of projects will continue to grow and will become the shop window of shovel ready opportunities for potential investors and funds as they become available through fines, taxes and incentives e.g. Enforcement Undertakings.
- 3.8 The GMEF will be looking at other impact investors, and corporates as this offers businesses a mechanism to offset their carbon emissions (voluntary) as well as developers to offset the loss of habitat through developments (which will become mandatory with enactment of the Environment Bill). Funds are being sought to develop pilot projects that can be used to demonstrate how the integrated delivery of nature-based solutions provide a framework to economic growth and create the systems for robust verification and measurements of the outcomes new resilient landscapes can produce.

- 3.9 GMEF has already secured its first fund to distribute on behalf of Suez and will be distributing £200,000 per year towards community recycling projects from 1st April 2021. There is huge potential for GMEF to develop fund distribution through Corporate Social Responsibility as well as providing a mechanism to collect and distribute the number of Taxes and Regulation Fines that companies and the general public may face e.g. Enforcement Undertakings, Clean Air Funds, waste water charges, and levies relating to plastic bags, cups etc as well as voluntary donations from the public such through crowdfunding initiatives.

4. NEXT STEPS

- 4.1 The GMEF is due to be established as a Charitable Company Limited by Guarantee by Spring 2021. To address the requirements of the Charity Commission, work is being undertaken to develop the Investment Strategy, a stand alone website and Communications Strategy as well as continuing to align existing and potential funding streams.
- 4.2 A fundamental part of the GMEF process will be stakeholder and funder engagement. A Briefing Paper has been produced which provides an overview of the opportunity to establish the GMEF with essential information on its purpose, strategy, governance and next steps (attached at Annex 1). This will evolve over time and will be used to raise the profile of the GMEF and gather feedback on its strategic objectives from key stakeholders, identify potential fundraising opportunities and engage with prospective funders.
- 4.3 As mentioned above, the GMEF is currently seeking philanthropic grant funding to cover the costs of delivering the investment readiness work for the implementation of the pilot investments and to support the development costs to scale up the GMEF. At this stage, we are looking for input from the LEP Board on potential funding opportunities including trusts and foundations or local corporates with grant funding programmes to support the GMEF development and pilot investment readiness work.
- 4.4 Over the next few years, further natural capital investment models are likely to become viable and benefit the Greater Manchester region. The GMEF can play an important role in providing a ready-made governance structure for these models and bringing them to market-readiness.
- 4.5 Opportunities are also being explored to expand the GMEF to cover wider ambitions of the 5 Year Environment Plan particularly around decarbonizing the built environment and transport sectors. The LEP Board are asked to consider how the GMEF can support delivery of Greater Manchester's wider ambitions to achieve a clean, carbon-neutral, climate resilient city region with a thriving natural environment over the long-term.

5. RECOMMENDATIONS

The LEP Board is asked to:

- Note the progress made in developing the GMEF.

- Consider how the LEP Board can support scale-up of the GMEF through providing funding or identifying potential funders.
- Consider how the LEP Board can support the ambitions of the fund by considering whether the fund could be utilised to meet LEP Board partner's compliance regulations or as a voluntary carbon offsetting schemes to support the wider ambitions of the 5 Year Environment Plan.

ANNEX

GREATER MANCHESTER ENVIRONMENT FUND BRIEFING PAPER