

The PCAN logo is a dark green circle containing the white text "PCAN".

PCAN

PLACE-BASED
CLIMATE ACTION
NETWORK

TURNING WORDS INTO ACTION

How Community Municipal Investments can create a new sphere of civic engagement that will galvanise local action in the fight against the climate emergency



Executive Summary

The impact on everyone's lives of the Covid-19 pandemic has thrown the issues of resilience and community into sharp relief. People are now under no illusion that individual actions must be matched by the power of the collective to ensure we can meet the challenge of these types of crises together.

Local authorities will be on the front line of both the post-viral recovery and their already self-acknowledged role as important leaders on the response to the climate emergency. Local authorities will need new ways to mobilise finance and engage citizens in a civic response above and beyond 'business as usual'. Community Municipal Investments (CMI) provide just such a platform¹. CMIs have been developed through the collaborative research and development with local councils across the UK in partnership with the University of Leeds² and funded in part by UK Government.

CMIs are bonds or loans issued by councils via an investment crowdfunding platform and distributed to both local residents and public investors more broadly. The mechanism enables councils to raise money efficiently and at rates which compete with traditional borrowing sources such as the Public Works Loan Board (PWL). In addition, they also provide a powerful new way to engage residents with council activities such as the delivery of Net Zero.³ CMIs were developed through the collaborative project Financing for Society which was led by the University of Leeds working with, amongst others, Leeds & Bristol City Council and Abundance Investment.

On average there is £4bn⁴ of investable wealth per 100,000 people in the UK. Most of this money leaves the communities in which the investors / savers live and flows into global companies and funds.

By engaging citizens, councils would enable locally saved capital to be invested in local infrastructure – thus opening a virtuous circle of citizens enabling investment that both improves the local economy, environment and society whilst returning value to local people.

Establishing the potential of CMIs, new research illustrates the potential for this product to provide a real breakthrough in the way the UK responds to the combination of economic recovery and the need to deliver net-zero targets. Funded by the Place-Based Climate Action Network (PCAN) and carried out by leading social and environmental retail investment platform, Abundance Investment, the research was carried out in February / March 2020. The research used both quantitative and qualitative survey methods across the UK and directly with local residents in West Berkshire, Leeds and Warrington, to assess the demand and benefits of this approach. West Berkshire Council are expected to be the first council to launch a CMI with other authorities following quickly after.

Headline findings:

People are looking to their local council to deliver action in response to the climate emergency but are relatively unaware of actions planned or already enacted locally. The research highlighted that a significant gap exists between people's expectation of the role their council should take and their understanding of the actions that their council had already taken.

- 10% of respondents strongly agreed with the statement that they were aware their local council had declared a climate emergency (a further 11% partly agree). Equally, however, only a small minority (3%) strongly disagreed with the idea that their Local Council should show leadership in tackling the climate crisis.

A majority (73%) of UK investors are interested in the concept of Community Municipal Investments and would consider investing in the product.

- Of existing impact investors (investors who make ethical investments or invest via ethical platforms) who represent 20% of the UK investor audience, 81% were Very or Quite Interested in the concept.

¹ <https://baumaninstitute.leeds.ac.uk/research/financing-for-society/>

² Davis, M. and Cartwright, L. (2019) *Financing for Society: Assessing the Suitability of Crowdfunding for the Public Sector*. University of Leeds. DOI: <http://doi.org/10.5518/100/7>

³ Net Zero is the position where emissions of climate change inducing gases are in balance with the ability for a region to absorb the emissions, therefore the total amount of climate gases in the atmosphere remains constant.

⁴ Data from HMRC – ISA Statistics & ONS UK Wealth Data

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“It is vitally important that people have practical ways to take part in fixing the climate crisis. If people do not see progress, they will lose hope. It is only when people feel optimistic that they will make the tough decisions to change their own lifestyles. Issuing CMI's enables councils to tap the latent desire amongst their residents to take action, boosting confidence and signalling that real action is being taken together.”

**Bruce Davis, Co-Founder,
Abundance Investment**

The research confirmed that the CMI proposition was perceived to provide a simple, low risk investment vehicle to deliver real and tangible impact locally in ways that renew and deepen the relationship between citizen and their local council, while also meeting a clear financial need for investors.

- Respondents from all three participating authorities spontaneously suggested the option of donating their interest payments back to the council to help fund core services or additional “hard to fund” net-zero measures.

CMI's represent a powerful new tool for building awareness of council net-zero activities and through this demonstrate leadership and stimulate additional positive activity from residents.

- Residents are generally unaware of the detailed steps that their council has taken to tackle climate change, but gain confidence to act themselves when they see trusted local and national figures within society take action.

A CMI has the potential to re-energize the role of place within people's ideas of community.

- People recognize the value of their place-based community, as opposed to cultural / identity-based networks, in building feelings of trust and resilience which contribute to a greater sense of control and confidence in the face of future challenges.
- There is general recognition that the climate crisis is not going to be solved by individual action alone, it needs collective will and investment in the infrastructure we all need to ensure both our future safety and well-being.
- CMI's are transformative of the LA/resident relationship which moves from a relationship of passive taxation and personal cost to a relationship based on active participation and mutual social value.

Executive Summary

The local council brand plays an important role in establishing trust in the investment which is underpinned and complemented by Abundance as a regulated firm.

- The proposition provides reassurance to investors that they have a level of agency over how the money is being used and that the LA remains transparent and accountable to citizens who become investors.
- The local council also plays a central role in the perceptions of risk of the product which is a positive trade-off for investors who want to know that their money will be used properly but don't want to take responsibility (or risk) for the success of the project itself.
- The local council also provides reassurance because its motives are not driven by prioritising profit for shareholders but a genuine desire for impact and a founding purpose to protect and nurture its residents' interests.

“Financing for Society concluded that, if the financial terms of different sources of money are similar, borrowers should look to select the money with the highest social value. Our research demonstrated that CMLs (e.g. local authority bonds) are cost effective. This subsequent PCAN-funded research now provides real confidence that CMLs can also deliver that higher social value, in terms of enhancing place-based pride, and through better community understanding and engagement with council activities.”

**Dr Mark Davis, Associate Professor of Sociology
University of Leeds - Project Lead Financing for Society**



Executive Summary

“One of the key challenges we face is how to mobilise finance which responds to local needs for climate action. The Community Municipal Investment approach provides a mechanism for closing this gap, not just channelling capital to tackle the climate emergency, but also as this research highlights, providing a fresh way for local authorities to engage with their residents and communities. Many countries have a strong tradition of local investing via municipal bonds: building this up in the UK will take time, but this research strongly suggests that there is real potential to grow and scale local investment.”

Nick Robins, Professor in Practice – Sustainable Finance, Grantham Research Institute, London School of Economics and Political Science. Nick also leads PCAN’s finance platform.

About us

The concept of Community Municipal Investments (CMI) was first developed through *Financing for Society*, a collaborative research project with the Bauman Institute at the University of Leeds, Leeds City Council, Bristol City Council and Abundance Investment.

The Place-based Climate Action Network (PCAN) is a collaborative project between University of Leeds, Queens University Belfast, the London School of Economics and the University of Edinburgh. The project is about translating climate policy into action 'on the ground' to bring about transformative change. This ESRC-supported network brings together the research community and decision-makers in the public, private and third sectors through five innovative platforms: three city-based climate commissions (in Leeds, Belfast and Edinburgh) and two theme-based platforms on finance and business.

The research in this report was funded by the PCAN Fund and explores the potential for CMIs to generate social value and stimulate broader collective community action on climate change, as well as exploring how communities think about climate action specifically as it relates to their local council. It therefore builds on the earlier Financing for Society project – the open access report from which can be downloaded for free via this link: <https://baumaninstitute.leeds.ac.uk/research/financing-for-society/>

Abundance Investment is the UK leading ethical crowdfunding platform. It focuses on enabling people to invest their money to earn a return while helping tackle the major social and environmental challenges of our time.



¹ Davis, M. and Cartwright, L. (2019) *Financing for Society: Assessing the Suitability of Crowdfunding for the Public Sector*. University of Leeds. DOI: <http://doi.org/10.5518/100/7>

² <https://baumaninstitute.leeds.ac.uk/research/financing-for-society/>

Background

- The UK Government has set a legally binding target for the country to achieve Net Zero by 2050. Much of the government's new climate targets will fall to local councils to implement. And to date, many have risen to the challenge. Over 65 per cent of UK councils have declared a climate emergency – and that figure is rising. Of those 265 councils, 170 of those are calling for a speedier timeframe and a new 2030 deadline for net-zero emissions to be reached in their region.
- The recent impacts of the pandemic on our society and economy have only served to highlight the need for transformational innovation in the way the complex social contracts between citizen, economy and state are enacted and enable the building of greater resilience in the face of the very real and immediate challenges we face.
- To deliver on this requires money but also collective action by the entire community. Many councils will borrow money to fund the investments required to hit their net-zero targets. This money will come from traditional sources such as Public Works Loan Board or perhaps alternative sources such as bond issues. However, the PCAN funded research detailed in this paper suggests that not only do people want to see their council take a more active lead on the climate crisis, they want collective action and the opportunity to put their money to work to accelerate the change.

“Radical reforms — reversing the prevailing policy direction of the last four decades — will need to be put on the table. Governments will have to accept a more active role in the economy. They must see public services as investments rather than liabilities, and look for ways to make labour markets less insecure. Redistribution will again be on the agenda; the privileges of the elderly and wealthy in question. Policies until recently considered eccentric, such as basic income and wealth taxes, will have to be in the mix.”

Financial Times on 3 April 2020

- In response, Abundance has created a citizen-led approach to funding a council's path to Net Zero called Community Municipal Investments. The product was developed working with three councils and the University of Leeds with the results published in the 2019 Financing for Society Report⁴. Community Municipal Investments (CMI) are designed to enable councils to efficiently and cost-effectively raise capital from residents, but critically also act as a tool for increasing awareness and engagement with a council's climate emergency plan. What PCAN understands is that the more people see action taking place in their community the more likely they will be to take action in their own lives. The PCAN research indicates that Community Municipal Investments can play a critical role in galvanising collective action to tackling the climate emergency.
- In 2020, Abundance will be launching the first investments with West Berkshire County Council, Leeds City Council, Warrington Borough Council and Kingston Borough Council.

⁴ Davis, M. and Cartwright, L. (2019) *Financing for Society: Assessing the Suitability of Crowdfunding for the Public Sector*. University of Leeds. DOI: <http://doi.org/10.5518/100/7>

“We have recently seen much emphasis being put on the need for climate-friendly stimulus policies to reboot economies in the wake of COVID-19. In Warrington, we remain committed to becoming carbon neutral, while doing all we can to protect our vital services.

The Community Municipal Investment is a really innovative way of engaging people in the work we are doing. It’s about engendering partnership working, building trust with communities and empowering them to play a part in creating a greener and more prosperous future.

This scheme presents a fantastic opportunity for people to make a real difference, through a sound, social investment which supports the work to address the climate change emergency we all face.”

Councillor Russ Bowden, Leader, Warrington Borough Council

Detailed Research Findings

Attitudes to Climate Crisis

Respondents felt that there is a tension between knowing there is a problem and feeling like they can do something about it without risking their way of life and security for them and their family. Current security still weighs more than future security. **“People don’t really like change.”**
(Male, 40s, Warrington)

Most are aware of and making efforts to buy green products and change some habits (e.g. around waste) – but they feel like this comes at a cost. However, the overriding sense was that people feel powerless as individuals – too many options and not a clear path. **“It’s a lot of noise to me.”** (Female, 60s, Leeds)

This sense of powerlessness varied between areas where they had less sense of community (e.g. West Berkshire) where climate change is entirely down to Government to solve, and those with more of a sense of **“home”** (e.g. Warrington) where it was felt that it is equally up to individuals. **“Government has to do something nationally, but for these issues, everyone’s got to do their bit.”**
(Male, 30s, Warrington)

In every area people reported a heightened sense of urgency around climate change over last 12 months – fuelled by news, social media and, most importantly, children.

“Suddenly it seems quite real to me.”
(Female, 40s, West Berkshire)

Anxiety about climate change and the future was overwhelmingly driven by thinking about children and family.

Preference over language differed between regions:

West Berkshire tends more to anxiety:
“I think it is a crisis, it is a disaster, and it is an emergency.”
(Female, 40s, West Berkshire)

Leeds residents are distrustful of words like **“emergency”**. They’d rather be given plain facts and told what to do without feeling like they are being pressured. **“[...] it’s like, drama.”**
(Female, 60s, Leeds Focus Group)

In Warrington they feel that it’s an emergency but tend more towards pragmatism over panic:
“Everyone’s got to do their bit.”
(Male, 30s, Warrington)

Detailed Research Findings

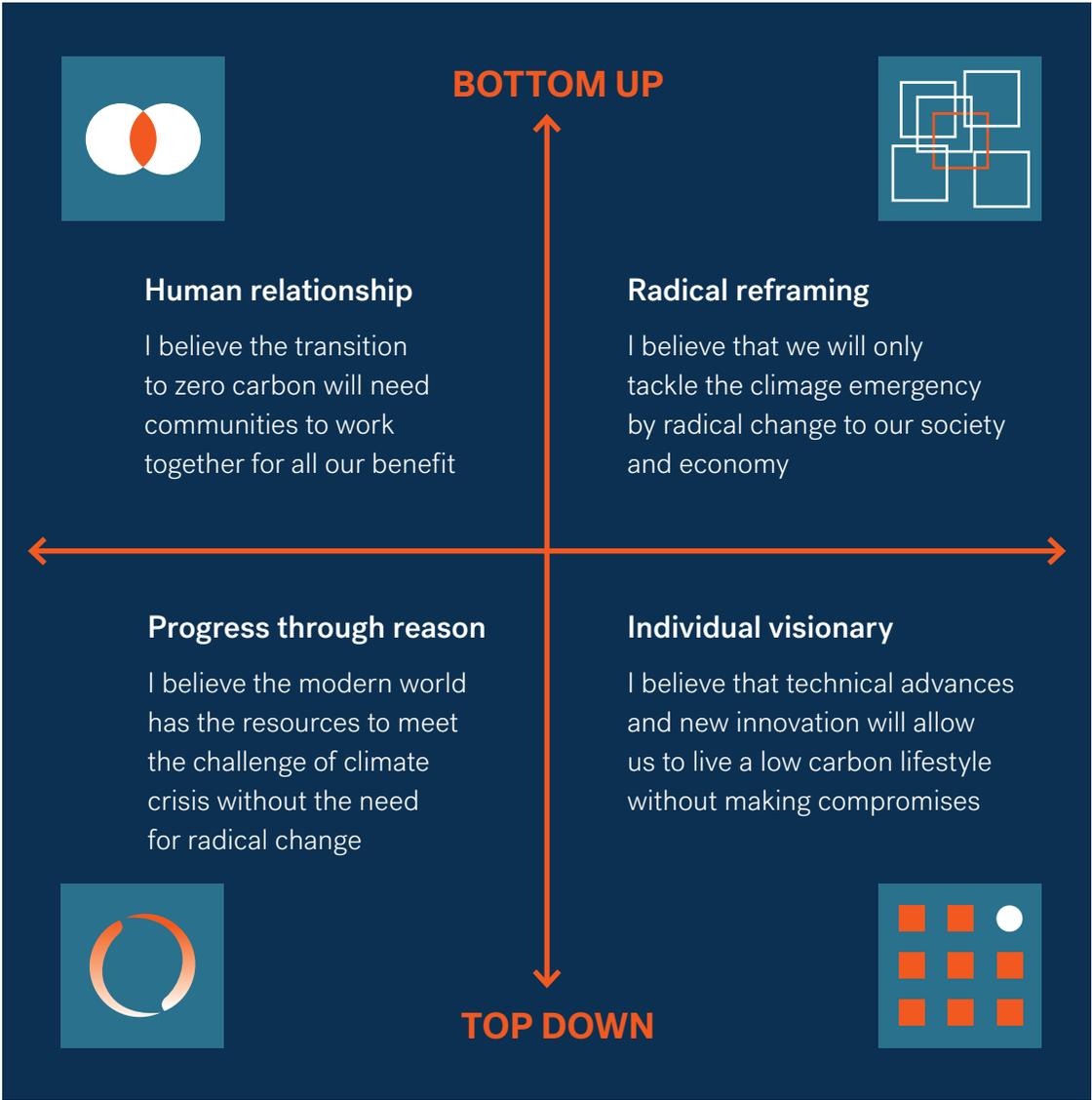
Our response to the climate emergency is a combination of radical change and social responsibility

- The surveys utilized a semiotic study of attitudes to climate change carried out by a commercial research firm, Space Doctors Ltd, (Stories for a Zero Carbon Future) to test how different perceptions of the solutions needed to respond to the climate crisis affected interest in the CMI concept.
- Semiotics is a powerful analytical tool for understanding complex and conflicting stories which are amply demonstrated by the spectrum of responses by individuals to the challenge of the climate crisis. People tell stories to make sense of complex events and these are reflected in media narratives and other forms of cultural expression. Analysis of these 'stories' can give insight into the tensions and contradictions in people's minds when faced with something as difficult and scary as the climate crisis.
- The big change in the last 18 months has been the widespread acceptance of the 'realness' and 'urgency' of the climate crisis, in part spurred on by the Extinction Rebellion protests and the impact of the floods across the UK. There was unanimous agreement that the climate crisis was now a cause for real action, even amongst those who professed previous climate skepticism.
- The Space Doctors analysis identified 4 'narratives' of change in response to the crisis. These narratives were translated into a simple statement to which people were asked to assess their level of agreement / disagreement. It was possible to measure individual resonance or agreement with these stories and use those responses to develop the positioning and proposition for Community Municipal Investments.

Source: Space Doctors Ltd: <https://space-doctors.com/wp-content/uploads/2020/01/Stories-for-a-Zero-Carbon-Future.pdf>

Detailed Research Findings

Our response to the climate emergency is a combination of radical change and social responsibility



Source: Space Doctors Ltd: <https://space-doctors.com/wp-content/uploads/2020/01/Stories-for-a-Zero-Carbon-Future.pdf>

Detailed Research Findings

Trust on climate issues is a function of authenticity and evidence-led approach

All focus group attendees reported higher levels of trust in scientists and people like David Attenborough and Greta Thunberg than anybody they perceived as having an ulterior (profit) motive. Overall, their trust was first and foremost in their children who as advocates for change are the most pure and uncorrupted:

“The people I trust are not going to benefit in any way by trying to push this point home.”
(Female, 40s, West Berkshire)

Trust in bigger business and institutions has been eroded by tales of greenwashing and a history of self-interest. However, all are willing to trust mission-driven and transparent organisations – and local authorities and companies like Abundance Investment who have purpose at their heart were trusted to deliver.

Overall people want mission-driven experts to lead the way and show them what needs to be done with a **“grown-up way of getting there”** which is **“based on cold facts.”** (Male, 30s, Leeds)

This is exactly what each LA's climate strategy is doing, but most are unaware that their LA has even declared a climate emergency.

Detailed Research Findings

Strong interest from a wide range of investors in the concept of CMI's

The responses from the quantitative and qualitative surveys showed a consistently strong interest in the concept of CMI's from a wide range of investors and citizens.

Overall 52% of respondents were 'very interested' or 'quite interested' in the concept when described. Drilling down into the data revealed a number of constituencies who showed strong interest (2x-3x more likely to invest than the national average). Amongst UK savers and investors the percentage interested rose to 73% - including 81% of ethical platform investors. The percentage of Abundance customers interested in the concept rose to 98% of respondents in a customer survey.

- Holders of financial products with a similar risk, return and maturity profile as CMI's were significantly more likely to be interested in the product
- Altruistic citizens, who are defined as having participated in a political, charitable or environmental event in the last 12 months, represent 39% of UK investors (see definition in appendix) or about 8m UK adults with more than £100bn of savings and investments. These investors were 1.3x more likely to be very interested in the concept. Altruistic investors with a strong local interest were 1.7x more likely to be very interested in the concept.

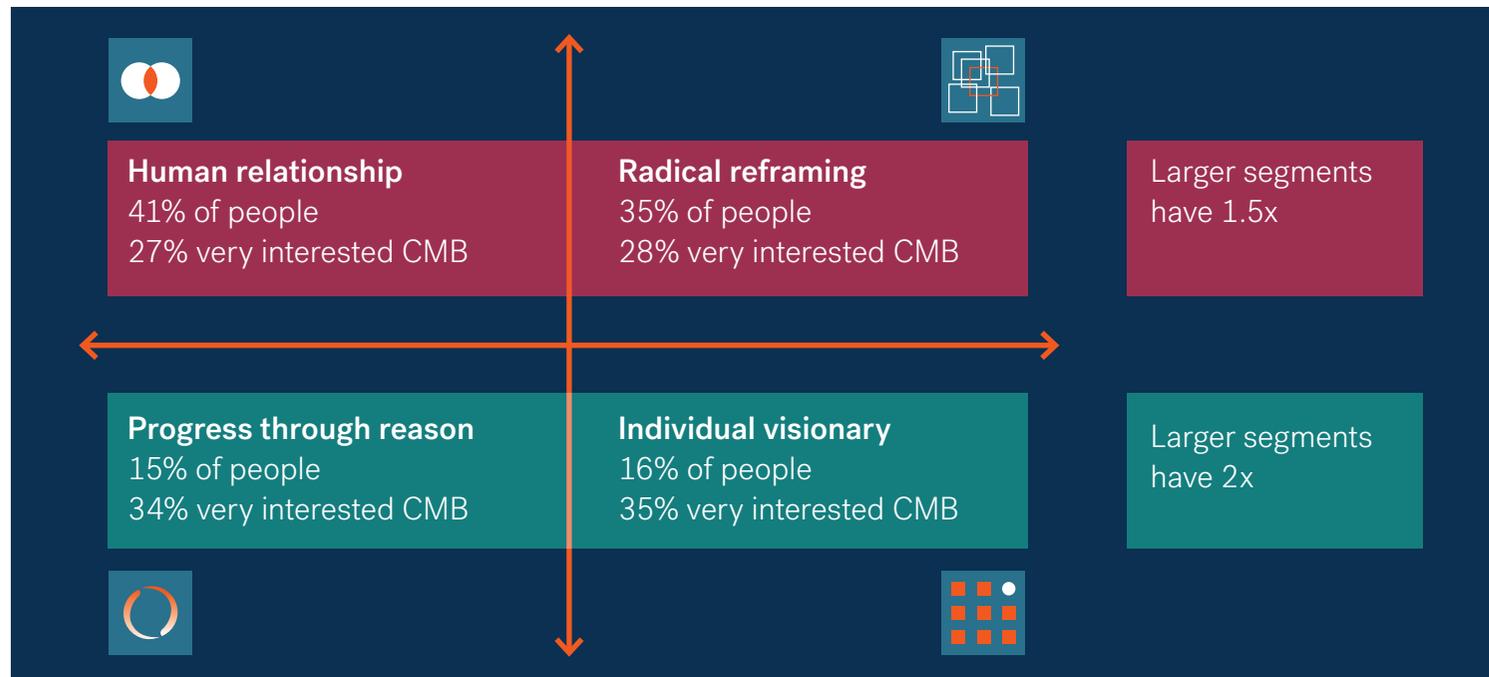
The quantitative survey was able to size the groups of people against the semiotic analysis of attitude to the climate emergency. These attitude groups provide an alternative segmentation to financial needs allowing us to target broader groups of potential investors based on their motivations around 'impact'

Detailed Research Findings

The concept of CMI's bridged from the early adopters of green technology (bottom right quadrant) to the majority segments who map in the top two quadrants balancing the need for radical change with the need for communities to work together (and progress together towards a greener world). Perhaps surprisingly they also reached those who are more passive in their attitudes and don't see the need to change the course of the economy to respond to the climate emergency (bottom left quadrant).

In terms of financial needs, existing users of ethical investment platforms were 2.5x more likely, fixed term ISA investors were 1.5x more likely and National Savings & Investments customers 1.5x more likely to be very interested in the concept.

	% UK INVESTORS	% VERY INTERESTED IN CMBs	Versus average 16% of UK respondents 'Very interested'
NS&I bond holders	32%	23%	
Bond holders (not NS&I)	30%	27%	
Fixed / notice ISA	13%	23%	
Ethical platform users	20%	43%	



“Building the local investment market will take time, but if the CMI theory translates into practice this new model could transform our relationship with the community.

A particularly exciting point highlighted by the research is that residents may be open to donating some of their interest back to the council to further support front line services.

If this comes to pass it could entirely change the way we think about funding council activities.”

**Councillor Ross Mackinnon, Executive Portfolio Holder:
Finance and Economic Development West Berkshire Council**

Detailed Research Findings

People are looking to their local authority to take action (but relatively unaware of the actions already taken)

- Overall awareness of local authority action on the climate emergency was relatively low amongst respondents in both the national and Abundance customer surveys. This was reflected in the qualitative research where individual awareness and action was contrasted with a perceived lack of urgency and action from both national and local government.
- Only 10% of respondents showed any strong awareness of declarations of climate emergencies or evidence of any progressive policies on the environment. However, 26% strongly agreed with the statement “I would like my local authority to take a more proactive approach to climate change” with only 3% strongly disagreeing.

CHOICE	RATING	%
My local authority has a progressive policy on the environment	Strongly agree Strongly disagree	10% 8%
I'm aware my local authority has declared a climate emergency	Strongly agree Strongly disagree	10% 23%
I would like my local authority to take a more proactive approach to climate change	Strongly agree Strongly disagree	26% 3%

- Overall perceptions of local authority competence in terms of service delivery and managing money were mixed. Regional differences were marked and the insight from the qualitative research suggests that this is a function of the strength of ‘sense of place’ residents feel for their local area.
- Where local authorities are perceived to have taken a lead on issues such as austerity, climate change or other ‘collective’ policies it was generally transformative of the relationship citizens had with their local authority – a measure in peoples’ minds of the level to which the local authority was ‘looking out for its residents’ and had their long term interests at heart. This perception would override the general feeling that local authorities should be judged purely on their day to day service delivery which often had mixed perceptions based on individual experiences (positive and negative).

CHOICE	RATING	%
I think my local authority is generally competent	Strongly agree Strongly disagree	10% 8%
I understand the pressure local authorities are under to cut spending	Strongly agree Strongly disagree	23% 2%
I think my local authority is slow to respond to my personal priorities	Strongly agree Strongly disagree	17% 2%
I think my local authority is visionary, with exciting long term plans for my area	Strongly agree Strongly disagree	9% 1%
I believe my local authority is good at managing its budget	Strongly agree Strongly disagree	9% 10%

Detailed Research Findings

Perceived benefits of the Community Municipal Investment (financial + impact)

- The strong overall interest by a majority of respondents in the quantitative research correlated with the overall positive feedback on the idea in the qualitative focus groups.
- The main driver of interest was the combination of tangible impact of the project with the low risk for investors provided by the relationship with the local council standing behind the investment. Until now, such investments would have been beyond the financial confidence level of ordinary investors unless they have had direct experience of crowdfunding in the past.
- While impact was of primary importance (and concern to ensure delivery of promised intentions), it was also important to establish the appropriateness of this investment for longer term investment pots for which the risk appetite was low. In particular this was seen as very relevant to savings and investments set aside for children (future education, security, home deposits etc) which are relatively long term in nature without a specific 'end date' in mind.
- An interest rate which was competitive with other forms of investment issued by public sector institutions (and banks) was felt to be sufficient, especially when considered against the level of both impact and control over impact which other low risk investment options provide. At a return level of 2%, around 51% of respondents were 'much more or a bit more' interested in the concept. In the focus groups, lower rates of return were discussed showing a potential range of 1%-2% depending on the relationship to the local authority, tangibility of impact and opportunity cost relative to other investment options.
- In areas where residents have a strong sense of place-based community, the proposition was more immediately attractive. In areas where residents' communities are not place-based, the proposition transformed the relationship – **“for me it's the local aspect of it that is the biggest appeal.”** (Male, 40s, West Berkshire)
- A key insight from all sessions was that a key feature must be knowing exactly what the money will be used for, and having the choice over what they invest in – **“If I have a choice over where my money's going it gives me a sense of control.”** (Female, 40s, Leeds)

Detailed Research Findings

Community Municipal Investments open up a new sphere of civic engagement

- The most powerful manifestation of the positive impact of the idea of Community Municipal Investment was the transformation in attitudes of respondents during the qualitative focus groups, driven by the idea that CMIs could increase the transparency and tangibility of council activities.
- Residents of each area had different views of their local authority tied to the geography of the area, their sense of place-based community, and visibility of their local authority's actions to date:
 - West Berkshire residents had the least sense of 'place' – perhaps not surprising as it is a more rural area and most work outside of the borough. They have found communities elsewhere – online or based on alternative cultural and social identity.
 - Leeds residents had the strongest sense of place-based community and are proud to be from Leeds (in particular those families who had made Leeds their home after being forcibly displaced in previous generations).
 - Warrington's residents had the best perception of their Local Authority. It was seen as the most actively supportive and protective of local communities, particularly in terms of investment strategy to bring revenues in to support core services.
- The 'place' and tangibility were therefore very important. Interest in the proposition and appeal of a 'sense of place' were transformed when a known locality was mentioned – **“I think for me it's the local aspect of it that is the biggest appeal.”** (Male, 40s, West Berkshire)
- In local authority areas where there is a less of a coherent sense of 'place' and community, CMIs can be expected to help build trust in the local authority and strengthen local community **“I think it could promote quite a lot of civic pride almost.”** (Male, 30s, Warrington)
- Respondents who were initially angry or negative about how their local authority is perceived to spend their council tax – **“It makes me angry for two days looking at [on her council tax bill] all these things they spend my money on which I don't use”** (Female, 60s, Leeds) – would spontaneously suggest donating all or part of their 'dividend' to support council core services. This 'volte face' occurred consistently across the different local authority regions despite the initial differences in relationship.



“The Leeds Citizens’ Jury on Climate Emergency recommended the use of green bonds and crowdfunding opportunities to finance carbon saving projects.

As a result, we’ve been working with partners to progress this and we are looking forward to launching a scheme in Leeds later this year.”

Councillor Lisa Mulherin, Executive Member for Climate Change, Transport and Sustainable Development, Leeds City Council

Detailed Research Findings

Technical description of a CMI

A Community Municipal Investment is a bond issued by a local authority direct to the public via an investment crowdfunding platform. An investment crowdfunding platform is an electronic platform regulated by the Financial Conduct Authority which arranges and administers investment between retail investors (the public) and, in the case of CMIs, councils. For the council the platform means investors, who invest as little as £5, are efficiently administered, meaning there is no additional work for the treasury management team when raising money from the public versus sourcing it from traditional institutions.

The bond finance is treated in the same as any other long-term borrowing, therefore a CMI can be used to supplement, diversify or, where appropriate, replace sources of borrowing such as the PWLB to fund specific infrastructure projects and programs, or to refinance existing loans. With a climate focused Community Municipal Investment, the money raised must be used on projects which form part of the council's climate emergency plan.

Due to the low-cost nature of crowdfunding, Community Municipal Investments can be issued via a low-risk, easy to use online process at rates which comfortably undercut Public Works Loan Board ("PWLB") borrowing rates and terms.

Key Features

- Bonds can be issued from £0.5m to hundreds of millions
- Bonds can be issued as Maturity, Annuity or Equal Repayment loans
- Borrowing is treated the same as any other council long term borrowing
- Councils do not require a credit rating and they incur no additional audit costs
- Crowdfunding platform administers the investors, creating no additional work for the council Treasury Management Team
- Citizens can invest from as little as £5
- Councils can communicate with investors on an ongoing basis.

Detailed Research Findings

Community Municipal Investment benefits

Competitive source of capital: Research by University of Leeds and published in the Financing for Society report indicates that Community Municipal Investments can provide capital at competitive rates below the PWLB Certainty Rate, while, because the bond is delivered via a crowdfunding platform, there is no additional administrative burden for councils when raising money from residents when compared to other sources of borrowing.

Communicating the implementation of the Climate Emergency Plan: The research demonstrates that residents want to see their council take a lead on responding to the climate emergency, but the research also indicates that residents currently do not fully appreciate what their councils are doing to meet the climate emergency. Community Municipal Investments provide a zero-cost opportunity for councils to tell their communities about what they are doing, while also building collective local action.

Support for philanthropic donations: Similar to charity bonds, the Financing for Society report indicates that CMIs can also be used to encourage new donation-based income streams for councils with civic-minded resident investors having the ability to donate part or all of their bond interest payments back to the councils. In the context of a climate emergency bond this could mean enabling residents to donate money back to pay for the hard-to-fund elements of the climate emergency plan such as tree planting.

Local finance for local investment: On average there is £4bn of investable wealth per 100,000 people in the UK. Most of this money leaves the communities in which the investors / savers live and flows into global companies and funds. By engaging citizens, councils would enable locally saved capital to be invested in local infrastructure – thus opening a virtuous circle of citizens enabling investment that both improves the local economy, environment and society whilst returning value to local people.

Detailed Research Findings

Community Municipal Bond risks factors

New asset class, though local authorities have issued retail bonds historically this was some time ago. CMIs should therefore be considered a new asset class. Any new investment type takes time to establish in the market, but with CMIs focused on local investment the challenge of establishing this new model is greater. Rebuilding local investment habits will take time as people are now much more accustomed to investing through centralised financial organisations. Councils embarking on the use of CMIs should, therefore expect it to take time to transition their borrowing fully to local investors, but the impact once they have grown their local investment market will be significant.

Secondary market liquidity, the research highlighted that the ability to sell the investment quickly was attractive to investors. The secondary market for CMI will take time to develop therefore initially the investors that participate will do so on the basis they expect to hold the investment to term. This will reduce the number of investors and the amounts that people invest in the short term. As the secondary market develops it can be expected that a broader range of investors will participate, and the average investment size will increase.

Partners

What next?

The first Community Municipal Investments (CMI) are due to be launched summer 2020. There is grant money available to pilot a CMI until September 2020. The grant covers the legal costs of being a pathfinder project. If you are a council and are interested in piloting a CMI please get in touch with one of the contacts below.

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Karl Harder karl@abundanceinvestment.com

This research was funded by the PCAN Fund. For more about the Place-Based Climate Action Network (PCAN), go to: <https://pcancities.org.uk>
Email: pcan@lse.ac.uk



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