

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE Creating a Camden Community Wealth Fund (SC/2023/26)	
REPORT OF The Leader of the Council	
FOR SUBMISSION TO Resources and Corporate Performance Scrutiny Committee Cabinet	DATE 10 th July 2023 12 th July 2023
STRATEGIC CONTEXT <p>We Make Camden is our communities’ vision for Camden. The proposed Camden Community Wealth Fund directly delivers on the aspirations set out in We Make Camden, including the ambition that <i>Camden’s local economy should be strong, sustainable and inclusive – everyone should have a secure livelihood to support them to live a prosperous life</i>, and (given the proposed initial focus of the Fund) the young people mission: <i>By 2025 every young person has access to economic opportunity that enables them to be safe and secure.</i></p> <p>The Fund provides a direct way to tackle equalities and disproportionality, by providing a tool for tackling inequities in the finance sector and direct support to communities underserved by traditional approaches to finance and business development. As such it will make a major contribution to We Make Camden’s diversity missions which sets out that: <i>by 2030, those holding positions of power in Camden are as diverse as our community – and the next generation is ready to follow.</i></p> <p>It is logical progression from the work of the Renewal Commission which explored the need for new levers and policy instruments to be developed alongside the setting of missions.</p> <p>The principles behind the Community Wealth Fund also speak to an overarching approach to assets which draws on Camden’s rich history (from at least the asset purchases of the 1960s and 70s) of using financial and property asset to respond to London’s long-run social, economy and demographic changes.</p>	
SUMMARY OF REPORT <p>Camden has a long history of making careful, impactful and long-term investments in both its assets and its people, to deliver social and economic dividends for future generations – from purchases of street properties in the 1960s and 1970s, to the Community Investment Programme of the last decade, to the Refugee Housing investments we are about to make.</p>	

We Make Camden sets out to build on this history, and on our record of bold ideas, innovation and radical municipal action, and has a clear ambition that *Camden's local economy should be strong, sustainable and inclusive – everyone should have a secure livelihood to support them to live a prosperous life*. It also argues that 'traditional approaches to local economic development have focused on supporting business growth and trying to capture the benefits it creates' rather than seeking to grow a more inclusive economy which seeks to share power and ownership of Camden's economy.

We Make Camden identified a wealth fund as one possible response to meeting this ambition – as a way to understand how wealth is created, who gets to create it, and how we can keep the benefits firmly in Camden and with its people.

This report sets out the approach and approvals required to create a Camden Community Wealth Fund – a mission driven, social investment fund that will provide investment for people, businesses and organisations in Camden that are delivering on our missions, to develop their ideas, grow their businesses, and maximise their impact.

The Fund will support people and organisations that are focused on tackling the We Make Camden missions, and in particular the Young People and the Diversity missions. We will do this by providing repayable loans, equity finance, and small grants, alongside wrap around business support.

The report recommends that Cabinet agree to establish the Community Wealth Fund, and sets out the business plan, investment strategy, resources and structures needed to implement it.

Local Government Act 1972 – Access to Information

No documents that require listing were used in the preparation of this report.

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RECOMMENDATIONS

The Resources and Corporate Performance Scrutiny Committee is asked to consider the report and make any recommendations to the Cabinet.

That Cabinet, having due regard to the equality impact assessment in appendix 6 and the needs set out in section 149 of the Equality Act 2010

1. Agree the Camden Community Wealth Fund as set out in section 2 of this Report be established
2. Agree to delegate to the Executive Director (Corporate Services) the power to take all appropriate actions required to implement the first stage of the Camden Community Wealth Fund (CWF) including:
 - (i) in consultation with the Leader, and the Executive Director (Supporting Communities) approval of the CWF Business Plan and Investment Strategy (as referred to in section 2 of the report and in the indicative CWF Business Plan at Appendix 1)
 - (ii) in consultation with the Leader, and the Executive Director (Supporting Communities) allocating the source funding for the CWF as referred to in para 2.42 to para 2.43 of the report
 - (iii) the budget for set up and operation of the CWF including commissioning necessary business support, Fund advisory services and Fund management
 - (iv) in consultation with the Leader, the Borough Solicitor, and the Executive Director (Supporting Communities) approval of the Governance Arrangements for the CWF including arrangements for citizen participation and the Scheme of Delegation setting out a hierarchy of decision making as referred to in paras 2.24 to 2.32
 - (v) in consultation with the Leader, and the Executive Director (Supporting Communities) Authority to invest up to £5m in individual schemes
 - (vi) procurement of professional advisers to support the implementation and operation of the CWF
3. To note that a subsequent report will be presented to Cabinet on a CWF Interim Review as referred to in para 2.47

Signed: David Burns, Director of Economy, Regeneration and Investment



Date: 4 July 2023

1. CONTEXT AND BACKGROUND

Introducing the Camden Community Wealth Fund in Summary

- 1.1. This report seeks authority to establish a mission driven, social investment fund called the Camden Community Wealth Fund (“CWF” or “the Fund”) to provide investment and support for people, businesses and organisations in Camden

that are delivering on our missions, to develop their ideas, grow their businesses, and maximise their impact.

- 1.2. The Fund will support people and organisations focused on tackling the We Make Camden missions, in particular the Young Persons and the Diversity Missions, by providing repayable loans, equity finance, and small grants, alongside wrap around business support. The Fund has an ambition to invest more resources directly into our communities to help give many more residents a stake in the wealth of the borough.
- 1.3. Investments made through the Fund will aim to be financially sustainable over time (i.e. it will need to target making a net return) to create significant, longer-term benefits to the people of Camden. It will take a long term, patient finance approach, so although funding will be repayable it will take a 10–15-year view on its investments.
- 1.4. We know that funding alone isn't enough, so in addition we will also offer non-financial support through mentorships, grants for both business start-up and scaling, and access to workspace. We will also be supporting people and businesses who have struggled to gain finance due to systemic barriers.
- 1.5. To start with Camden will be the source of finance for the Fund, and the long-term ambition is that the Council will invest up to £30m of capital into the fund, although it will start with a much smaller amount build up over time with regular review points reporting financial and social impact. The funding will be held by the Council and managed in-house with a newly recruited team of experts, but with external specialist advice and commissioned 30Fund managers to guide decision making. A clear decision-making structure and scheme of delegation, guided by an investment strategy that sets out what and how the Fund will invest, forms part of this report.
- 1.6. The Fund has been designed to be accessible to Camden's citizens and businesses, but also to be in the long run market facing – a key objective is to be able to attract co-investment, both as aligned grants and business support, but also as direct investment into the Fund. The structure of the Fund has been set up to enable this to happen. It also allows us to take a flexible and incremental approach to scale up the Fund over time.
- 1.7. However, the longer-term ambition, once we have established the Fund in the market and grown its reputation and influence, is to create a separate entity from the Council so that it can attract investment from the private sector and other potential co-investors. Some form of separate entity is likely to be needed to attract significant outside investment and maximise the Fund's effectiveness. The reports sets an 18-24 month initial stage of delivery to create and establish the Fund, and during this time potential external structures will be explored and developed for future approval.
- 1.8. During this stage of delivery, we will also use the time to build the operation and mechanics of the Fund, build its reputation in the marketplace, and build trust with the community and potential co-investors. We also want to influence the wider investor sector to be more inclusive, building on insights we have gathered about failures in the current financing eco-system to serve diverse

founders. We will put in place a learning process to support the improvement of the Fund, and the market we're working in.

How we got here – from concept to business plan

- 1.9. The Wealth Fund sits comfortably in Camden's history of making careful, impactful and long-term investments in both its assets and its people, to deliver social and economic dividends for future generations – from purchases of street properties in the 60s and 70s, to the Community Investment Programme of the last decade, to the Refugee Housing investments we are about to make. The Fund sits in this tradition, as a new way for us to tackle inequality in the borough and deliver on We Make Camden.
- 1.10. We Make Camden sets out to build on this history, and on our history of bold ideas, innovation and radical municipal action, and has a clear ambition that *Camden's local economy should be strong, sustainable and inclusive – everyone should have a secure livelihood to support them to live a prosperous life*. It also notes that 'traditional approaches to local economic development have focused on supporting business growth and trying to capture the benefits it creates'.
- 1.11. Camden and its citizens have created the conditions for the wealth we see in the borough, both the physical infrastructure resulting from historic public investment, the open space and the quality of the environment, and the cultural and social life of the borough. However, we have limited means to capture and distribute this wealth, with much of it disappearing into property assets, taken out of Camden or into the private sector. We need new ways of understanding how wealth is actually created and capturing the benefits so that growth we experience in Camden is genuinely inclusive.
- 1.12. We Make Camden identified a wealth fund as one possible response to meeting this ambition and to help develop this further the Council commissioned a programme of work. University College London's Institute for Innovation and Public Purpose (IIPP) completed workshops and research with the Council that provide the strategic case for a local wealth Fund and the principles on which it could be set up (Appendix 5). The research identifies that the existing financial system does not incentivise patient finance and creates fundamental barriers to finance for some people and businesses.
- 1.13. The report notes there is an opportunity for Camden to play a role in the financial eco-system, not to replicate existing actors or Council services, but as an additional tool with a unique local role, filling gaps in the system as well as influencing it more widely and taking on a 'market-shaping' role. The IIPP recommend a Fund with a mission led mandate, and one that focuses on making an impact locally through:
 - Making use of local knowledge and expertise, including the local community in its operation

- Investing locally to generate social and financial returns, through repayable finance that can be continuously re-invested
 - Making patient, long-term investments
 - Inclusive finance that is open to everyone
- 1.14. This mandate and concept are carried through into the detailed design. To complete the detailed design, we commissioned advice to help develop an Outline Business Case. This allowed us to test out the options and approach and iterate further the appropriate principles, objectives and structure, and test out different models of governance and management to meet the principles (set out in more detail in section 2 and appendix 1).
- 1.15. Alongside this, we have taken the learning from our Future Camden Fund (a £500k pot of grant for micro businesses in Camden), research and interviews with social investment funds, and interviews with businesses and social enterprises who could be recipients of funding in the future (research report at appendix 3). This has helped shape the final version of the Fund, in particular the business support package that is needed and how to make the Fund as accessible as possible.
- 1.16. This has produced the Business Plan and Investment Strategy (Appendix 1 and 2), which alongside the scheme of delegation in paras 2.24 to 2.32 and the recommendations in this report form the blueprint for the creation of the Fund.
- 1.17. If approved, it will take 12-18 months to develop the Fund further including recruitment of a team and commissioning of key advisory and business support services.

2. PROPOSAL AND REASONS

Camden Community Wealth Fund Strategy

- 2.1. This section sets out the proposed strategy for establishing and operating the Fund (the Community Wealth Fund Strategy). It deals in turn with:
- Purpose, Objectives and Focus of the Fund (paras 2.2 to 2.10)
 - The Investment Strategy (paras 2.11 to 2.22)
 - The Business Plan (paras 2.23 to 2.51)
 - The approach to governance including citizen participation (paras 2.24 to 2.32)
 - Management and resourcing of the Fund including identifying source Funding (paras 2.33 to 2.42)

Purpose, Objectives and Focus of the Fund

- 2.2. The Camden Community Wealth Fund is an investment Fund that provides repayable loans, equity finance and business support to people, businesses and organisations across Camden. It will focus on making longer-term, 'patient capital' investments (i.e. 10 years +); and will support people who face barriers in accessing finance via more traditional investment routes.

- 2.3. It is intended that the Community Wealth Fund will focus investments on opportunities which clearly support two of the Council's We Make Camden missions. These are:
- By 2030, those holding positions of power in Camden are as diverse as our community – and the next generation is ready to follow
 - By 2025, every young person has access to economic opportunity that enables them to be safe and secure
- 2.4. The Fund's proposed mission is to therefore – extend greater equality for young people in Camden and promote diversity in positions of power across the borough.
- 2.5. The purpose of the Fund is to provide investment and support for people, businesses and organisations in Camden that are delivering on our missions, to empower them to develop their ideas, grow their businesses, and maximise their impact for the local area.
- 2.6. The core purpose of the Fund is to:
- Focus additional investment in delivery of the We Make Camden missions, tackling inequality in Camden
 - Provide investment that is inclusive, and is diverse in the types of people, businesses and organisations it invests in
 - Make investments based on local knowledge of need, actively involving local people in decision making
 - Create opportunities to invest where the traditional finance market may not, in people and ideas which may need longer to pay back, shaping the investment market for the better
- 2.7. A draft of the Fund Business Plan is contained at appendix 1. This sets out detailed principles for how the Fund will operate, and some headline investment objectives, including :
- Evergreen – the Fund will be able to secure a return to support future projects and allow the Fund to replenish over time, with the potential for it to have a long lasting, sustainable impact.
 - High degree of community participation – the Fund will empower and drive active community participation in determining its investment priorities and being involved in its operation.
 - Scalable – the Fund will be scalable to allow the total amount of Funding available to increase over time.
 - 'Crowding in' Co-investment – the Fund will be capable of attracting and leveraging outside investment.
 - Perpetual – the Fund will take a long-term view on investments, with some investments securing benefits for Camden's people over a medium and long term horizon;
 - Data and evidence driven – the Fund will be live and agile to respond to local need with continuous monitoring and measurement of the Funds impact;

- Flexibility – the Fund will be flexible to allow for different investment types and mechanisms;
 - Additionality – the Fund will operate at a local level (borough wide) and offer additionality i.e. the Fund will be complementary to, but not replicate and be separate from, other Council activities;
 - The Fund will support the boroughs renewal and overarching strategic objectives, specifically We Make Camden; and
 - The Fund will safeguard ethical investing to ensure investment decisions are made responsibly and with integrity.
- 2.8. The purpose and objectives are embedded in the Business Plan and Investment Strategy.
- 2.9. To ensure the Fund represents the diversity of Camden its focus will be on supporting and investing in a wide range of people, businesses and organisations. This could be someone who has an early-stage idea and needs support developing their proposal before seeking investment; through to established businesses and organisations who have a product or proposition and are seeking investment to scale up.
- 2.10. There will be other examples but the types of organisations and business we might invest in include:
- A social enterprise, a community business, a tech for good venture or a cooperative looking to grow part of their organisation
 - A Camden-based for-profit business that wants to increase the positive impact it has locally
 - A charity with a trading arm who wants to spin out an existing service
 - A minority led or owned business that needs equity to start up or grow
 - A person or group of people who need help to translate a great idea on how to improve things for local young people into a viable business or project

Investment Strategy

- 2.11. The Fund will make its decisions and source investment opportunities based on local knowledge and experience. This also means that citizens will be at the heart of both the operation and the ongoing design of the Fund – through community involvement in decision making, ongoing design of the Fund, and in supporting development of ideas that come through for investment.
- 2.12. The ambition is that the Fund will grow to £30m of Funding, invested by the Council, this will build up steadily over time with review points on financial and social impact built into the investment strategy. The money will be invested in delivering the outcomes of the Fund including provision of repayable loans, equity finance and business support to people, businesses and organisations across Camden. It will focus on making longer-term, ‘patient capital’ investments (i.e., 10 years +); and will support people who face barriers in accessing finance via more traditional investment routes.

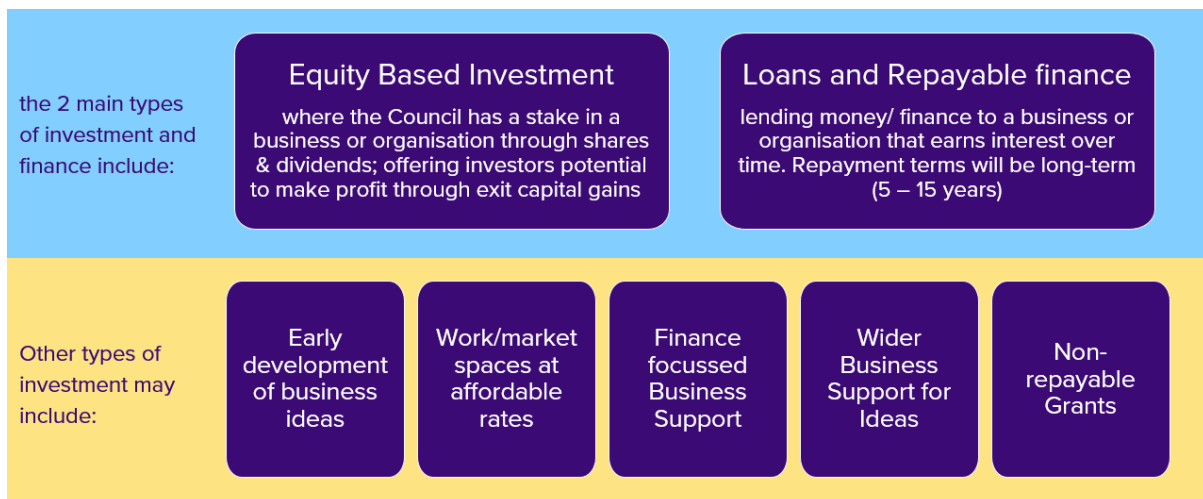
- 2.13. Not all investments will be successful and make a financial return. Some will fail. This is normal and expected in an investment fund of this type. To manage this risk, the Fund will take a 'portfolio approach' – managing risk by spreading our investments in a diverse range of businesses and people with different levels of risk profile. Investments will vary in their level of risk across the portfolio. This will enable the Fund to generate a profit over time that can be re-invested, keeping the Fund evergreen.
- 2.14. More detailed technical principles for how investments will help deliver the headline investment objectives set out in the Business Plan will be contained in an Investment Strategy. A draft Investment Strategy is set out in appendix 2 and incorporates core eligibility criteria for investments as set out below :

All investment applications will be assessed against their strategic alignment with Camden Council's strategic objectives, Fund objectives and investment priorities.

*In addition to strategic fit **other core criteria** will be used to determine if an investment proposition is suitable for Funding, these are:*

- The project or business must meet financial due diligence and compliance tests.*
- The project or business must be eligible for Funding i.e., meet company definitions and legal criteria.*
- The project or business must have a strong and capable management team with a verifiable track record and have a compelling and commercial investment proposal.*
- The project or business must be based locally, employ local young people, or meet other local ownership criteria.*

- 2.15. The Fund will create a diverse portfolio and offer flexible types of finance and investment. The future scope of the CWF is also flexible, enabling it to deliver on a diverse range of interventions that will allow the Council and the community to address aspects of recovery and renewal and help tackle inequality.
- 2.16. Our market research indicated that some products which include interest, such as debt products, may not be suitable for some Muslims and could exclude them from applying, as riba is haram (i.e. interest is forbidden by Islamic law). In the next stage of the fund design we will work with specialists to explore how to provide Sharia-compliant options (for example equity and repayable grants).
- 2.17. The final form of the Investment Strategy will consider in detail the predominant type of investments for the Fund and sub-funds. Decisions on the suitability of a type of investment will be made on a case-by-case basis considering the market, due diligence, assessment of risk and the potential benefits and outcomes to be delivered from the investment.
- 2.18. Repayments will typically be expected over a much longer period of time (i.e. 5 - 15 years), and ideally at a reasonable interest rate. This is called patient finance and will give each organisation or business invested in time to see a financial return and a significant benefit to people in Camden.



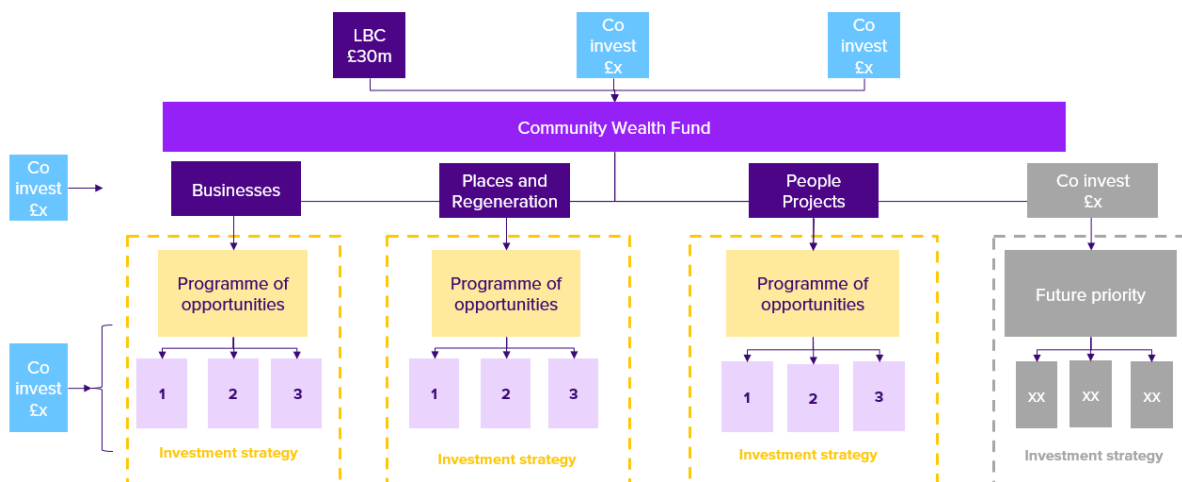
2.19. The overall investment focus for the Community Wealth Fund is mission driven as set out above, rather than focused on interventions, to align with the We Make Camden future vision for the borough. Focus will be given to investment opportunities that are aligned with the three main areas for investment by the Fund which are to:



2.20. Running across all of these areas is the diversity mission, to bring a focus on providing investment that targets female, black, disabled, LGBTQ+, Asian and other Minority Ethnic led organisations and businesses.

2.21. The Fund will be established under an umbrella fund structure, to maximise the flexibility for different types of interventions to be used and to enable it to deliver the interventions that the market and local community need.

2.22. The Council has an ambition to grow and scale up the Fund over time, exploiting both internal and external sources of finance as they are identified. Securing co-investment is a key principle for the Fund and will be key to the scaling up of the Fund i.e., the Fund must be market facing and capable of attracting and leveraging outside investment. The umbrella fund structure provides the flexibility and potential to secure co-investment at Fund, sub Fund and individual investment level. The diagram below sets this out:



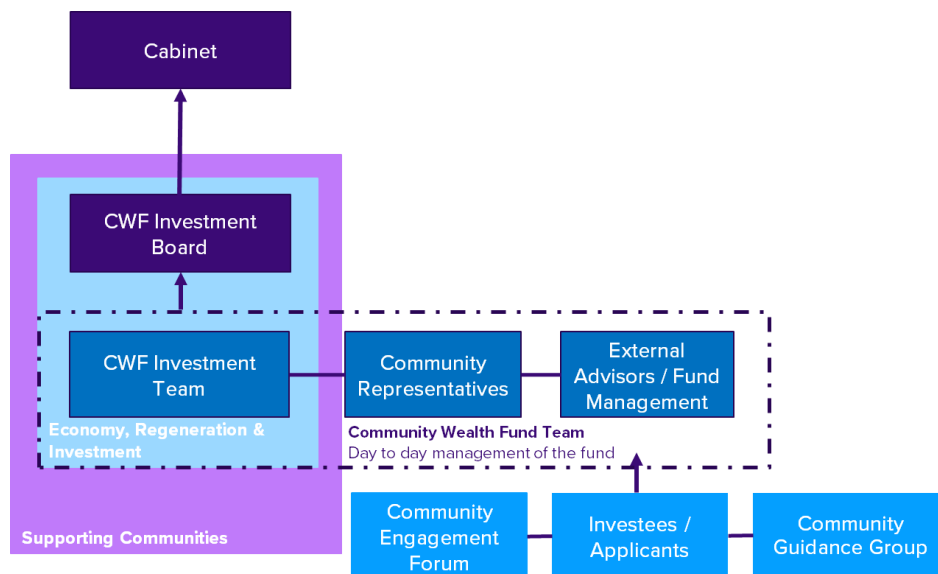
2.23. To bring the Fund to life and describe what it might invest in, Appendix 4 contains some 'fictional future stories'. We have created them to help people imagine how the Fund might work and the types of investment and support that could be made in the future. They have been created to show what a 'whole and balanced portfolio' of CWF investments could look like.

How the Fund will operate / Business Plan/ governance arrangements and community participation

2.24. As noted a draft Business Plan is contained at Appendix 1. As well as the headline investment objectives (see above) the Business Plan, will set out the overall arrangements for governance, management and operation of the Fund. The section below provides a summary of the key aspects.

Governance Framework and Decision Making

2.25. The diagram below sets out the proposed governance structure for set up and early stages of operating the Fund:



2.26. Within this the respective roles of each part are

Cabinet

- Approval of the CWF/ delegation to the Executive Director (Corporate Services) to take all actions to implement and operate the CWFS
- Review current/previous years performance
- Approval of investments above £5m threshold
- Agree the delegations as recommended in this report, to enable decisions to be taken as part of the CWF, as set out in the business plan, but to include:
 - Executive Director Corporate Services the decision to procure the necessary resources to operate the Fund.
 - Community Wealth Fund Advisory Board to operate, manage and monitor the Fund.
 - Executive Director Corporate Services, in consultation with the Leader of the Council, to approve individual investment decisions up to a limit of £5m where it is aligned with the Investment Strategy and meets the pre-agreed Investment Criteria.
 - Executive Director Corporate Services, in consultation with the Leader of the Council, to approve co-investment at a sub Fund and individual investment level up to a limit of £5m.
 - Executive Director Corporate Services, in consultation with the Leader of the Council, to exit individual investments where the investment is non-performing

Executive Director Corporate Resources

- Executive Director Corporate Resources approves investment decisions under the scheme of delegation and the decision to award Funding

CWF Advisory Board

- To make investment recommendations and recommend co-investment opportunities (below a financial threshold)
- To monitor performance at portfolio, sub fund and individual investment level and report progress to Cabinet
- To allocate resource for operation of the Fund

- To report on benefits realisation
- Will include representation from S151 officer and Borough Solicitor

Community Guidance Group

- Space in which applicants can present ‘their story’ and receive peer-to-peer feedback/guidance on investment propositions – ahead of actually making an investment application
- Made up of Local experienced entrepreneurs/community leaders, Community Representatives and CWF Investment Team officers

2.27. The overall mandate for the Fund flows from the delegations in this report and the scheme of delegation – this is needed to grant authority to officers to make investment decisions within the limits of the delegations. Section x of this report sets out the scheme of delegation, with primary delegations to the Executive Director Corporate Resources to take investment decisions below a £5m threshold.

2.28. Alongside the governance framework, sits a detailed decision-making process to guide applicants and the investment team through the process, set out on pages 13 to 16 of the Business Plan. There is a clear separation in this of individual investment decisions from Cabinet and individual members, with Cabinet providing approval of the overall strategic direction and mandate. Communication guidance will be created for Members to advise them on how to respond to potential questions arising from the community, and how to interact with the Fund and its decision making.

Community Participation

2.29. Citizen participation in decision making and operations of the Fund will be an integral part of the design. Whereas similar Funds may see this as an overhead to be factored in, we see it as fundamental to making it successful, and reflecting the active role of citizens in line with the Council’s broader participatory approach and the principles of the diversity mission. For the Fund it would have the specific purpose to provide transparency and accountability but also the opportunity to build citizen capacity and capability over time.

2.30. We are building up extensive institutional experience of participation in decision making – through citizen assemblies and other deliberative approaches, and through citizen decision making in grant making, for example through Camden Giving’s pioneering work in the borough.

2.31. The mechanisms for participation are expected to evolve and iterate over time as we learn from the operation, but we have a provisional approach proposed as part of the governance and operating structure of the fund.

2.32. In the initial stages there are three main methods we are integrating community participation:

- Applicants for the Fund, who will be Camden residents or Camden focused businesses
- Paid Community Representatives who would work with the Community Investment Team to engage directly with the community, provide input into

the Community Guidance Group, and hold the Fund to account on social impact benefits for the community

- The Community Guidance Group, where we will proactively involve residents in the Fund operation and governance framework; bringing in their local knowledge to help make better investment choices. It will also support broader representation of the local community and diversity within the governance framework to support informed investment decision-making

2.33. The Cabinet-level responsibility for the Wealth Fund sits with the Leader of the Council, as does portfolio responsibility for participation, and this creates strong ownership and accountability for ensuring the participatory approach is central to the Fund's development.

Management Model and Resources

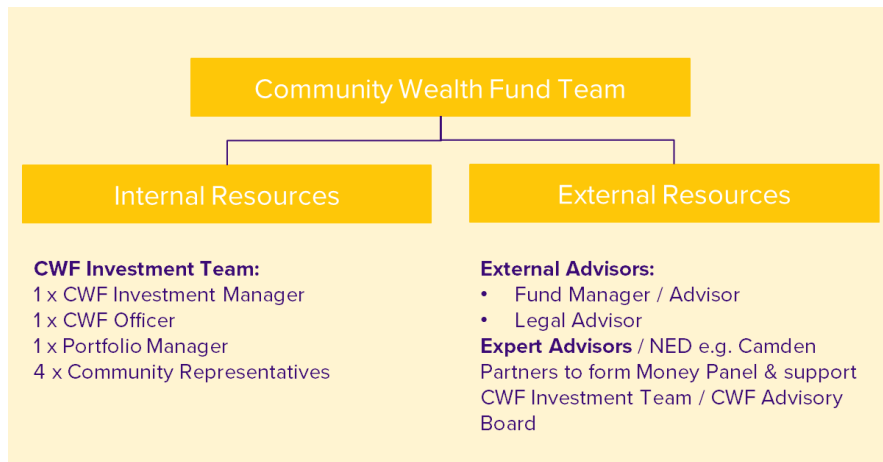
2.34. The management model for the Fund has been designed to create the optimum arrangements – with a mixed model of an internal investment team, and external advisory.

2.35. During this initial stage of Fund operation, the Council will establish a Community Wealth Fund Team and utilise internal and external resources, including External Advisors to manage the Fund.

2.36. There are four main areas of resource from which the Fund will draw to operate the Fund:

- Internal Council Resources via a newly established CWF Investment Team within Economy, Regeneration & Investment.
- Community Representatives recruited on an annual basis on a fixed 2-year contract;
- External Advisors to support the CWF Investment Team; and
- External Fund Management/providers (future resource, dependent on nature of investments).

2.37. An internal team, the CWF Investment Team, will be responsible for the day to day running, governance and operation of the Fund. They will be a key enabler to support community participation throughout the operation of the Fund. They will source and manage external advisory resources (where necessary) to complete due diligence and support the Business Case process and provide the CWF Advisory Board and Cabinet with the necessary information for effective investment decision making.



2.38. The external advisors and fund management will need to be commissioned and procured by the Council during the set-up phase of the Fund.

Business Support

2.39. The feedback from the market research and insight work was clear that a range of business support would be required both pre and post investment.

- 2.40. Business support pre-investment, for example is expected to cover:
- Introduction to peer-to-peer mentorship
 - Grant Funding to cover personal expenses, for example to develop a business plan
 - Dedicated portfolio manager to support each step of the investment process
 - Access to templates and resources
 - Access to affordable workspace
 - Opportunity to engage in an accelerator or mentorship programme
 - Education/ training on investment/ being an entrepreneur

2.41. The specification for business support will require detailed discovery and design work, and market engagement. As the Fund expects to support both individual entrepreneurs who may have an idea for a business, as well as more established businesses, a variety of approaches will be required. This will be a key piece of work in the set-up phase.

Sourcing Funding for the Fund

2.42. The Business Plan is based on the assumption that the Council uses an asset disposal as the Funding source of the capital injection into the Fund. The Business Plan is supported by an options appraisal which has determined the preferred approach for using an asset to capitalise the fund – recommending using a receipt from a disposal. There are some restrictions on the use of capital receipts under regulations but it seems likely that the types of investments envisaged would meet the criteria. The Council may also wish to allocate assets to the CWF with income, which would be ringfenced for the purposes of the Fund, if this is a more efficient way of providing funding.

2.43. For example, the Council recently made a decision to enter into a conditional land sale agreement at Regis Road and Holmes Road (which will enable redevelopment of the site, while securing continuous provision of the recycling facility) in order to help bring forward the wider regeneration of the site and new genuinely affordable housing. While the capital receipt from this is cannot be guaranteed, as it is a conditional sale, it would provide the funds necessary to capitalise the wealth fund. In addition, the Council conducts property asset reviews as part of its normal business, and during the course of the set-up phase for the Fund appropriate assets could also be identified for this purpose. While the ambition is to invest up to £30m in the longer term, it won't be able to deploy all of those Funds on day 1 and so lower amounts will need to be made available during the initial phase, so while there is an opportunity cost to holding this funding it will be marginal.

Proof of Concept and the Fund in the Future

2.44. The findings from the market engagement consolidated the intention for the early stages of the Fund, that while it is still under internal management via the Council, we should pursue a proof-of-concept approach which refines the operating model. This approach allows the Council to establish the mechanics of Fund operation, including: the nature of the business support offer; building the reputation and understanding of the Fund proposals; testing and better understanding market demand, and; enabling the community to engage and trust the mechanisms put in place for Fund operation in order to maximise the range of potential applicants (including those who may not typically engage with the Council.)

2.45. The approvals in this report will secure the resources required to operate and manage the Fund, establish and launch the Fund and commence all activities to source and make investments. The intention is that the Fund will commence with a smaller amount of funding to deploy over 2 years with the ambition for this to scale to £30m beyond the initial period with regular review points built into the growth of the fund

2.46. The structure allows for a flexible and incremental approach – it is recommended that one of the sub-funds is launched in the first instance (investing in business), to test out the approach and structure, with further sub funds to follow. Although the ambition is to invest £30m into the Fund, it will not be able to deploy this immediately (nor is it realistic to expect it to do so in such a short space of time), it will start with lower amounts available to it.

2.47. This initial stage requires the following to be put in place:

- Internal resources for CWF Investment Team recruited
- Governance framework established
- Grant allocation available as business support to potential applicants in order to develop a pipeline of opportunities
- Partnership arrangement with business support
- Website set up and promotion of the Fund to develop a pipeline of opportunities
- Establish and launch of the Fund to invest focusing in Invest in Business sub-Fund first followed by the other sub-Funds during the first 1-2 years

- Pursuing co-investment opportunities to leverage additional Funding and support to Fund operation

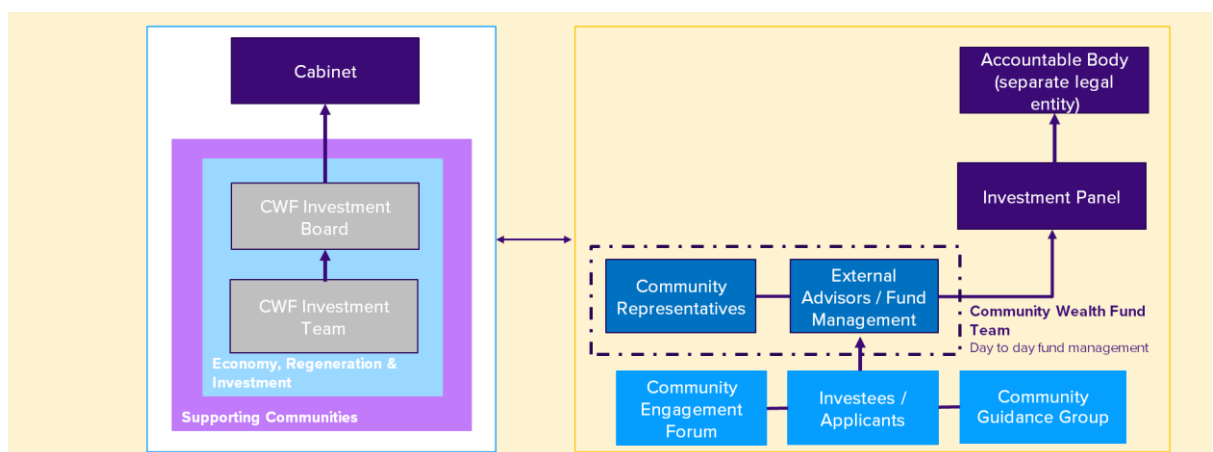
2.48. This would then be established and operated for up to 24 months with a report to Cabinet to decide on the next steps and whether and how to scale up the funding available.

2.49. During this period the Fund is expect to run at a net cost to the Council once the initial investment needs are considered – the set up will require significant investment up front, and as the ambition is to attract investees and demonstrate the operation of the Fund it has not sought to cover all its costs from applicants (e.g., due diligence and arrangement fees, as is typical in other Funds). Section 6 of the Business Plan shows the financial modelling for the Fund during this two-year period, on the assumption that all £30m is deployed (which won't be the case in reality).

2.50. However, the primary purpose during the initial stage is to learn how best to operate the Fund, iterate its design further, establish the community participation mechanisms, and explore the investment market in Camden.

2.51. In the long-term the ambition is to grow the Fund through return on its investments, but also attracting co-investment. Although the Fund has a structure that is market facing, the Council control and decision-making structure makes it less likely to attract outside investment directly. Therefore, setting up the Fund as a distinct legal entity, separate from the Council but still guided by the principles and investment strategy, will be explored in detail during this initial stage.

2.52. Detailed legal advice will be required to develop this further, but the diagram below sets out potential governance for this, where there are a range of options for the extent of ongoing Council control of a separate entity.



3 Options Appraisal

3.1 The Options available to the Cabinet are:

- 3.2 Option 1 - Agree to the recommendations set out in this report and set up and implement a Camden Community Wealth Fund
- 3.3 Option 2 – Not implement the Camden Community Wealth Fund.
- 3.4 For the reasons set out in this report, Option 1 is the recommended option.

4 WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?

- 4.1 Section 7 of the Business Plan sets out the approach to risk and performance management, in Appendix 1.

5 CONSULTATION/ENGAGEMENT

- 5.1 In developing the design of the Fund there has been wide internal and external engagement, including detailed research and interviews with existing social impact investors, potential private sector co-investors, and with businesses and social enterprises in the borough. Details are contained in appendix 3.

6 LEGAL IMPLICATIONS

- 6.1 The Report seeks Cabinet approval of a Camden Community Wealth Fund Strategy (CWF) which will incorporate a fund offering support to help Camden businesses develop their ideas, grow their businesses, and maximise their impact with particular focus on businesses delivering on We Make Camden and the Young People and the Diversity Mission. The CWF's objectives are consistent with and will help give effect to the Council's public law duties and specific duties in relation to equalities (see further below advice about the Council's duty under s149 of the Equality Act 2010.) Because the CWF will depend on effective financial management and investment to deliver its objectives the decision maker needs to be especially mindful of the need to consider the comments of the Borough Solicitor set out in in this section alongside the advice of the Council's Section 151 Local Government Act 1972 officer set out in Section 6 of the Report (headed "Resource Implications")
- 6.2 The CWF will use several delivery mechanisms to achieve its objectives including equity investment, repayable business loans and grants, alongside wrap around business support. If Cabinet agree the Recommendations the detailed operational arrangements for each delivery mechanism will need to be approved through further decision making under the delegated authority in Recommendation 2. Because legal implications will be largely driven by the precise nature of those operational arrangements further detailed advice on legal implications and compliance with finance / treasury management requirements will need to be incorporated in those further decision-making reports at that stage.
- 6.3 However, for the purposes of this report and based on the information available at this stage it is considered all elements of the CWF and the final form of the operational arrangements for the proposed delivery mechanisms would fall within the Council's powers. In respect of CWF investment, s12 of Local Government Act 2003 gives the Council power to invest for "any purpose

relevant to their functions under any enactment or for the purposes of the prudent management of their financial affairs having regard to relevant guidance, including the CIPFA codes of practice (Prudential Code for Capital Finance in Local Authorities and Treasury Management in the Public Services) and Statutory Guidance issued by the Department of Levelling Up, Housing and Communities (DLUHC) under s15 of the 2003 Act. It is considered that the investment objectives of the CWFS clearly fall within the power in s12 given they relate to the economic development of the area and a number of the Council's other statutory duties including its duties under the Equality Act 2010. "Investment" under s12 also includes the granting of loans to local enterprises as part of a wider strategy for local economic growth subject to compliance with certain principles, even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity. Further formal decisions to approve arrangements for CWF loans and other CWF activities and delivery mechanisms should have regard to the Financial Services and Markets Act 2000 and any successor legislation.

- 6.4 Statutory Guidance issued under s15 requires the Council to adopt and publish an Investment Strategy regulating investments made by the Fund. The CWF Investment Strategy is one of the matters that is reserved for further decision making under Recommendation 2 and would set principles for investment covering inter alia matters such as Risk Assessment Liquidity Proportionality and balance of investments in the Fund and how the Fund will build in appropriate capacity, skills and information to ensure investment decisions are made in an informed way. In addition to these powers the Council will also be able to rely on the general power of competence to support the activities envisaged for the CWF.
- 6.5 When considering the establishment of the CWF the Council must have regard to its fiduciary duties. These are briefly summarised as the Council acting as 'a trustee' of its financial resources on behalf of its local tax payers and other residents. The Council needs therefore to consider these wider interests together with the proportionality of the risks involved in establishing the fund and committing the resources in the way envisaged against the policy objectives of these arrangements. The policy objectives are clearly identified within the report and the design of the CWF will need to be worked through to mitigate associated risks.
- 6.6 As the CWF will originate from public funds, any grants, loans, equity investments or other sorts of financial assistance will potentially meet the legal definition of a Subsidy under the Subsidy Control Act 2022. The Council therefore must consider in respect of each grant/loan/equity investments whether they satisfy the definition of a subsidy and, if so, how to structure them as a lawful subsidy. Ultimately if a subsidy is given unlawfully it can be challenged by an interested party and repayment (with interest) can be ordered.
- 6.7 If the recipient of the CWF is undertaking "non-economic activity" (e.g. a free cultural or educational attraction) then the grant/loan will not be subject to the 2022 Act. Where the recipient is carrying out "economic activity" (e.g. selling goods or services on a market) this will be subject to the Act. However, it is possible that a significant number of CWF grants loans/equity investments will be able to be justified through the Minimal Financial Assistance (MFA)

exemption which permits a maximum MFA to a recipient of £315,000 over a rolling 3 financial year period. When valuing the size of a subsidy, if it is a grant then the total grant is the amount of subsidy but if assistance is by way of loan then the subsidy is the difference between the interest that would be payable from a market lender and the interest charged under the proposed loan. The same principle applies to equity investments. In addition to MFA, there may be other lawful routes justifying subsidy, including the Government's Local Growth Streamlined Route or the Council setting up its own subsidy scheme.

6.8 The implications of Financial Conduct Authority regulation also need to be considered in relation to loans. Business to business lending is not caught by the scope of the Financial Services and Markets Act 2000 (FSMA) which details the activities which are subject to regulation by either the Financial Conduct Authority or the Prudential Regulation Authority. The business focused nature of the CWF should therefore mean that the majority of the activities proposed to be funded will be outside of the scope of FSMA and will not require FCA regulation. It will be important however to keep this under close review to ensure that it does not extend to consumer lending. The most obvious area of risk in the way the CWF is designed is lending to small businesses who may be sole traders or simply to individuals.

6.9 Decision makers must take into account in coming to any decision the Council's equality duties and have due regard to them. In summary these legal obligations require the Council, when exercising its functions, to have 'due regard' to the need to: a) eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act (the protected characteristic of marriage and civil partnership is also relevant); b) advance equality of opportunity between people who share a relevant protected characteristic and those who don't; and 10 c) foster good relations between people who share a relevant protected characteristic and those who don't (which involves tackling prejudice and promoting understanding). 6.2 Under the Duty the relevant protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Race, Religion, Sex, Sexual orientation. In this case the EIA concludes that there is no potential for discrimination and all appropriate opportunities to advance equality and foster good relations have been taken.

7 RESOURCE IMPLICATIONS

7.1 The Camden Community Wealth Fund (CCWF) will be a new and innovative approach to community investment. This report sets an 18-24 month initial stage of delivery to create and establish the Fund, and during this time, potential external structures will be explored and developed for future approval based on our learning and experience to date. In assessing the resource implications, the core principles of investment will be as important to the success of the CCWF as to traditional investment funds – a thorough understanding of risk and reward, due diligence, strong governance, and sound financial management.

7.2 As noted in the legal comments above, the Council has the power to invest "for any purpose relevant to its functions" under s12 of the Local Government Act 2003. S12 is supplemented by Statutory guidance which distinguishes between "investments held for treasury management purposes" and "other

investments”¹. CIPFA’s Treasury Management Code of Practice further breaks down non-treasury management investments into “commercial investments” and “service investments”. The latter are taken out primarily for “the provision and for the purposes of delivering public services” and may or may not involve commercial returns². It is our interpretation that the CCWF (as described in section 2) clearly falls into the category of a service investment and future arrangements will reflect this judgement. Nevertheless there are a number of requirements for non-Treasury Management investments which are summarised below.

- 7.3 It is worth noting that in recent years, a number of local authorities have suffered substantial financial pressure from high risk investments by themselves or by their wholly owned subsidiaries. These financial losses have materialised through a loss of capital/investment and/or from a revenue perspective as income assumptions have not been met but they have built into the revenue budget. The funding arrangements for the CCWF are quite different to those cases and there is no assumption that the Council’s general fund benefit will benefit from the CWF. Nevertheless, the separation and independence of the Fund will be core principles as the Fund develops.

Funding

- 7.4 The Council will make an initial injection of funds into the CCWF after which the Fund’s finances will be treated as if it were entirely independent of the Council and accounted for separately. As such, the Council will not necessarily benefit directly from any financial returns to the Fund and conversely neither will it bear any losses sustained by the Fund.
- 7.5 The CCWF will receive an initial injection of funding as described in paras 2.42 and 2.43 It is envisaged that this sum will come from the disposal of buildings or land owned by the Council. Other funding sources may be considered depending on the timing, funding profile and economic conditions at the time.
- 7.6 As noted elsewhere in the report, the funding will not be drawn down all at once so it is proposed it is invested until it is needed in accordance with the Council’s Treasury Management Strategy the same way as its other cash balances.

Operating costs

- 7.7 Setting up the Fund will require a commitment of one-off resources in order for it to operate as described in section 2. These costs have been estimated at £500k and are broken down in the table below.

¹ [Guidance on local government investments.pdf \(publishing.service.gov.uk\)](#) p 3

² CIPFA Treasury Management Code of Practice pp 25-26

Cost Item	£ Budget Estimate
Fund Set Up Costs – One Off prior to Launch (assume 12 months)	
Marketing, Communication & Engagement (inc. Website)	40,000
Internal council resources - project management to support recruitment, setting up governance and processes to establish fund	95,000
External Advisors for set up of fund - Legal, Tax Advice etc	100,000
Procurement Exercise to secure External Fund Managers / Advisors	60,000
Business Support *	150,000
Allowance for ongoing market engagement / research	20,000
Pilot investment study	40,000
NED / Expert input /advice	55,000
Total Set Up Costs	500,000

- 7.8 Many of these costs will be incurred before the identification and initial injection of funds from the Council and therefore will have to be funded from the Council's existing resources.
- 7.9 The on-going costs of managing the CCWF are estimated at £460k per annum including the costs of the Investment Team, Community Representatives and any external legal or consultancy advice. These costs will be incurred by the Council, at least initially until the Fund is set up as a separate entity. Therefore, the funding for this will be incorporated within the council's medium term financial planning and budget cycles in the same way as other strategic investment decisions. Should the structure of the Fund change in future, this position may need to be reviewed.

Balancing financial and social returns on investment

- 7.10 The CCWF seeks to balance a number of objectives but perhaps most importantly to balance "patient" investment in social objectives described in para 2.6 with an objective to be "evergreen" i.e. deliver sufficient return on investment to enable new investments and grow the Fund over time. These objectives are potentially in opposition to each other and so the Fund will need very careful management of its investment portfolio to achieve this balance.
- 7.11 The Business Plan recognises that at least initially the Fund will make a loss because its focus on social objectives and patient finance mean there is an opportunity cost i.e. it could in theory generate a higher return by investing through conventional means. The Council accepts this in the interests of delivering social value and the long term prospects of a larger financial return.
- 7.12 From a financial perspective, the importance of having a diversified portfolio cannot be overestimated. In order to both generate a return and remain evergreen as a Fund, we will expect a range of investments with a spectrum of return and risk profiles. In many ways, this type of approach shares similarities with the considerations, issues and challenges experienced with the administration of the Pension Fund. Over time, our understanding of the optimal investment mix will develop and evolve and the investment strategy may need to be fine-tuned over time to reflect this.

Financial risks and mitigations

- 7.13 An initial risk is that the market demand for this type of investment fund might turn out to be lower than anticipated. This risk has been mitigated by detailed policy development work and soft market testing and will continue to be mitigated by marketing the Fund, the provision of business support and the extensive involvement of the community in identifying and selecting investment opportunities. As a result, the investment strategy may need to be adapted over time to meet the Fund's objectives, but the Fund should always maintain rigour in its governance or else it could expose itself to more of the following risks.
- 7.14 Another principal risk to the Fund is that it does not achieve the return on investment assumed in the business plan, as quantified in the default rate. If it fails to do so, the fund would gradually be reduced over time potentially to a point where it could not make new investments. Equally the envisaged social returns may not be achieved. Both of these risks should be managed through robust assessment of bids, thorough due diligence to test and challenge information, business plan assumptions etc, regular financial & performance monitoring and active management of the portfolio. Maintaining a balanced portfolio and/or adapting the investment strategy to be more commercially-focused will also help to mitigate this risk. If in the worst case scenario, the Fund persistently fails to deliver a financial return on investment, it has sufficient resources for a long life and therefore would still be able to deliver social returns over a substantial period of time.
- 7.15 Equity investment multiplies these risks as the Fund may be liable for more than its initial stake in the business should the investment go bad. Equity losses could limit future investments or even imperil the existence of the Fund. In such cases the need for strong governance and decision-making is all the more critical. It requires a very different skill set to that of most local government officers and therefore the team supporting the Fund will need to be recruited carefully, probably from outside the public sector.
- 7.16 Another risk to the Fund which is common to all financial institutions is the risk of fraud. The Fund will need to ensure that its objective to "create opportunities to invest where the traditional finance market may not" does not expose it to risks that other financial institutions would not be willing to tolerate. Once again, the highest standards of governance and due diligence will be required to protect the Fund's resources.
- 7.17 There is a risk that the administration costs are higher than anticipated. This is a completely new venture for the Council and as such it is difficult to estimate the cost of regulatory and fiscal compliance and recruiting the right mix of skills to run an investment fund. This risk has been mitigated to some extent by consultancy support to develop the business plan, allowing for one-off set up costs and by funding the core team supporting the Fund from the Council's own resources.
- 7.18 The longer term ambition for the Fund is that it will "crowd in" other investors which will help to make it self-sustaining. Soft market testing indicates that investors would want to see a successful track record before they would invest in the Fund. However they would also want assurance about the governance of the Fund and they may have concerns about its independence and objectivity during the set up phase when it is effectively part of the Council. This perception

can be countered through robust and transparent decision-making and financial and performance reporting. Alongside this the Council plans to build relationships with potential investors and identify opportunities for them to provide non-financial support to investees. Conversely the involvement of the Council might be attractive to external investors in part due to the strong council covenant. In any event when the Fund is “spun off” from the Council, the governance and investment strategy will need to change to accommodate new investors and they would be involved in shaping those changes although this would inevitably involve some loss of control by the Council.

Requirements for local authority non-Treasury Management investments

- 7.19 The Statutory Guidance states that “local authorities should disclose the contribution that all other investments make towards the service delivery objectives and/or place making role of that local authority”³. The Code expands on this by setting out the reporting requirements for service investments. While they need to be included in regular reporting under the Code, local authorities “may prefer to create a separate investment strategy for their service [...] investments in order to maintain their separateness from treasury management investments”⁴. The Cabinet are recommended to approve the CCWF Investment Strategy as part of this report.

8 ENVIRONMENTAL IMPLICATIONS

- 8.1 The proposals in the report will have no direct environmental implications. However, the Fund itself is sector neutral so long as investments are meeting the mission objectives and the investment criteria. This does mean that the Fund will likely be investing in climate change and biodiversity organisations and companies for at least some of its investment portfolio.

9 TIMETABLE FOR IMPLEMENTATION

- 9.1 The diagram below sets out the expected stages towards implementation and launch

³ [Guidance on local government investments.pdf \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/671117/guidance-on-local-government-investments.pdf) p 3

⁴ CIPFA Treasury Management Code of Practice p 26

Activity	Description	Target Milestone/ Start Date	Target End Date
Set Up			
Approvals	Cabinet Approval to launch Fund Cabinet Approval of Investment Strategy	July 23	
Recruitment	Internal CWF Investment Team	Aug 23	Apr 24
Other Advisor Procurement	Legal Advisor Tax Advisor/Specialist	July 23	Sep 23
Business Support	Establish business support mechanisms – continue discussions with Google	July 23	Apr 24
Investment Strategy	Investment Strategy Finalised	April 24	
Marketing & Engagement	Develop Marketing Strategy Develop Communication & Engagement Strategy Marketing Communication & Engagement Strategy Campaign launched	July 23	Oct 23 Oct 23
Website	Design and launch internal and external webpage	Sep-Oct 23	Jan 24
Community Participation	Recruitment process, EOI for involvement Further engagement and shaping of community participation design Establish Community Engagement Forum	July 23 Aug 23 Nov 23	Dec 23 Oct 23
Governance	Trial example investments through governance Establish governance Develop Performance Monitoring Framework First CWF Advisory Board meeting	Mar 23 Sept 23 Sept 23 March 24	Aug 23 April 24
Launch			
Launch	Press Release Website live PDF brochure	September 2024	
Individual Fund launch	Pilot Full Fund	November 2024 April 2026	November 2026
Operation - Established Investment Activity			
External Fund Management Procurement	Fund Manager Procurement (if required) Procurement Exercise	Sept 25	

10 **APPENDICES**

Appendix 1 – Business Plan

Appendix 2 – Investment Strategy

Appendix 3 – Research and Market Intelligence

Appendix 4 – Community Wealth Fund Storytelling

Appendix 5 – Institute for Innovation and Public Purpose Report

Appendix 6 – Equality Impact Assessment Report

REPORT ENDS