

Birmingham R20 Taskforce - Finance and Investment Round Table

29 January 2021

A REFLECTION from Footsteps

SUMMARY

The Round Table was chaired by Liam Byrne, MP with contributions from Cllr Waseem Zaffar (Taskforce chair), Professor Nick Robins (LSE Grantham Institute), Rufus Grantham (Bankers Without Boundaries), Chris Naylor (Interim Birmingham Chief Executive) and Cllr Lisa Trickett.

The Round Table brought together bankers, finance specialists, officers and Taskforce members to explore how finance and investment can be mobilised to help deliver Birmingham's net zero ambition and the improvement of the lives of all those who live in the city. The Round Table was told that there is a 'wall of money' looking to be invested in sustainability projects. Projects need, though, to be packaged in a way that investors can understand, assess the risks involved and match with investors' objectives. This will require learning from prototypes, developing intermediary structures and the Council putting in place the capability to deliver a stream of projects at pace.

From a Footsteps perspective, the Round Table involved a 'top down', mainstream finance approach. This needs to be complemented by (1) a wide range of different funding approaches that involve citizens and communities (2) an explicit values-driven economic recovery from Covid-19, (3) engaging and communicating with local communities and, finally, (4) developing community based, co-benefit identified, risk profiled, investment ready projects

ROUND TABLE CHALLENGE

This city and region experience high levels of inequality and polarisation that make the transformation of the local and regional economy part of the push for a green future that delivers new and better ways of living and revitalises local communities. The opportunities for investing in sustainability lie not so much in net zero but in a better future for all our communities.

Round Table was called to address two specific questions:

- How do we mobilise finance and investment in the delivery of Birmingham's net zero ambition, and the improvement of the lives of all those who live in the city?
- How can we mobilise finance and investment to be the servants of a fair transition to a zero-carbon economy?

KEY POINTS from a Footsteps' perspective

Just transition

- Need to take all Birmingham's communities on the journey with us and need to provide support to enable the just transition to happen (Cllr Waseem Zaffar)
- Need to understand the challenges of achieving a transition that decarbonises in a way that lifts income deprived communities, like Hodge Hill, out of poverty (Liam Byrne, MP)

Availability of Finance

- Frequent references were made by speakers to a 'wall of money' looking to be invested responsibly in 'sustainability'.
- Commitment to net zero from the finance community, banks and investors is increasing. COVID has been deepening, rather than deflecting commitment, to the social dimension of sustainable finance. (Nick Robins)
- The new LSE Grantham Just Transition Alliance brings together national funders (including British Bank, Green Finance Institute, social finance stakeholders) to address place-based issues of inequality and deliver positive social impacts. The new National Infrastructure Bank will also support local action. (Nick Robins)

- Legal and General manages pensions and savings for 8m people and is looking to invest back into local areas with positive impact. Its ability to do this depends upon having practical opportunities and project champions to work with. (Pete Gladwell, Legal & General)
- Issue not money but the ability to develop risk profiled projects that money can flow into (Chris Naylor, interim Birmingham Chief Executive)

Just transition projects that incorporate circular economy, whole value change approaches

- Currently projects lie in the housing, energy, transport, land use sectors with investment coming ahead of emission cuts.
- Existing building retrofits have huge price tag and agency issues that represent a thorny problem (Rufus Grantham, Bankers Without Boundaries)
- Economic development needed that is indigenous and supports local economies, with whole value chain investment approaches that prevent funds leaking out of the region. (Nick Robins)
- Focus needs to be on creating liveable, healthy, more equitable cities where people thrive, with zero carbon becoming a natural by-product of the transition. Need to bring communities on the journey of redesigning where and how they live. (Rufus Grantham)
- Investment grade projects with a secure revenue stream from a credit worth source are bankable but need to be a reasonable size to justify the cost of assessing the risk and the due diligence work involved - for HSBC this might be £20m. (Nick Robins)

Enabling finance to flow into projects

Need for a range of different financing solutions. Birmingham can provide some of the resource itself but will need the Combined Authority and HM Government to shoulder part of the burden (Liam Byrne, MP)

- Need to bring investors and projects together to develop mechanisms that align investor's objectives and appetites for risk with projects (David Willcock, Lloyds Banking)
- Mobilising private capital into the building sector involves finding the right projects and demonstrating that they work, including assessing risk and identifying the role for private and public money. Standardisation and scale are then needed to attract finance from large, long term pension fund investors. (Green Finance Institute speaker)
- Need to think about place-based prototypes that can be fast-forwarded and then profile promising examples and the lessons learned (Nick Robins)
- Where the public sector has underwritten the risk, need to avoid the private sector cherry picking projects and leaving the really expensive parts for the for the local authority to pick up. (Nick Robins)

Need for innovation and new structures

- Need to use financial tools to enable a community led a culture of innovation around the green economy (Rufus Grantham)
- Need for effective financing facilities. There is lack of capacity and capability in the right space to support local authorities. It is absolutely critical to have the skillsets in place to deliver the outcomes that we are seeking (Nick Robins)
- Identifying the project pipeline and making it as simple as possible for public or private sector investment will be at the core of the City's new organisation. A new city and municipal development department is needed, with the competence and sufficient people to deliver on the projects at pace. (Chris Naylor)

REFLECTIONS from a Footsteps perspective

The finance round table took largely a top-down, main-stream finance view.

Based on Footsteps' perspective as faith communities' representative on the R20 Taskforce and on Julian Todd and Chris Martin's *Financing a just transition to a 2030 net-zero carbon Birmingham* April 2021 paper to the R20 Project Board, our key reflective points on the Finance and Investment Round Table are as follows:

Wide range of funding approaches needed that involve citizens and communities.

- New and innovative citizen and community lead approaches to financing the Just Transition are needed
- Birmingham citizens and communities need to put pressure on their pension fund and investment managers to invest in Birmingham sustainability projects

Values-driven economic recovery from Covid-19

- Need to recognise explicitly how just transition projects will benefit communities
- Need initiatives aimed specifically at people being hard hit by the Covid-19 economic shock.

Engaging with local communities

- Need to fund pilots and develop place-based local initiatives that reflect the varied needs of communities across Birmingham
- Need to communicate with, and build the trust of, communities

Developing community based, co-benefit identified, risk profiled, investment ready projects

- Need to develop capabilities to identify and demonstrate project co-benefits that match investors' sustainability and responsible investment criteria.
- Need to incorporate community-based elements in large capital hungry, just transition energy, housing and transport projects to achieve community buy-in and associated behaviour change

Chris Martin

Birmingham R20 Taskforce - Footsteps - Faith community representative

19 February 2021