

LONDON BOROUGH OF CAMDEN

# COMMUNITY WEALTH FUND

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Business Plan - DRAFT

May 2023



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## FOREWORD - PURPOSE OF THE DOCUMENT

This document sets out the proposed Business Plan for the London Borough of Camden's Community Wealth Fund, an Investment Fund that provides repayable loans, equity finance and business support to people, businesses and organisations across Camden.

The Business Plan provides an overview of the key activities for the operation of the Community Wealth Fund. It includes:

- An overview of the background to the decision to establish the Fund.
- Key findings from research, market intelligence and market engagement exercises.
- The preferred option for the management arrangements, including the role of the existing Board and the formation of an Investment Board.
- A description of the route and mechanism for community participation, and how this will be brought to life as the Fund develops.
- The procurement strategy to secure the necessary resources, together with estimated set up and running costs.
- Specification for legal advice on the optimum fund structure and strategy, in particular the opportunity for the Fund to operate as a distinct entity separate from the Council and a governance framework for the Fund.
- Financial modelling on the fund performance, scenario, and risk analysis, which considers the assumptions to be applied to fund performance in the context of the investment market and current economic climate.

The Business Plan is to be reviewed and updated annually. In subsequent years it will include a report on the past years' achievements and performance, which will inform future levels of investment and risk appetite for the Fund in future years.

# 1. Introduction

## INTRODUCTION & BACKGROUND

The London Borough of Camden ('Camden Council', 'LBC' and 'The Council') generates significant economic value, created by the people that live there, historic investment of public funds, and the creative, connected appeal of the borough as a place to live and work. However, the ability of **all** local people to benefit from the full extent of the economic value created in the borough remains inhibited. There are huge disparities of wealth, even co-existing directly next to each other in the borough, with the juxtaposition of Kings Cross and Somers Town a prime example. The COVID-19 pandemic has exacerbated existing problems of inequality but has also strengthened communities' resolve to tackle it.

Camden Council, its partners, and communities, are renowned for doing things differently. The Council intends to use its existing powers and available resources to redistribute wealth and reduce inequality in Camden, and to develop innovative tools to further Council priorities, specifically to support the We Make Camden vision for the future of the borough and its 4 'missions', which are important priorities for the Council.

Following the identification of a Community Wealth Fund as a policy tool to support renewal and redistribute value to the community, the Council has been exploring the methodology and delivery mechanisms for the

Fund. Specifically, 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:

1. By 2030, those holding positions of power in Camden are as diverse as our community – and the next generation is ready to follow
2. By 2025, every young person has access to economic opportunity that enables them to be safe and secure

## CONTEXT

Following the preparation of an Outline Business Case, the Council has commissioned 31ten to support the preparation of a Business Plan in order to establish and operationalise the Community Wealth Fund.

The Business Plan is supported by an Options Appraisal Report, which has determined the preferred approach for how to source the seed funding required to capitalise the Fund. The assumption previously outlined in the Business Case is that this funding would be sourced via asset disposal.

The Business Plan follows on from the Business Case, together with the completion of the Options Appraisal Report and other key elements of work.

## 2. Market Intelligence

### CONTEXT

Camden is home to the UK's leading innovation district and world leading university and cultural institutions such as the British Museum, British Library, UCL and Central Saint Martins. The borough also accommodates the second highest number of businesses in London after Westminster, and the third highest in the UK. Companies such as Google and Facebook, plus others located around the Kings Cross area, make a significant Gross Value Added (GVA) contribution per year.

Camden has a strong history of growth and economic success by traditional measures. Office of National Statistics (ONS) estimates show that Camden added £34.4bn to the national economy in 2018, an increase of 93% on 2008, growing faster than Central London (54%), Greater London (45%) or the UK (34%).

However, the inequalities seen across London as a whole, are true also of Camden as a borough. Recent rises in inflation, the cost of living and cost of doing business crises, have only served to worsen the consequences of these inequalities. Understanding how best to tap this wealth for the good of the borough is key to the success of the CWF.

### MARKET SHAPING

The Council perceive that relying on the existing external market and current programmes and initiatives to tackle inequality and improve diversity are not sufficient to deliver the shared social prosperity and societal wellbeing that Camden aims to achieve for its residents. Therefore, a new approach, whereby the Council play an active and interventionist role in shaping the local economy has the opportunity to deliver a step change in the types of outcomes that can be achieved for the local authority.

### MARKET ENGAGEMENT

The Council has undertaken market engagement to support the design of the fund.

There were two main target groups for engagement:

- **Impact Funds** – exploring opportunities for securing effective community participation, building on work already done to explore optimum management and governance arrangements, to feedback into the Investment Strategy.
- **Anchor Institutions / Potential Co-Investment Partners** – seeking feedback on the fund proposals, draft Investment Strategy and market appetite for co-investment.

Discussions with eight organisations took place as part of the market engagement exercise. A market engagement brief with details of the fund proposals was sent ahead of the sessions and a range of topics were discussed, depending on the organisation's remit and expertise.

Impact Funds
• Ascension Ventures
• Impact Investing Institute
• Kindred, Liverpool
• Unltd Growth Impact Fund
• Bristol City Fund
• Social Tech Amplifier
• Esmee Fairbairn Institute
Potential Co-Investment Partners
• Google

Based on the insights gathered through the market engagement, the following recommendations emerged:

### **1. Non-financial support**

Offering applicants non-financial support pre and post investment is key to establishing a trusted relationship with the community and potential applicants and consequently a pipeline of investable opportunities. CWF should allocate adequate resources to support applicants in the early stages of engagement, this could include affordable workspace or other types of business support. Support could also be dovetailed to accelerator programmes such as Google's accelerator mentorship programme which we understand to be forthcoming.

### **2. Inclusive governance**

To enable greater accessibility for the community, and specifically to target youth, a more inclusive and supportive governance process is needed. To this end, an incremental approach at which the first step is a safe space for applicants to receive support in shaping their 'story' into an investment proposition before going to the Board for a decision, would be beneficial. It is also important to remove the competition element of decision making between peers in the community, so that the Fund does not pitch young people against each other.

### **3. Language**

As above, to avoid excluding potential applicants from the community, particularly those who are further away from the council, it is important to limit typical and often complicated finance language and establish the CWF as an accessible Fund.

### **4. Approach to pilot**

Pilot projects prior to launch are important to test market demand, the optimum approach to building up a network, and to understand what change and impact could be achieved.

### **5. Co-investment**

Opportunities to secure considerable financial leverage may require the Fund to be more established with a built reputation before they can be realised, but in the meantime opportunities for partnering and leveraging pro-bono support could be explored.

### **6. Investing via alternative, already established, routes e.g. Growth Impact Fund**

Camden could explore the possibility of partnering and investing through an existing Fund such the Growth Impact Fund which has similar objectives, is already established and operational, and could manage investments on behalf of the Council, with a ringfenced pot defined to create impact in Camden.

The summary of this market engagement and all findings can be found in Appendix 2.

## **APPETITE FOR FINANCE**

The Council also conducted research to gain insight into the local appetite for finance in the area, to inform the Business Plan. These insights were synthesised from four key sources:

- 1) In-depth interviews with female, disabled, and/or Black, Asian, and other minority ethnic backgrounds Founders of 10 Camden-based and/or Camden-operating organisations. There were two sets of interviewees:
  1. Organisations seeking repayable finance (no. 4);
  2. Organisations seeking other forms of investment (no. 6).

- 2) Camden Business Survey which included 8 questions on the nature of demand for repayable financing in the borough.
- 3) Future Camden Fund (FCF) focus group session with 7 London -based social entrepreneurs (who were not recipients of the FCF).
- 4) Desk research on social finance, discrimination and privilege in finance, and Community Wealth Funds in other jurisdictions.

The main findings from this research are set out in the tables below and

**Key Insights - organisations seeking other forms of finance:**

**Financial needs**

Providing early-stage start-ups with patient, non-restricted finance and mentorship can help them become investment-ready in the future.

Community organisations which deliver key services to young people may be uncertain or unable to take on repayable financing, but could benefit from social investment

**Non-financial needs**

Affordable spaces and networking opportunities would also enable this group to sustainably deliver services for young people.

**Key Insights - organisations seeking repayable finance:**

**Financial needs**

Local start-ups interested in repayable financing are underserved.

While mainstream finance is exclusive, access is also hindered by businesses’ ability to find information about suitable options.

Operational businesses have a demand for short-term and long-term financing, and are open to both debt and equity opportunities.

Systemic discrimination through both equity and debt financing routes have impacted founders, creating additional barriers to obtaining finance

**Non-financial needs**

Specialised support in Legal, Admin, HR, and Operations would enable early-stage start-ups to scale quickly.

Investors who can unlock access to connections such as potential customers and partners are valued as much as investors who can inject cash; minority founders benefit especially.

The lack of affordable space prevents businesses from establishing and growing in Camden.

**Opportunities for young people**

Organisations which do not have mature offerings for young people require significant support to deliver meaningful opportunities.

Accessing young people remains a challenge due to the resources required to source potential participants

## Key Insights - overall:

### Demand for repayable finance

Overall, one in five businesses are still interested in repayable financing, despite current economic conditions.

Social enterprises could be ideal investment targets; however, the number and nature of their investment needs should be further explored.

As interest (riba) is forbidden by Islamic law, creating Sharia-compliant financial offerings could make the Fund more inclusive for Muslim people.

### Impact Measurement

Only 1-in-4 businesses consistently measure and report their impact; these activities may be costly and burdensome, particularly for smaller organisations

### Access

The due diligence required by some funds is disproportional to the support provided. The amount of administrative work associated with receiving funding can be burdensome.

Founders from diverse backgrounds face high barriers to achieve credibility and meet due diligence, potentially due to discrimination.

Accessing funding can be stressful for founders and touchpoints should be designed with neurodiverse audiences in mind, to improve accessibility for all.

The Business Plan has been designed to reflect and incorporate the key insights from the research. The full findings of this appetite for finance research can be found in appendix to the Cabinet report.

## CURRENT ECONOMIC OUTLOOK

Given current interest rates, inflation and the uncertain economic climate, the projected economic outlook over the next period is something that requires evaluation alongside the phased approach to manage and mitigate risks around how fluctuations in interest rates, inflation, and other inputs will affect demand for finance. The Investment Strategy for the CWF will require regular review to reflect this context.

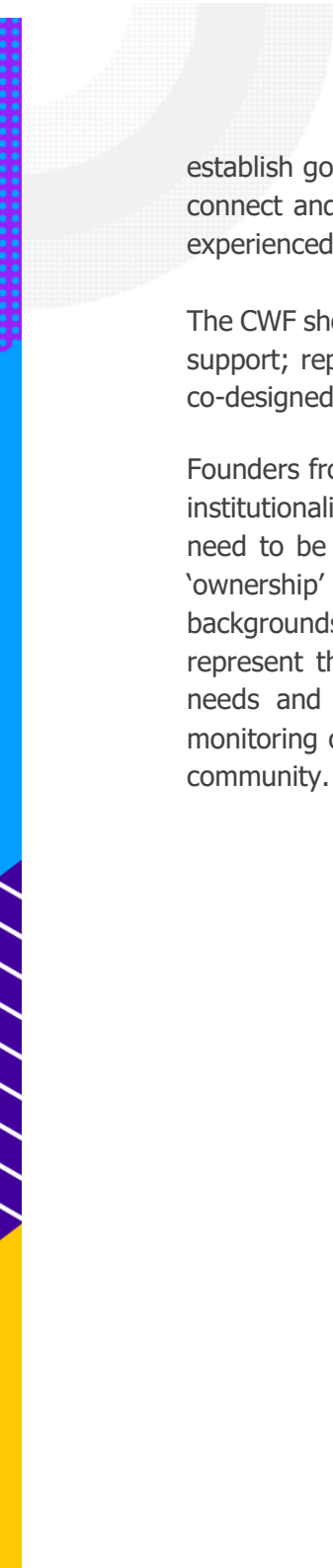
## OVERALL RESEARCH FINDINGS

Organisations, business and people are likely to turn to the CWF because they are unable to access mainstream finance. This could be due to systematic discrimination, a lack of maturity (both person or business), a limited understanding of their financial needs or a low level of investor readiness.

As the CWF aims to support young people from underserved communities where institutional and system barriers restrict access to finance, adapting the language and requirements of the application process to be more accessible and inclusive is fundamental to attracting the target audience.

Pre-investment support is also key, it will allow the CWF to build trust amongst applicants and the wider community which will build a pipeline. The CWF will need to allocate enough resources to deliver wider business support (packages of support designed around the individual applicant) and mentor people/organisations to scale to maximum potential prior to receiving finance. The CWF will design a support package/process for focused on the person or people rather than on a business that's investable. This will be a priority activity prior to launch of the fund. By doing this, the CWF fund will back people with ideas and talent but may not yet be a company or a product.

Applicants are likely to lack connections and need investors which can widen their networks to create more opportunities. The CWF needs to



establish governance forums where entrepreneurs in the community can connect and for applicants to receive feedback and guidance from local experienced entrepreneurs/community leaders.

The CWF should be as flexible as possible with regards to offering financial support; repayment terms, equity vs. debt and interest rates should be co-designed with the applicant through the CWF process.

Founders from multicultural backgrounds may have faced barriers due to institutionalised racism or other institutional or systemic barriers, trust will need to be established and the local community will require a level of 'ownership' of the Fund. Employing young local people from diverse backgrounds as Community Representatives to be a voice in the room to represent the community, an ear to the ground to understand market needs and to hold the fund to account via benefits realization and monitoring of outcomes will enable meaningful participation by the local community.



# 3. The Fund Proposals

## INTRODUCTION

The Camden Community Wealth Fund is an investment fund that provides repayable finance to people, businesses and organisations across Camden. It will focus on making longer-term, 'patient capital' investments (i.e 10+ years) through a mixture of equity and debt; and supports people who might otherwise struggle to access finance via more traditional investment routes.

The Fund has been designed to reflect the context of current market conditions and to be flexible and responsive to market needs and changing economic and political environments. It will be reviewed and updated periodically via its Investment Strategy.

## COMMUNITY WEALTH FUND OBJECTIVES & PRINCIPLES

- The mission of the Fund is to extend greater equality for young people in Camden and promote diversity in places of power across the Borough. The Fund is a targeted approach to redistribute wealth and reduce inequality in Camden and by doing this will offer an additional policy tool for the Council to create a step change in outcomes for the community;

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.
- 

The overarching objectives for the Fund are to:

- Invest at least £30m in the borough to create a fairer and more sustainable borough;
- Provide access to seed funding and start up loans for those traditionally locked out of finance;
- Reduce barriers to finding and keeping well-paid stable jobs by opening up access to advice, skills and seed funding;
- Enable community participation in the fund through providing paid Community Representative roles;
- Support and increase the availability of affordable workspace and market space to provide opportunities to grow a business;
- Create good quality, accessible jobs and opportunities for local young people
- Support diverse founders, owners and leaders to create and grow their business
- Generate a return that exceeds the costs for funding and operating the Fund that can be reinvested and/or distributed across the borough and local community;
- Foster opportunity to attract and leverage co-investment;

The main principles of how the Fund will operate are:

- Self-sustaining / 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 decisions by involving residents 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.

## INVESTMENT FOCUS

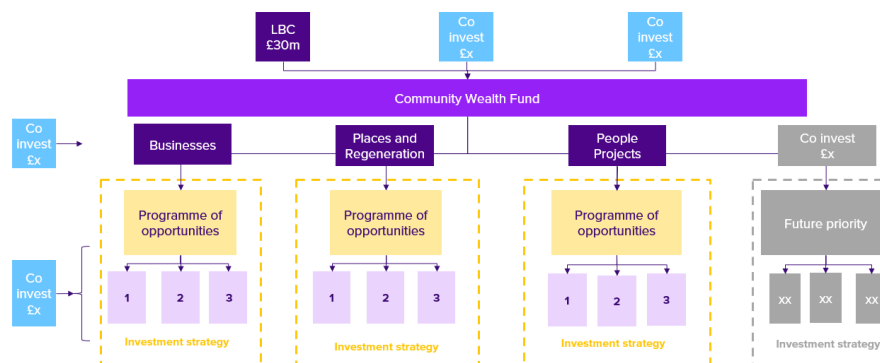
The overall investment focus for the Community Wealth Fund is to align with the We Make Camden future vision for the borough. Focus will be given to investment opportunities that are aligned with the three main programmes for investment by the Fund which are to:



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. It is intended that the local community has a high degree of participation in determining the priority areas for investment as well as supporting the sourcing of investment opportunities and being an integral part of the governance, decision making and operation of the fund.

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 out the structure of the fund:



### KEY INVESTMENT FEATURES

The Investment Strategy at Appendix 4 that sets out the objectives, priorities, type of investment and criteria for assessing investment opportunities has been developed in draft and will be approved prior to the launch of the fund.

The Investment Strategy will be subject to periodic review using market intelligence on demand to inform any necessary changes to investment priorities or sub-fund capital funding allocation. This is a key control document to set out the priorities and parameters for investment. It should remain in draft until launch of the fund in order to remain live to market intelligence. Any future changes to the Investment Strategy outside of the review process should be referred to the Council for reapproval.

### Who it will invest in

Camden Council want to create a fund that represents the diversity of Camden and will therefore invest in a wide range of people, businesses and organisations. The Fund will invest in organisations and businesses

that can show potential to achieve a financial return and bring a real benefit to the people of Camden.

There will be other examples, but the types of organisations and business the Fund might invest in include:

- A social enterprise, community business, tech for good venture or 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 minority led or owned business that needs equity to start up or grow
- A charity with a trading arm who wants to spin out an existing service.
- A person or group of people who are unsure how to translate a great idea on how to improve things for local young people into a viable business or initiative.

### Types of Investment

The fund will create a diverse portfolio and offer flexible types of finance and investment. The scope of the CWF is therefore 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.

The types of investment that the CWF will undertake are therefore varied. The Investment Strategy sets out the predominant type of investments for the Fund and sub-funds and 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. It is envisaged that the 2 main types of investment and finance will be:

- Equity-based investment - where the Council has a stake in a business or organisation through shares & dividends; offering investors potential to make profit through exit capital gains.
- Loans and repayable finance - lending money/ finance to a business or organisation that earns interest over time. Repayment terms will be long-term (5 – 15 years).

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.

In the future the Fund may look to use any profits to provide smaller, non-repayable grants where needed.

Other types of investment may include:

- Resource and peer to peer advice via early engagement with individuals/groups to explore/develop their business ideas, offer tailored support or signposting;
- Business support packages designed around the needs of the applicant to help the local community explore how finance may unlock or grow their proposals;
- Wider business support focused on people with ideas and talent;
- Access to work spaces at affordable rates;

Creating inclusive finance packages such as Sharia-compliant financial offerings; and Non-repayable grants.



These other types of investment will help develop investor readiness, together with affordable workspace or market space to remove barriers to employment, support entrepreneurs, start-ups and small businesses.

Overall, the fund will aim to make healthy returns on investment, becoming self-sustaining over time. It will also look to influence the wider investment market to support similar areas, businesses and organisations which may currently be underinvested in Camden, and to take both an investment approach *and* a mission delivery approach

The CWF is intended to create **additional impact / offer additionality**, by that meaning the fund must be complementary but not replicate, and be separate from, other Council activities. In considering this, the types of investment will be distinct from other existing activities, such as the Camden Giving grant programme (although there are clear opportunities to work together on developing the pipeline of investments).

Camden Giving gives money and support to Camden citizens and community groups who have great ideas for their communities. This support includes:

- Grants of up to £1,500;
- Insurance for activities and events;

- Safeguarding support i.e. DBS Checks;
- Connections to make ideas a success; and
- Support from Camden Giving and Camden Council staff.

### Scaling up of the Fund

Initially Camden Council will be the main source of finance for the fund. However, there is ambition to grow and scale up the fund over time, exploiting both internal and external sources of finance as they are identified. Scaling of the fund will happen in three ways:

- Through the repayment of investment and interest that is built up
- Through the sale of equity investments if an organisation reaches maturity
- Through businesses and organisations opting to become 'co-investors' in the fund

The scale up of the fund will follow an initial stage for the first c.12-24 months, following which the performance of the fund via the mechanics of the operation and evidence of demand will be used to demonstrate proof of concept.

A Fund Performance Report will be presented to Cabinet to provide information on the performance of the fund to date, and information for Cabinet to approve budget and cashflow projections for the next and following years of operation. These projections will include financial modelling to demonstrate the quantum and types of interventions to be delivered by the fund in future years, the potential performance of those investments and opportunities to recycle funds where available to allow the fund to grow and scale up over time.

This report will seek approval for any changes to the approved deployment and cashflow for the fund operation and source funding, and also any adjustments to the Investment Strategy.

### Commercial Terms

The CWF will operate in a viable and affordable manner based on the prevailing financial and economic conditions of the Council, the wider market appetite for co-investment and the rate at which investment proposals are sourced and needs identified by the community.

Approval to establish the Fund is granted by the Council's Cabinet, together with a scheme of delegation to grant the necessary authority and approval to spend for the operation of the fund plus authority to agree potential co-investment opportunities.

The governance of the Fund is designed to enable it to quickly adapt to market requirements and changes in the economic landscape. Investment programmes can be switched on and off to insulate the Fund from excessive risk or to address specific and unique market events as they occur.

The commerciality of the Fund is enshrined in its evergreen nature and ambition to become self-sustaining over time, with a key requirement, at a Fund level, being to maintain the benefits of the Fund for future generations.

### SOURCE FUNDING

The initial design of the Fund proposed a capital injection, possibly funded by an asset disposal, to attain up to £30m to establish and operationalise the Fund and provide an investment source over the Fund's deployment period of 5 years. An Options Appraisal was completed to inform choosing the best approach for using this asset as a example to secure funding for the Fund

The option analysis compared the five following options:

1. Retain as Investment
2. Invest to Maximise
3. Invest for Outcomes
4. Disposal
5. Disposal following investment valuation

The recommendation is disposal to secure a capital receipt to be injected into the CWF as seed funding, and for the fund to scale up over time by means of co-investment and fund investment returns. Both disposal options i.e., options 4 and 5 should be considered by the Council as ways of securing the income for the CWF, however as option 5 would enable the possibility of creating a CWF affordable/free workspace while still meeting the source funding ambition of up to £30m total, this would be preferable.

### CO-INVESTMENT

Co-investment will involve attracting organisations and businesses to invest money into a central funding pot. These organisations and businesses will likely deliver a significant amount of their products/ services/ impact within Camden, even if they are not based here. This investment will be exchange for potential financial returns over time, and an opportunity to increase the positive impact they have within Camden.

In some instances, the co-investment may be through other mechanisms such as business support provision, or through providing pro-bono time to support the governance framework.

These organisations might include (but not limited to): anchor institutions, foundations or commercial businesses.

### BENEFITS

Any interventions taken forward as part of the CWF will be designed to support the delivery of a range of benefits. Through early investments made via the Community Wealth Fund, the following outcomes are sought:

- An increase in the number of young people locally accessing employment and training opportunities;
- Access to repayable finance amongst groups who otherwise struggle via more traditional investment routes;
- Partners becoming co-investors and increase in the scale of the fund / total pot of finance available;
- An increase in the number of local businesses that are able to start and sustainably grow; and
- An increase in businesses that employ or are run by Camden residents.

Over time it is anticipated that a larger suite of impact metrics will be used to consider the performance of the fund and how each individual investment delivers against a range of financial, economic, social and environmental or impact metrics agreed with the Fund. The table below sets out some of the wider benefits that may be sought:

Benefit	Measures & Quantification
<b>Builds confident and empowered communities</b> – the investment process lets the community have a say and involves them in decision-making, which ensures outcomes for the local economy are delivered based on local needs	Evidence of community led decision making / Number of community members involved in process/ Quality of engagement and participation
<b>Reduces inequality and improves wellbeing</b> – investment improves the wellbeing outcomes and reduces the wellbeing gaps across the borough (e.g. income, wealth, health, education, social connections, environmental, etc), thus reducing the pockets of deprivation and inequality that currently exist	Improvements to well-being and prosperity measures
<b>Skills transfer</b> – investment promotes upskilling local residents, and promotes initiatives that	Change in quality and quantity of employment in the

Benefit	Measures & Quantification
increase skills and capabilities to strengthen community confidence, capacity and resilience	borough (employment, unemployment, earnings, earning gaps...)
<b>Supports social purpose organisations and entrepreneurs to grow their impact</b> - investment to help organisations meet their business goals and increase the diversity of their leadership.	Social purpose organisations growing their business or scaling up.
<b>Provides access to finance for businesses tackling inequity</b> that may have struggled to previously access finance	Number of organisations accessing finance that have failed before.
<b>Attracts inward investment</b> – investment attracts and harnesses outside investment in order to maximise the scale and reach of impact, and bring wealth into the local economy	Value of third party/private sector investment leverage
<b>On-going economic value</b> – investment delivers and disperses economic outcomes in the short, medium and long term, hence keeping levels of economic value created in the borough within the borough	Overall return on investment
<b>Responsible investments</b> – investment has an explicitly positive environmental or social impact by benefiting the local community, aligning to its priorities and values and/or preserving the environment	The assessed impact of the investments on society and the environment (e.g. SROI, Impact-weighted accounting, etc)

## PROOF OF CONCEPT

The findings from the market engagement consolidated the intention for the early stages of fund operation, whilst the fund is still under internal management via the Council, to pursue a proof of concept approach. This approach allows the Council to establish the mechanics of fund operation

including business support, build the reputation and understanding of the fund proposals, to test and better understand market demand, and for 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.

The initial stage will involve the Council securing the resources required to operate and manage the fund, establishing and launching the fund and commencing all activities to source and make investments. The fund will commence with the ambition to raise £30m although it will have smaller amounts to deploy at first. The initial stage of work 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 opportunities such as potentially with Google to funnel potential applicants through their Community Leadership Programme;
- 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; and Pursuing co-investment opportunities to leverage additional funding and support to fund operation.







This sub-fund would then be established and operated for c.24 months with a report to cabinet to decide on the next stages of development for the Fund.

# 4. Operating the Fund

## INTRODUCTION

The Fund requires a governance framework to assess and address a range of investment opportunities and select the best possible interventions to deliver the benefits sought, given the known financial, commercial, and wider economic conditions at the time. Appropriate governance processes are key to ensuring the delivery of Fund objectives and wider Council strategic priorities and to ensure appropriate processes and procedures are in place for the management, monitoring and evaluation of the Fund as it progresses.

The key ingredients needed to form typical fund governance arrangements are as follows:

Approvals	Processes	Fund Governance	Investment Strategy	Resources	Performance Management Framework
 <p>The Council may need to grant a number of approvals and delegate authority to establish and operate the fund</p>	 <p>A fund requires a set of entry points for potential applicants to inquire about further information and apply for finance, this application will follow a set process</p>	 <p>An Advisory Board or Investment Panel is set up to support the establishment of the fund, and then oversee the Fund's progress and performance.</p> <p>Depending on management arrangements the Advisory Board may also make decisions to invest.</p>	 <p>The approval of an Investment Strategy with associated objectives, scope, priorities, type of investment and criteria for assessing investment opportunities will form the basis of the decision-making process</p>	 <p>People resources are required to support the governance, management and operation of the fund</p>	 <p>A Performance Management Framework to support monitoring of the Fund at Portfolio, Sub Fund and individual investment level</p>

## APPROVALS/AUTHORITY AND SCHEME OF DELEGATION

The Council is required to grant the following approvals to give the authority to operate the Community Wealth Fund:

- Approval in principle to establish the Fund and undertake the activities required, including procurement of resources, to set up and launch the Fund;

- Approval to allocate/transfer the source funding for the Fund;
- Approval to the proposed governance arrangements;
- Approval of the budget for set up and 2 years of operation of the fund;
- Approval of the Investment Strategy which sets out the objectives, priorities for investment and criteria to support investment decision making; and
- Agreement to put in place the proposed scheme of delegation to operate the fund.

A Scheme of Delegation for the CWF is to be agreed to operate the Fund and to grant authority to:

- Executive Director Corporate Services (Chair) the decision to procure the necessary resources to operate the fund;
- The Advisory Board to operate, manage and monitor the fund;
- The S151 officer, in consultation with the Council Leader, 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;
- The S151 officer, in consultation with the Council Leader, to approve co-investment at a sub fund and individual investment level up to a limit of [£5m]; and
- The S151 officer, in consultation with the Council Leader, to exit individual investments where the investment is non-performing or when an investment has met or exceeded its target outcomes.

## PROCESSES

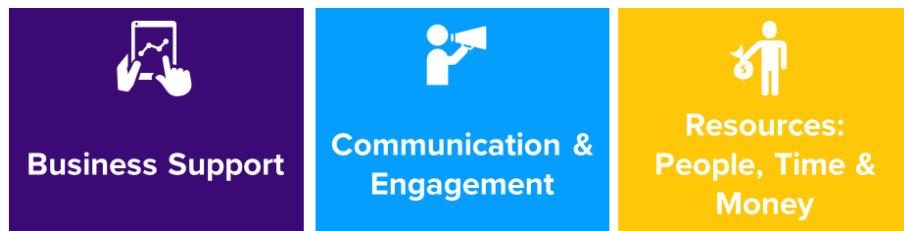
The Fund requires a robust set of processes to govern the lifecycle of the fund from sourcing investments, making investment decisions, to exiting



investments. The main processes to be undertaken to operate the CWF are set out below:

### Sourcing Investments

Three key elements will need to be in place to source and secure a pipeline of investments:



**Business support pre-investment** is key to supporting investor readiness and to enable the community to develop their ideas into investable propositions. This business support could include a range of initiatives such as:

- Introduction to peer to peer mentorship
- Grant funding to cover personal expenses
- 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 mentorship programme (such as that planned by Google)
- Education/ training on investment/ being an entrepreneur

The CWF will design a support package/process for focused on the person or people rather than on a business that's investable. By doing this, the CWF fund will back people with ideas and talent, but may not yet be a company or a product.

There will need to be clear **communication** on the Fund for potential applicants to consider the opportunity and engage. This will include:

- Eligibility Criteria
- Types of investment available
- The process to apply and timeframes
- The support they will get throughout process

In addition, there will need to be **time and resources** allocated to the early stages of the fund operation in order to build trust, reputation and a network, specifically with people who have not previously engaged with the Council. Camden will also need to utilise co-investors and their network to secure a future pipeline.

The Council will establish a range of business support mechanisms available to applicants either directly through the Council, via its partners or external sources of support. The type of support offered will include signposting and liaison across different funds; accelerator programmes; and incubator arrangements as well as the Portfolio Manager providing help and advice in developing viable business propositions with all the information available to form an Investment Business Case. There are also a number of existing support programmes via <https://www.gov.uk/business-finance-support> and <https://www.goodfinance.org.uk/understanding-social-investment>.

### Investment decision making

The approval of the Investment Strategy and its associated objectives, scope, priorities, type of investment and criteria for assessing investment opportunities forms the basis of the decision-making process. This approach ensures that investment decisions are aligned with strategic priorities and are also commercially robust as a viable investment opportunity. The draft Investment Strategy is set out at Appendix 2.

The Investment Strategy is flexible to cater to changing economic and political environments and is a key control document that is regularly reviewed to ensure that it meets the overarching objectives of CWF, whilst still providing a relevant market facing initiative.

The typical steps to making an investment are set out below:



The governance process for making investment decisions is outlined in the text below: The governance process for making investment decisions is outlined in the text and diagram below:

- **Step 0 – Potential Investment Opportunity identified:** via an application process, expression of interest or through network connections. Portfolio Manager allocated and communication and engagement commenced with Applicant.
- **Step 1 – Your Story investment proposition:** Applicant prepares 'Your Story' investment proposition in conjunction with Portfolio Manager and is referred to business support if required.
- **Step 2 – Community Guidance Group:** Applicant and Portfolio co-present 'Your Story' to the Community Guidance Group (can be on more than one occasion) to seek guidance and shape investment proposition. Applicant 'opts in or out' of whether to proceed to the investment decision making stage.
- **Step 3 - Prepare a SIFT Document for CWF Investment Board review:** Portfolio Manager prepares a short SIFT to outline the potential opportunity at a high level which is presented to the CWF Investment Board and considered against the Investment Strategy with a decision whether to proceed further. If it is a good opportunity but is decided to be outside the scope of the Investment Strategy, it may be referred elsewhere for consideration.
- **Step 4 - Prepare Business Case:** Due diligence is undertaken and then an investment Business Case is prepared (a Business Case template should be used) with a particular focus on more detailed

information of the opportunity, due diligence information and other key information on how the investments will be managed, monitored and exited.

- **Step 5 – CWF Investment Board Investment Decision Making:** A Business Case is presented to the CWF Investment Board and if appropriate criteria are met, a recommendation is made to the Chair for approval for funding and it will become part of the CWF. If the investment is above the delegated authority threshold for a decision, then it will be referred to Cabinet.

The CWF Investment Board will also receive portfolio monitoring reports at each monthly meeting to demonstrate how investments are performing, together with an indication where decisions are required by the Chair to optimise the portfolio via:

- Agreeing to exit an individual investment;
- Deciding whether or not to recycle/reinvest returns; and
- Securing co-investment.

#### Gateway Decision points

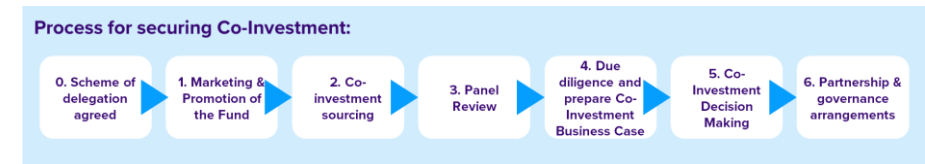
This process sets out 3 clear gateway approval points:



<b>Sift approval</b> – by the CWF Investment Board to approve the investment to move to Business Case stage. The key areas that need to be considered and satisfied at this stage are:	<b>Business case approval</b> - by the Chair on the recommendation of the CWF Investment Board. The key areas that need to be considered and satisfied at this stage are:	<b>Exit strategy approval</b> – by the Chair on the recommendation of the CWF Investment Board. The key areas to be considered at this stage are:
<ul style="list-style-type: none"> <li>• Strength and alignment to the CWF objectives;</li> <li>• Projected performance against the CWF investment criteria;</li> <li>• Funding requirements and availability of funding;</li> <li>• Sift-stage due diligence;</li> <li>• Key risks that need to be managed; and</li> <li>• Investment exit strategy.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic case - strategic alignment and investee;</li> <li>• Economic case – benefits and opportunity cost of the investment;</li> <li>• Commercial case – the commercial structure, the powers under which the investment is made, how the investment complies with Subsidy Control rules and any other legal considerations;</li> <li>• Finance case – key financial terms, full due diligence checks, the cashflow and funding requirements, any accounting and tax implications, projected investment performance, portfolio impact, company financial projections, company financial standing; and</li> <li>• Management case – company management capability, key risks, timelines, strategy for growth and resources required.</li> </ul>	<ul style="list-style-type: none"> <li>• Clarity on timing and arrangements for exit;</li> <li>• Minimising financial losses;</li> <li>• Minimising any reputational issues;</li> <li>• Impact on MTFS;</li> <li>• Impact on portfolio performance; and</li> <li>• Impact on benefits realisation.</li> </ul>

## Co-Investment decision making

The process for agreeing co-investment is anticipated to be as follows:



The Chair of the Investment Board will have authority to agree co-investment funding opportunities at sub fund and individual investment/project level, however opportunities at fund level should be ratified by Cabinet.

## INVESTMENT STRATEGY

The Investment Strategy will be used to guide decision making by setting the investment priorities, eligibility, investment criteria and any 'red lines' or parameters where the Council would avoid wanting to invest.

### Eligibility criteria

Eligibility criteria is a means of ensuring investment is targeted to achieve the intended objectives but will also be used as a mechanism to mitigate risk. 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 (debt and equity), 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 and be within FCA and Subsidy Control regulation.
- The project or business must have a strong and capable management team and for those more established businesses - 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.
- And/or the project must have diverse ownership or leadership, at management level or board level

'Red lines' – ethical and responsible investment policy

The Council is committed to ensuring that it makes investment decisions responsibly and with integrity. The Council will employ a responsible investment approach in order to screen potential investments, develop any parameters within which direct investment is prohibited and employ an approach which highlights any potential investments that may create reputational damage or risk to the Council and/or conflict with core objectives of the Council prior to that investment being made.

The approach is based on 'negative screening' and will be used to protect the Council's reputation, avoid conflict with its core objectives and avoid contradicting the work of the Council. It sets out a policy position to avoid investing in projects or businesses that do not meet the Council's social, environmental, or ethical criteria.

Further details are available at Appendix 3 and 4.

**GOVERNANCE FRAMEWORK**

In a typical set of arrangements, an Advisory Board or Investment Panel is set up to support the establishment of the Fund and then oversee the

Fund(s) and monitor performance post-launch. The Board/Panel may also make decisions to invest or make recommendations to the Chair and will receive relevant reporting from external fund management resources, where they are in place. Strategic oversight is key. The main role and remit of the Board/Panel is to ensure the Fund delivers against its objectives and facilitates its operation. Membership of that Board should include Senior Officers of the Council, Community Representatives, and could also include Co-investment Partners. The performance of the Fund is assessed by considering relevant reporting from the internal CWF team and/or external fund management resources.

The governance of the CWF will require the following key governance forums to be in place to support the operation of the fund:



The diagram below sets out the proposed governance structure for set up and early stages operating the fund:



## COMMUNITY PARTICIPATION & ENGAGEMENT

Securing a high degree of community participation in the operation of the fund is a key principle for the fund operation. The next section sets out more detail on how this will be achieved.

### Principles

New approaches to resident involvement, which create the space and opportunity for more deliberative discussions and encourage collaborative working, have already been piloted by the Council through the Camden 2025 resident and partner engagement process and there is a clear aspiration by the Council for a high degree of community participation in the set-up and operation of the Fund.

The CWF poses an opportunity to continue this valuable engagement process, provide links to the Employment Strategy, and secure a commitment to community participation in the Fund operation. The CWF also provides the opportunity to develop the skills of residents across Camden in funding and investment. As the fund develops, the Council wants to find ways to proactively involve residents in the decision-making process; bringing in their local knowledge to help make better investment choices.

Principles - A Community Wealth Fund that:		
is diverse in the types of people, business and organisations it invests in	makes choices about investments based on local knowledge and needs, and actively involves local people in decisions that are made	develops local people's skills through involvement in the fund's set-up and running
Principles - Community Participation that:		
has meaningful engagement with the community throughout the process	provides an opportunity and pathway to employment through their involvement in CWF	equips residents to be involved in the process and operation of the fund through training, knowledge sharing and exposure to fund operational processes

### Community Engagement Groups

Camden Council will need to regularly engage with members of the local community to form **four** stakeholder groups, each has a different scope and involvement, ambition and process. These are set out in the table below:

Group:	Applicants	Community Representatives	MPA Student Placement	Community Guidance Group Members
Scope	Young people from diverse backgrounds; Most likely to initiate engagement; Duration of engagement will vary.	Camden-based, young from diverse backgrounds; Will apply to paid roles (need to offer part-time); Will require training to be meaningfully involved in the CWF.	Student placements via application to IIPP;	Must have a link to Camden and a 'success story' to be able to assist Applicants; In the long run, this could be the previous Applicants.
Ambition	To provide finance and support to people, organisations and businesses based in Camden that might struggle to get more traditional investment due to systemic barriers - such as those from previously ignored or under-represented backgrounds.	To provide young (16-30) people based in Camden from diverse backgrounds, specifically those further away from the employment market with 2 years of paid work experience and skills building to establish a pathway to future employment.	Harnessing participation in a Community Wealth Fund for Camden; Research and explore different participation models and evolve the role of Community Representatives.	To 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 the development of skills for Camden residents in funding and investment.
Process	The types of ideas, businesses and organisations the fund may invest in may look very different and come to the CWF at different levels	Would apply via normal routes, youth service and VCs connections, once employed the role sits within Community Participation Team for line	Application to IIPP – awaiting outcome.	The Group would be a safe space for Applicants to present their 'stories' (their investment proposition in nontechnical language) and

Group:	Applicants	Community Representatives	MPA Student Placement	Community Guidance Group Members
	of maturity, the level of support and type of engagement will need to be tailored accordingly.	management but would work day-to-day with the CWF Investment Team and liaise with Applicants.		receive feedback/guidance. Membership will be curated from local experienced entrepreneurs/community leaders.

### Meaningful Participation

The Funds aim is to extend greater equality of opportunity for young people and those from historically underrepresented groups across Camden, and so those groups will need to be engaged with meaningfully. According to the 2021 Census Data, 40.5% of Camden residents were from Black, Asian or other minority ethnic groups and projected population growth between 2021-2041 for those aged 16-24 is 8.7%. These numbers indicate a large potential pool for the CWF to engage with and local young people have played an important role in shaping the fund's investment priorities. Sharing their personal and lived experiences has helped guide decisions about what the fund should focus on and how it should involve young people and communities more broadly.

Camden has a strong history of finding creative and meaningful ways of engaging people and communities in decisions-making. The Community Wealth Fund will seek to bring people together to shape the future of the borough and help make investment decisions based on the experiences of people that are based in Camden.

### Meaningful and Inclusive decision making

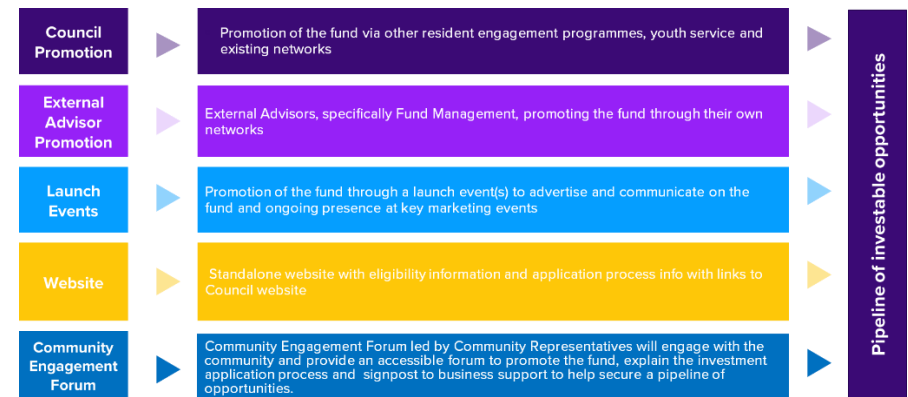
Camden strives to ensure meaningful and inclusive decision-making by working with local young people from historically underrepresented communities to extend greater equality and promote diversity in places of

power. To achieve this, the proposed governance structure allows residents to have a wide and influential role in decision-making, designed to ensure the voice of young locals is heard throughout the Fund's governance. By doing so, Camden hopes to fund work that is appropriate for its diverse communities.

### The Processes

#### **The Process for Applicants:**

The fund will have multiple 'entry points' allowing for wide reach into the community and to secure a diverse portfolio and pipeline of investments:



Depending on the level of maturity the organisation, idea or investment has reached when it first engages with the CWF, applicants will either be signposted towards business support, or the portfolio manager will work with them to make their story presentable to the Community Guidance Group.

If an applicant engages with the CWF in an earlier stage, and is not ready to present their story but the CWF would be interested in taking their story to the Community Guidance Group, they will be signposted towards

Business Support – which could be through the Future Camden Fund, Good Work Camden or Camden Giving.

If or once their story is ready, the applicant will be accompanied by their Portfolio Manager to present their story and receive feedback and guidance to develop their story into an investment ask. At this point, an applicant may decide to 'opt out' or delay their investment ask if they feel they're not investment ready.

If they proceed, the portfolio manager will present their ask to the CWF Investment Board for a final decision. Depending on this outcome, applicants may need more support when they start receiving funding.

### **The Process for Community Representatives**

Roles for Community Representatives should be advertised via normal routes, youth service and VCs connections and they will be offered a fixed term 2-year contract by Camden Council. They will be offered a fixed term 2-year contract by the Council, during the first-year training and development will be provided through the UCL Citizen Science Academy, followed by a year in the Community Representative role for CWF with other training and development provided in parallel.

During their employment, the council would provide training, knowledge sharing and skills building (including soft skills) as part of the role so that they are able to be meaningfully involved in the process and the operation of the fund. This experience would also provide an opportunity and pathway to future employment. The Council's Participation Team is working alongside UAL and UCL to develop a social action/participation accreditation and a UCL citizen scientist academy to provide Community Representatives with a pathway to receive formal accreditation.

Community Representatives would sit within the Community Participation Team for line management but would work day-to-day with the CWF

Investment Team. They would organise and host the Quarterly Community Engagement Forum, open to entrepreneurs in the community that might have an interest in applying to the CWF. Their role would also include participating in the Advisory Board, where investment decisions are made and the Community Guidance Group at which Applicants present their 'stories'. Furthermore they will hold the role of peer-to-peer researcher to be an ear to the ground to understand market need, be a voice in the room to represent community feedback and hold the fund to account via benefits realisation and monitoring of outcomes. The Community representatives will also have a broader role in reaching across the We Make Camden local community networks of citizens, and across their own social networks as 'citizen scientists' to then bring back a broader community voice.

### **The Process for Institute for Innovation and Public Purpose (IIPP placements)**

The IIPP's goal is to unite teaching, research, public policy and engagement activities into a movement for change. We celebrate the public sector as an equal, entrepreneurial and purpose-driven partner in solving 21st century challenges. The IIPP host a number of IIPP Master of Public Administration (MPA) placements as part of the Bartlett Faculty at University College London. The MPA in Innovation, Public Policy and Public Value focuses on the competencies, capabilities and leadership skills needed to build purpose-driven organisations in the public, private and civil sectors.

Camden Council has submitted Expressions of Interest to host a seven week placement for IIPP MPA students and as part of this placement they would co-design the community participation processes for the fund. If successful this will be a useful resource in establishing the fund prior to launch.



### **The Process for the Community Guidance Group**

The Community Guidance Group would be a safe space for Applicants to present their 'stories' (their investment proposition in nontechnical language) and receive feedback/guidance around the type of investment best suited to their ambitions, any areas of business support required, how compelling their 'story' is for investment, and the types of outcomes they could aim to achieve. The Group will take place monthly.






Membership of the Community Guidance Group will be curated and range from local experienced entrepreneurs/community leaders to Community Representatives and CWF Investment Team officers. It could include 'Experts advisors' with a finance or social impact fund background as Non-Executive Directors (NED) and could include voluntary and paid roles for a minimum of 2 years at a time.

As the Fund grows, successful Applicants could join the Community Guidance Group to support their peers and share their lessons learned.

# 5. Fund Management

## MANAGEMENT ARRANGEMENTS

There are a range of arrangements available to manage the Fund. The key drivers for the selecting the optimum management arrangements depend upon:

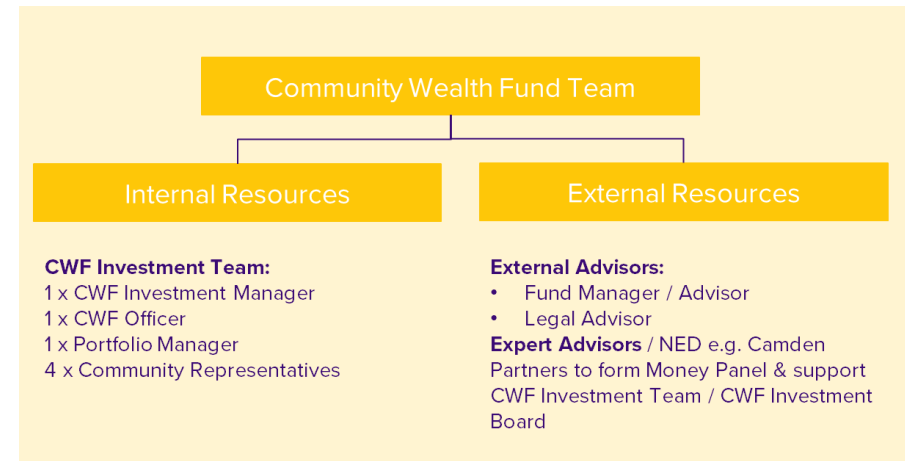
-  The level of **control** and **involvement** the Council wish to retain
-  The **skills, experience and capability** of the Council to manage the Fund
-  **Interest and capacity from the External Fund Management** market aligned to the Investment focus
-  **Timing** - the desire to launch of the Fund quickly or facilitate a soft or phased launch
-  The **regulatory requirements** linked to the status of the Applicant and whether the Council will be holding client monies

The fund structure suits a mixed economy of management arrangements with internal and external resources and the use of external fund management. This has been indicated as the preferred management arrangements due to an internal knowledge and skills gap, available resources and the potential need for FCA accreditation.

The preferred approach is to establish an incremental approach with internal management of the fund by the Council initially during the initial proof of concept stage, moving to the use of external fund management for the entire fund or certain sub-funds as the fund scales up.

## RESOURCES

During the early stages 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.



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

- Internal Council Resources via a newly established CWF; Investment Team operating 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).

### Internal Resources

An internal team, the CWF Investment Team, will be responsible for the day to day running, governance and operation of the Fund. They will market and promote the fund, source potential applicants and enable the application process. 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 Investment Board and Cabinet with the necessary information for effective

investment decision making. The Investment Team will also be integral in monitoring the performance of the fund in terms of risk and benefits realisation.

Based on resourcing for similar funds, the Fund will have access to the following staffing resource available to deliver the plan:

- 1 x CWF Investment Director– FTE (£100k p.a.)
- 1 x CWF Officer – FTE (£41 - £49k p.a.)
- 1 x Portfolio Manager (c£50k - £60k p.a.)

These roles will have the following specific responsibilities:

CWF Investment Director	CWF Officer	Portfolio Manager
<ul style="list-style-type: none"> <li>• Reporting to the CWF Investment Board</li> <li>• Contract Management of External advisors/ resources</li> <li>• Business Support offer coordination</li> <li>• Lead responsibility for sourcing opps</li> <li>• High level due diligence – financial &amp; impact</li> <li>• Management of Community Reps</li> <li>• Discussions with partners / potential co-investors</li> <li>• Benefits realisation</li> </ul>	<ul style="list-style-type: none"> <li>• Comms and engagement</li> <li>• Data and research</li> <li>• Website and promotion</li> <li>• Supporting the governance of the fund</li> <li>• Attendance at the Money Panel</li> </ul>	<ul style="list-style-type: none"> <li>• Sourcing opportunities</li> <li>• Day to day contact for applicants</li> <li>• Reporting to CWF Investment Board</li> <li>• Signposting applicants to Business Support</li> <li>• Supporting applications in preparing and presenting their story at the Money Panel</li> </ul>

Also part of the internal CWF Investment Team are 4 x Community Representatives. These are paid roles as c. £25k and they would sit within Community Participation Team for line management and support but would work on the CWF and be responsible for:

Community Representatives
<ul style="list-style-type: none"> <li>• Market intelligence – local need</li> <li>• Shaping the Investment Strategy</li> <li>• Organise and run the Community Engagement Forum</li> <li>• Attend the Money panel</li> <li>• Feedback from the community</li> <li>• Monitoring benefits realisation</li> </ul>

### External Resources

The internal CWF Investment Team and Fund will have access to the external specialist advisory resources to deliver the plan who will provide the following key roles:

- External Fund Manager(s) (assume 2% of Fund capital)
- Business Support
- Expert Advisors e.g. NED, Renewal Commission (£100k p.a allowance)

The types of skills that may be required from external advisors are set out below:

- Specialist Business Advice / Technical advisers – industry specialists, incubator or accelerator support;
- Business support – to support deal origination and establishing pipeline;
- Legal advisers – advice on structuring investments, Subsidy Control and the powers required to make investments;
- Financial advisers – financial due diligence and implications of Subsidy Control rules, financial viability assessments, accounting advice and specialist investment advice;
- Tax advisers – Advice as required on Stamp Duty Land Tax, VAT, Corporation Tax;
- Property and Investment Valuations – advice on valuations and property development; and
- Peer review or business Leaders - challenge function.

The external fund managers and expert advisors would predominantly be responsible for the following:

### External Advisors

Fund Managers / Legal Advisors / Expert or NED e.g  
Renewal Commission

- Sourcing opportunities
- Market intelligence
- Shaping the Investment Strategy
- Technical and financial due diligence
- Portfolio management & reporting

### External Fund Management

FCA regulation needs to be considered where bodies are lending to individuals who are acting as consumers. A large proportion of the activities proposed to be funded by CWF are therefore likely to be outside of the scope of FSMA and will not require FCA regulation. However, although 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, there are some instances where the type of business or the activity concerns means regulation is required. It is important therefore for the Council to keep the activities of the CWF under review to ensure that they do not extend to consumer lending. The most obvious area of risk is any lending to small businesses who may be sole traders.

In consideration of the above, the Council may be seeking the support of external fund management with FCA authorisation for any element of investment that may reflect this risk and/or as the fund scales up and grows. This approach will also provide the Council with additional resource and capacity and the opportunity to use Fund Manager’s network to secure co-investment. It is anticipated that External Fund Management services may be engaged to provide the following services for some of the sub funds:

- Sourcing investment opportunities;

- Sourcing and securing co-investment
- Support to businesses in developing viable business/investment propositions;
- Evaluating applications;
- Due Diligence & Business Case preparation;
- Investment appraisal;
- Investment decision making & allocating funds;
- Valuation services (as required);
- Portfolio & Fund Management; and
- Performance Monitoring.

### SUMMARY OF RESOURCES

The following table sets out the key resources, their involvement and the annual financial commitment to support the fund (assuming a 5 year deployment period beyond the initial stage).

Resource role	Involvement	Financial Commitment
<b>CWF Investment Director</b>	Recurring annually for set up and investment deployment period	c.7 years at £100k p.a.
<b>CWF Officer</b>	Recurring annually for set up and investment deployment period	c. 7 years at £50k p.a.
<b>Portfolio Manager</b>	Recurring annually for investment deployment period	c. 5 years £60k p.a.
<b>Community Representatives</b>	Recurring annually for set up and investment deployment period	2 roles c. 5 years at £25k p.a. – total £50k

Resource role	Involvement	Financial Commitment
External Advisors	Recurring annually for investment deployment period	5 years allowance of £200k p.a.
<b>Total Annual Commitment</b>		£460k
<b>Total Commitment over the set up and investment deployment period</b>	From cabinet approval to end of investment deployment period	£ 2,500,000.00

## PROCUREMENT

The Fund will require the ability to call on a selection of relevant external advisors for support. The Council has access to a number of panels and frameworks already to secure these services on a call off basis.

When required to support delivery of elements of the CWF where FCA accreditation is required and/or it is considered that the type of investment, volume of opportunities, due diligence and/or resource and skills required justify the costs for external management, a procurement exercise will also need to be undertaken to secure External Fund Management services. Further consideration will be needed in due course as to the structure of this procurement exercise. One option is to use the Crown Commercial Service Framework for Fund Administration and Disbursement Services.

In addition to this the Council will need to recruit permanent or fixed term roles and advertise via their normal recruitment sources.

## OPERATING MODEL

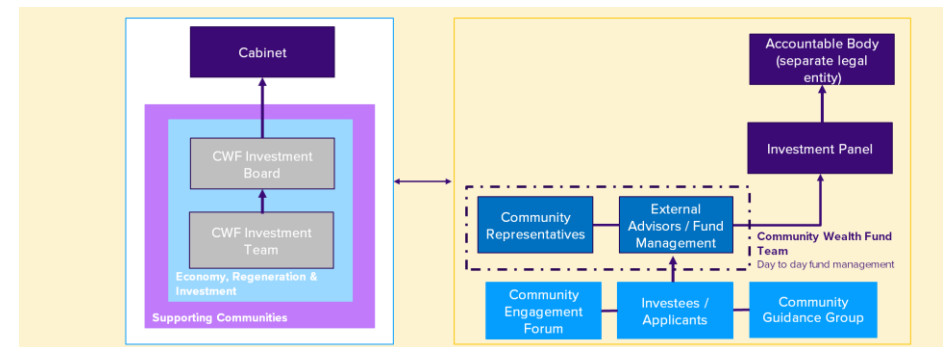
The Council has an aspiration for the Fund to operate as a distinct entity separate from the Council in the medium to longer term.

Legal advice is to be sought as to the optimum operating model to secure this aspiration as well as structure investments in a way that will secure co-investment and protect the Council's interest as an investor. Further details as to the legal advice required is set out at Appendix 5.

## Proposed Governance: Longer Term

The Council will retain flexibility in the design and structure of the fund, to allow the potential for it to be established as a separate legal entity to protect and safeguard it for the long term. The umbrella structure allows either the fund to be established as a separate entity, or for sub-fund elements to be managed externally to the Council.

The diagram below sets out the proposed governance structure for longer term:



## SET UP COSTS

An estimate of the costs to set up and establish the fund from approval at Cabinet until launch of the Fund is as follows:

Cost Item	£ Budget Estimate
<b>Fund Set Up Costs – One Off prior to Launch (assume 12 months)</b>	
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
<b>Total Set Up Costs</b>	<b>500,000</b>

The Business Support allowance is for a range of interventions prior to launch of the fund which could include allowance for:

- Mentoring resource /engagement programme within the community
- Education / training on investment or becoming an entrepreneur
- Access to accelerator programme(s)
- Non-repayable grants to secure a pipeline of opportunities
- Access to affordable workspace

Further details as to the running costs for the Fund after launch are set out in the next section.

## 6. Financial Modelling

A financial model has been developed and this model will be required as part of the operation of the fund to allow a range of investments to be inputted, cash flowed and measured against the Fund's agreed viability metrics. For governance purposes, the key viability gauge will be through the RAG-rated Dashboard tab, which should generate the KPI (Key Performance Indicator) targets based on the underlying investment and show the actual performance.

A Dashboard will also provide information that will allow the CWF Investment Board to monitor the Fund as a whole at portfolio level. This will highlight the remaining balance of the CWF available to fund future investment opportunities as well as other key indicators such as Income, Costs and Peak Debt.

For the purposes of this Business Plan a demonstration of how a portfolio of investments under the CWF might work and perform in practice has been provided via completion of a financial modelling exercise.

### INPUT - ASSUMPTIONS

#### Portfolio Size

For the purposes of this first CWF Business Plan an initial Fund Size of £30m has been set. This will support c. 30 investments over the first two year initial stage, with an average investment size of £1,000,000 per investment, however, the maximum size of loan the Fund will support is £5,000,000.

Recognising the market testing analysis, the indicative investment profile has split as follows:

- Debt – 25 investments of average size £880,000
- Equity – 5 investments of average size £1,600,000

#### Funding Sources

The Council has identified £30m for the initial stage of the CWF. The Council has agreed that this amount be hypothecated to the Fund to support this pilot period and that this amount is fully budgeted. However, it is noted that and future funding, if drawn from other available Council resources, may bear an associated opportunity cost. This means that any investment below this benchmark will result in the Fund providing subsidy to support its investment activity. For the purpose of this initial investment the £30m has no associated opportunity cost.

#### Running Costs

The fund will be internally managed with external advisory support and, as such, fees will be incurred in managing and administering the funding. In addition, to ensure that the Fund is accessible to all and that fees are not the inhibiting factor in applying to the CWF, the Council has indicated that where possible the initial stage will absorb any due diligence fees into the Fund.

For the purposes of the initial stage, running costs have been set at 5% of the capital deployed, split across the years that the fund is active. This is £1,500,000 in total and is representative of the smaller Fund size at this initial stage than that detailed in the section before. Any savings made on this level will be kept within the CWF and could be used to support investments.

#### AFFORDABILITY

The Fund is defined to be affordable if it covers all costs associated with its investments. However, for the purposes of the initial stage the focus will be on launching the fund and undertaking the activities to prove the mechanics of the operation, provide business support to create a pipeline of Investments, and confirm that there is a market to invest in for the type of mission based investments Camden hope to make. This is the key

approach rather than being about covering costs and making a return during this initial stage.

## FINANCIAL MODELLING

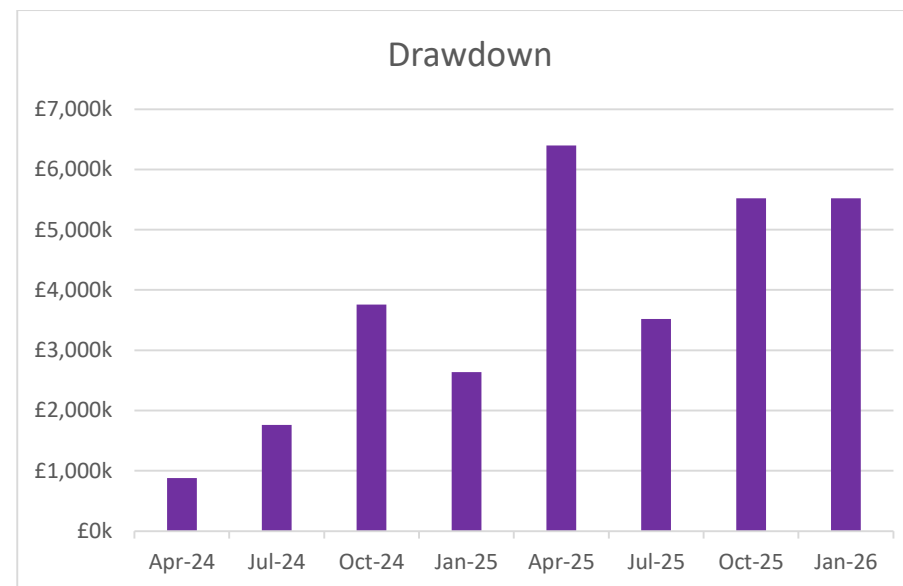
### Assumptions

To demonstrate the investment activities of the CWF, the following assumptions have been made. It is noted that the size of individual investments will vary, but that the average size will be £1,000,000.

Detail	Debt	Equity
Max. Fund Size	£22.0m	£8.0m
# Loans	25	5
Average Loan Size	£880k	£1,600k
Average Interest Rate offered	6.0%	15.0%
Arrangement Fee	£0	£0
Loan Period 3 years	25%	0%
Loan Period 5 years	50%	0%
Loan Period 7 years	25%	100%
Default Rate	3.0%	50%
Recovery on Default	80%	0%
Cost of Funds	5.0%	5.0%
Running Costs	5.0%	5.0%

### Drawdown of Funds

The following graph sets out the estimated drawdown of funds:



The profile of investment has been set to allow the £30m to be defrayed over two years, with an estimated deployment of £10m Year 1 and £20m in Year 2 split. The investments are also split between debt and equity.

Peak Funding for the CWF is £26.6m, recognising the current assumptions regarding the repayment of investments amounts in the early years.

### Results / outputs / returns

The following table sets out the anticipated financial returns of the Fund, based on the investment of £30m into applicable projects.

	CWF Returns
Cost of Funding (Opportunity Cost)	£0m
Potential Loss	-£4.1m



	<b>CWF Returns</b>
Running Cost	-£1.5m
Arrangement Fee	£0.0m
Interest Repayment	£10.6m
<b>Net Revenue</b>	<b>£4.9m</b>
<b>Net Revenue (NPV)</b>	<b>£3.6m</b>

Depending on the ultimate funding source for the CWF, the opportunity cost represents the cost to the Council of not utilising this amount for other projects.

The total return from the CWF investments is £10.6 million, with c.£25.9 million of capital funding returned. There is an estimated loss of £4.1 million on investments made, but not returned. This loss is predominantly driven by the more risky equity investments and the assumptions around losses against this class of investment.

The CWF is showing a net surplus of £4.9 million over the life of the initial stage.

As the Fund scales up beyond the initial stage there is the opportunity for the fund to generate a returns with a more balanced portfolio, where risks are managed across the larger portfolio to improve the overall position. The original Business Case modelled potential performance of the Fund at £50m over 5 years.

### **Sensitivity**

Some additional analysis we conducted to assess the robustness of the CWF returns. To do this scenario and sensitivity analysis was conducted using Monte Carlo analysis. This analysis runs a large number of scenarios

whilst varying the key drivers. Based on this analysis the variance of the fund is set out below:

	<b>CWF Returns</b>	<b>Debt</b>	<b>Equity</b>
<b>Downside Risk (NPV)</b>	-£2.9m	£1.9m	-£5.2m
<b>Upside Potential (NPV)</b>	£10.1m	£2.4m	£7.8m

The large swing between the upside and the downside risk to the Fund is predicated on the return on equity investments. As the CWF is making relatively few investments during the initial stage, the opportunity to spread risk is diminished. The analysis looks at all investment being successful or all investments failing. However, the analysis broadly shows that the less risk debt investments have a strong probability of creating a surplus back to the fund.

### Example investments

The Council is currently exploring potential investment opportunities that the CWF could fund. One potential investment opportunity is to provide financial support to Co-Laboratories Ltd ('Co Labs'). Camden has selected Co-Labs as the new tenant of vacant units on the Cedar Way Industrial Estate on Camley Street. Co-Labs propose to refurbish the site to create state-of-the-art lab space that will attract and support innovative and promising biotech startups. The objective is to provide a platform for young people to gain exposure to the biotech industry and potentially start their own businesses, creating jobs and contributing to the economic growth of the region.

Co-Labs has signed an Agreement to Lease with LBC for Phase 1 (units 9,15,24 and 29 Cedar Way) and Phase 2 (units 2-8 Cedar Way), subject

to securing appropriate funding for each phase. Camden have already awarded grant funding of £400,000 for Phase 1.

The proposal is aligned with sub fund programme to “invest in places and regeneration” and in particular two of its key priorities: to utilise vacant or underused council assets; and to support business growth and create conditions for businesses to thrive. The proposal will support the following Investment Strategy objectives:

- Reduce inequality and improve economic opportunities - provides state-of-the-art lab space that will attract and support innovative and promising biotech startups.
- Invest in places and regeneration - transforms an underutilised site into a modern lab space.
- Create a community hub that can foster collaboration and innovation.
- Invest in people projects that provide skills and break down barriers to opportunity for young people - mentorship, training, and resources to startups that use the lab space.
- Provide opportunities for young people to gain experience and exposure in the biotech industry.

The project proposes to support over 20 businesses through the provision of affordable lab space and create the following outputs/benefits:

- 60 jobs created
- 3 businesses supported
- 900m<sup>2</sup> commercial floorspace
- £13.59m net additional GVA
- RV uplift of £0.15m and have made a calculation for the wider area of £0.5m

Co-Labs are seeking an additional funding of £176k for Phase 1 and £1m funding from the CWF to support the delivery of Phase 2. Subject to ongoing due diligence, this investment will form one of the Year 1 investments by the CWF.

In addition of the considerable benefits set out above, the investment could net the CWF a return of between £17,000 and £62,000, including the return of the original investment based on the duration of the loan. This can be recycled back to support the fund’s investment strategy.

# 7. Risk & Performance Management

## KEY RISKS

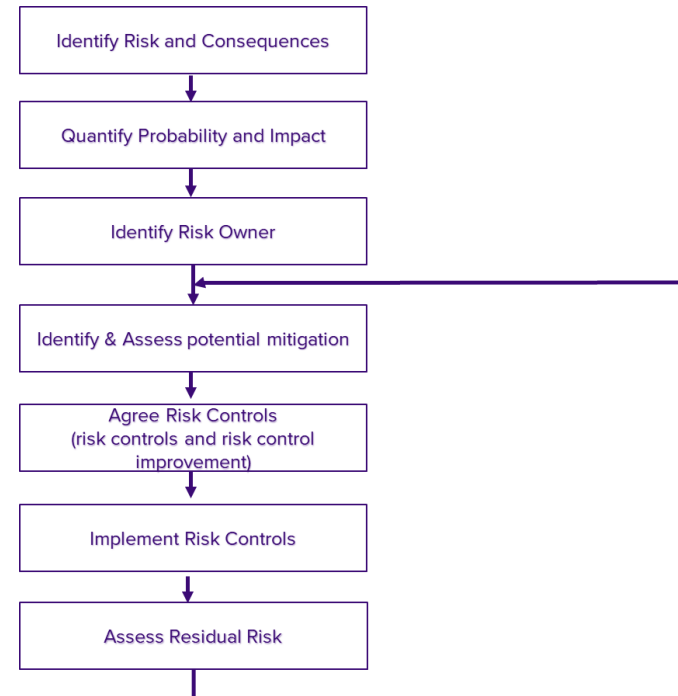
There are several risks that could impact on the delivery, progression and performance of the CWF. A summary table of risks is set out at Appendix 4 – this is not exhaustive but reflects a collection of the key risks.

## RISK STRATEGY

Camden Council will establish a risk management approach for the CWF that addresses risk, through its governance processes for the Fund (including the reporting and monitoring via the CWF Investment Board and Cabinet) and individual investment risk, through the CWF Investment Team. Overview and Scrutiny also plays a key role in terms of risk management. Risk management by the Council will follow a four stage process in order for risk management to be effective, risks must be:

1. Identifying Risk - The risk must be described, and possible consequences outlined;
2. Assessing Risk - Each risk must be ranked in terms of its estimated impact and immediacy;
3. Managing and Controlling Risk - Appropriate responses to risks must be identified, owners assigned, and responses must be monitored over time; and
4. Reviewing and Reporting Risk - Risks must be reported and monitored until mitigated.

The process to manage risks is set out in the flowchart below:



To facilitate the above approach, a risk register will be maintained and discussed in CWF Investment Team meetings. This will inform the monitoring reports that go to the CWF Investment Board on a monthly, quarterly, and annual basis respectively.

## RISK APPETITE

Risk appetite is the level of risk that an organisation is prepared to accept in the pursuit of its objectives, and before action is deemed necessary to reduce the risk. It is important to understand and consider the consequences of failure for projects and how this informs risk management. Key aspects of risk such as reputational damage heighten as the risk appetite and size of investment increases. The Council have indicated that their overall risk appetite in relation to the activities to be undertaken as part of the CWF as:

- **Open** - Tolerance for decisions with potential for significant risk, but with appropriate steps to minimise any exposure and deliver benefits.

These are some of the key risks and mitigations to be considered in relation to risk appetite:

Risk Category	Key Risks	Risk Mitigations
<b>Cautious</b>	<ul style="list-style-type: none"> <li>• Eligibility Criteria limited to organisations with track record of delivering successful outcomes</li> <li>• Investment sizes capped per initiative with no investment being more than 5% of the Fund size</li> <li>• Smaller less diverse portfolio of investments aimed at specific outcome</li> <li>• Predominantly debt or debt and grant</li> <li>• Expect &lt;1% of projects to fail – strong credit rating</li> </ul>	<ul style="list-style-type: none"> <li>• Risk is mitigated effectively by governance management and reporting structures in place by Camden Council e.g. Project Management Framework, Risk Strategy, Risk Management Framework and Risk Register; and</li> <li>• By approach to Risk outlined in Fund Management Manual and Business Case.</li> </ul>
<b>Open</b>	<ul style="list-style-type: none"> <li>• Multiple investment strategies aimed at specific outcomes</li> <li>• Range of investment types – portfolio approach</li> <li>• Higher risk interventions start to be used e.g. Equity</li> <li>• Potential for investment of a range of duration</li> </ul>	<ul style="list-style-type: none"> <li>• Risk dispersed across portfolio using umbrella structure with separate Sub-Funds and flexibility to move funds across sub-funds according to market intelligence and demand</li> </ul>

Risk Category	Key Risks	Risk Mitigations
	including long term 'patient' capital <ul style="list-style-type: none"> <li>• Expectations that with greater reward/bigger impact and/or higher return</li> <li>• Expect &lt;10% of projects to fail</li> </ul>	<ul style="list-style-type: none"> <li>• Higher risk interventions, including those with reputational risks, to be approved on a case by case basis with increased levels of due diligence and sign off by Cabinet</li> <li>• Increasing layers of monitoring and reporting by Fund Advisor</li> </ul>
<b>Hungry</b>	<ul style="list-style-type: none"> <li>• Large portfolio focused on a wide range of outcomes and priorities</li> <li>• Predominantly high risk high impact interventions e.g. Equity</li> <li>• Longer term investing / 'patient' capital without guaranteed exits</li> <li>• Greater reward/bigger impact and/or higher return</li> <li>• Expect &lt;30% of projects to fail</li> </ul>	<ul style="list-style-type: none"> <li>• Insertion of claw back clauses into investment agreements</li> <li>• Increased levels of due diligence and layers of governance approval</li> <li>• Option to commission additional external advisory service to evaluate</li> </ul>

## RISK MANAGEMENT

The Investment Strategy indicates the potential for a series of investments to be made by the Community Wealth Fund. In funding these investments, the deployment profile indicates Camden Council's net cash requirement which will need to be monitored regularly. All of these investment activities carry with them varying degrees of risk that must be

considered and managed within risk appetite thresholds. This section sets out the risk management strategy, including a risk register that will look to manage risk at a portfolio level.

The Council's risk management strategy is embedded by the CWF Investment Board into its management of the CWF and robust monitoring process of individual investments, as well as the portfolio. Performance of the Investment Fund is also monitored by the CWF Investment Team and CWF Investment Board and reported through highlight reports and a risk log/register.

Cabinet and Scrutiny Committee can request further input into any investments where the risk of investment requires further scrutiny, or where the risk of default has increased following the original investment decision.

### MANAGEMENT & PERFORMANCE MONITORING

A performance management framework will monitor the performance of the Fund to ensure that the Fund meets its objectives, investments perform as expected, and delivers the outcomes/benefits required.

The framework comprises four elements:

1. Portfolio and Sub Fund performance;
2. Live investments performance;
3. Pending investments – to understand the pipeline of investments; and
4. Rejected / Referred investments – to identify any trends or missed opportunities

Performance of the Fund is monitored using a range of indicators including outputs and outcomes, and using Financial, Economic, and Social and Environmental metrics. Monitoring reports are used to assess the ongoing performance of the Fund at a portfolio level in terms of meeting its objectives, and to assess individual investments and ensure they are performing as expected. Monitoring will be quarterly, showing historic and predicted data to ensure that trends are identified, and the necessary

adjustments made to the Investment Strategy. Metrics can be used at portfolio, Sub Fund, and individual investment level.

The proposed list of indicators, set out by outputs, outcomes, benefits, financial and economic metrics for the Fund are set out in the tables below:

Financial metrics	Portfolio	Sub Fund	Investment
Investment value (£)	✓	✓	✓
Interest received (£)	✓	✓	✓
Principal repayment (£)	✓	✓	✓
Cashflow (£)	✓	✓	✓
Surplus/deficit to date (£)	✓	✓	✓
Yield and/or profit on cost (%)	✓	✓	✓
Yield and/or profit on equity investment	✓	✓	✓
Internal rate of return (%)	✓	✓	✓
NPV (£)	✓	✓	✓
Loan to value or cost (%)	✓	✓	✓
Interest rate cover ratio	✓	✓	✓
Debt service cover ratio	✓	✓	✓
Default rate (%)	✓	✓	
Management fees (£)	✓	✓	
Running cost recovery (%)	✓	✓	

Economic metrics	Portfolio	Sub Fund	Investment
Jobs created	✓	✓	✓
Cost per job created	✓		✓
Jobs safeguarded	✓		✓
GVA uplift	✓		
Number of businesses supported	✓	✓	✓
Number of new start up businesses	✓	✓	✓

Private sector leverage	✓		✓
Public sector leverage	✓		✓

Social and Environmental metrics	Portfolio	Sub Fund	Investment
Well-being and prosperity measures	✓	✓	✓
Responsible Investments	✓	✓	✓

Inequality being tackled	Portfolio	Sub Fund	Investment
No. of socio-economically disadvantaged individuals invested with through the fund	✓	✓	✓
No. of socio-economically disadvantaged individuals supported through participation in the fund	✓	✓	✓

As part of the Community Guidance Group review process, Applicants would self select (with guidance) from the above suite of performance metrics to choose those most relevant to their 'Story'. The Community Representatives would then be responsible for monitoring progress in realising outcomes against these metrics. In addition to performance management indicators and metrics, each investment is subject to regular monitoring, for example against the conditions in the loan document to identify 'trigger events' that would require escalation or review such as missed repayments or changes to management structures.

Quarterly monitoring reports are to be provided by the Fund Manager / CWF Investment Team to the Investment Panel Board. Quarterly monitoring reports will typically be provided by the Fund Manager to forums as required. An annual report to Cabinet is an additional layer of governance. All financial reporting will include reference to how the Fund

fits into Camden and the CWF financing overall. Included in the reporting process will also be:

- Investment Strategy as a key control document that is updated annually to reflect market intelligence to guide investment decision making
- An overview of any pipeline investments that are currently part way through the deal making, due diligence or approval process
- A summary of investments that have been rejected or referred and details of the reason for any rejection
- Risk Register

### Pipeline

An overview of any pipeline investments that are currently part way through the deal making, due diligence or approval process, as is show in the example table below:

Pipeline investments											
Investment name	Sub-Fund	Investment company	Investment value	Product	Application date	Lapsed time	Strategic alignment	Risks	Resources	Other	Current status
Investment #1	Business	Company #1	£1.5m	Commercial loan	01/04/2023	60 days	Green	Yellow	Green	Red	Business case approved (cabinet)
Investment #2	Business	Company #2	£750k	Commercial loan	10/04/2023	30 days	Green	Red	Green	Green	Pre-business case approval
Investment #3	Business	Company #3	£500k	Commercial loan	15/05/2023	15 days	Yellow	Red	Green	Green	Sift approved (Investment panel)
Investment #4	Business	Company #4	£2.45m	Commercial loan	02/06/2023	5 days	Green	Yellow	Yellow	Yellow	Pre-sift approval

Monitoring of the pipeline will include reporting information on deal origination to indicate the number of investment applicants from minority Black, Asian or other Ethnic founders.

### Rejected / Referred

A key section of monitoring reports is to summarise key risks with associated mitigating actions and escalating those investments where a trigger event requires a decision to be made.

A summary of investments that have been rejected or referred and details of the reason for any rejection is shown in the example table below:

Rejected investments							Referred investments	
Investment name	Sub-Fund	Investment company	Investment value	Product	Application date	Rejection date	Reason for rejection	Referral (if applicable)
Investment #5	Business	Company #5	£750k	Commercial loan	03/04/2023	20/06/2023	Not strategically aligned to Fund priorities - could revisit if priorities change	Referred to (x) other ANW programme
Investment #6	Business	Company #6	£20m	Commercial loan	12/05/2023	20/06/2023	Insufficient security on loan to reflect the level of risk	Referred to (x) other subregional programme
Investment #7	Business	Company #7	£500k	Commercial loan	13/05/2023	20/06/2023	Unable to agree heads of terms - may return in 6 months	n/a
Investment #8	Business	Company #8	£250k	Commercial loan	03/06/2023	21/07/2023	Company not ready for investment	Referred to Business readiness programme
		<b>BIG</b>						
<b>Rejection rate</b>			5%					

Reporting will also monitor the types of business support pipeline investments are being referred to and for.

## Dashboard

As part of the regular monitoring process and included in all reporting a visual dashboard of performance metrics may be provided. This will provide an 'at a glance' summary of overall fund performance and some key metrics such as:

- Deployment (£)
- Surplus /deficit to date
- Default rate
- Key outcomes

There is an opportunity to record and monitor benefits that may still be achieved despite rejection for investment from the Fund, including:

- Total amount (£) invested in business support
- % of investments that secure investment via the Fund following business support
- % of investments that referred to other programmes that go on to secure investment and the benefits associated with that investment

# 8. Implementation Plan & Timetable

## STEPS TO ESTABLISH THE COMMUNITY WEALTH FUND

The following diagram sets out the key activities to launch and start to operate the fund following cabinet approval:



The section below outlines the approach and sets out an implementation plan with key milestone dates based on the approach to launching the CWF with an initial stage in order to determine proof of concept.

## IMPLEMENTATION PLAN

The following table sets out the key milestones that relate to the implementation programme for the Fund:

Activity	Description	Target Milestone/ Start Date	Target End Date
<b>Set Up</b>			
Approvals	Cabinet Approval to launch Fund Cabinet Approval of Investment Strategy	July 23	

Activity	Description	Target Milestone/ Start Date	Target End Date
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 Investment Board meeting	Mar 23 Sept 23 Sept 23 March 24	Aug 23 April 24
<b>Launch</b>			
Launch	Press Release Website live PDF brochure	February 24	
Individual Fund launch	Initial Stage	April 24	April 26



Activity	Description	Target Milestone/ Start Date	Target End Date
	Full fund	April 26	
<b>Operation - Established Investment Activity</b>			
External Fund Management Procurement	Fund Manager Procurement (if required) Procurement Exercise	Sept 25	

## NEXT STEPS

The following are the key next steps for the Council in implementing this Business Plan and establishing the Community Wealth Fund:

- Socialise the CWF Proposals with Members;
- Present the CWF Business Plan to Cabinet seeking approval to establish the fund and allocate the budget for set up activities and for the first 2 years of operation;
- Seek Legal Advice on operating model and other commercial considerations;
- Continue Business support discussions with Google on Accelerator Mentorship Programme;
- Recruit internal resources for the CWF Investment team, including Community Representatives ;
- Procure external advisory resources;
- Establish Governance Framework;
- Prepare Marketing & Engagement Strategy; and
- Commence Communication and Engagement programme with community.



## Appendix 1 Market Engagement

Findings – Contained as Appendix 3 to  
main Cabinet report

## Appendix 2 Draft Investment Strategy

– Contained in Appendix 2 to the  
main Cabinet Report







## Appendix 3 'Red Lines' and Exclusion Criteria

To ensure that investment decisions are made responsibly and with integrity, there are project or business 'exclusion criteria' that prohibit direct investment.

The exclusion criteria are as follows:

- No part of the Funding can be used for any kind of activity that could bring London Borough of Camden into disrepute, including but not limited to (1) party political purposes, (2) the promotion of particular secular, religious or political views; (3) gambling, (4) pornography, (5) offering sexual services, or (6) any kind of illegal activities

Activities of the business of project that have non-compliance with:

- Human Rights
- Animal Welfare
- Tobacco
- Deforestation
- Excluded Companies, those:
  - who are involved in environmental degradation, human right abuses, child labour, forced labour, fraud, and corruption
  - listed in RepRisk: Most Controversial Companies report: (<https://www.reprisk.com>)
  - whose primary business or the investment proposal relates to the continued delivery or support of the fossil fuel industry

- delisted in accordance with the Communication on Progress Policy to the UN Global Compact: (<https://www.unglobalcompact.org/participation/report/create-and-submit/expelled>)

## Appendix 4 – Summary of Key Risks

Risk	Avoid / Reduce / Accept	Proposed Counter Measure / Mitigation
<p><b>The Political environment</b> – recent guidance has suggested that Local Authorities should be more considered when making investment decisions, with the preference from Central Government seemingly to be against a commercial investment approach</p>	Reduce	A Business Case is to be prepared for each individual investment decision and this will flag or consider any commercial or political constraints on the proposed investment opportunity
<p><b>Guidance from CIPFA</b> on deterring borrowing for investment purposes to seek to generate a yield</p>	Reduce	The Investment Strategy will include both financial and non-financial criteria for the assessment of investment opportunities and the Business Case will seek to show alignment with both to demonstrate that any borrowing will not be solely for investment purposes
<p>The continued restrictions in place on <b>access to PWLB.</b></p>	Accept	To be monitored and considered by the CWF Investment Board
<p><b>Economic climate</b> - the impact of inflation and rising costs on the local economy and likely recession may reduce the viability of investment proposals</p>	Accept	The fund will operate on a commercial basis and will not therefore be investing into financial unviable schemes. However, the Fund itself may attract inward investment to support economic growth and aid economic recovery post COVID 19.
<p><b>Resources and Skills</b> – A lack of available or suitable resources could result in delays to the establishment of the Investment Panel / sourcing of investment opportunities</p>	Reduce	The marketing strategy and promotion of the opportunities of the Fund via the Council’s own network will widen the potential pool of resources available to the Council.
<p><b>Benefit Realisation</b> – there are delays or missed opportunities to secure the outcomes sought from investment opportunities</p>	Reduce	Regular monitoring of performance and benefit realisation by the Investment Panel through the life of the investment and clear exit strategy in place.
<p><b>Investment performance</b> - Higher levels of bad debt, higher default levels, lower levels of return and /or low market interest results in under performance of the CWF and the Council losing money.</p>	Avoid	<p>Sensitivity testing analysis has been undertaken to model the CWF to demonstrate that overall investment performance can be achieved in a range of scenarios and via a diverse portfolio of investments.</p> <p>A number of crystallisation events will be created as milestones in the management of the CWF that will ensure the Council cover their costs as a minimum.</p> <p>The flexibility of the CWF with a portfolio approach will ensure a diversification of investments with a range of risk, return and types of investments to mitigate against underperformance.</p>



Risk	Avoid / Reduce / Accept	Proposed Counter Measure / Mitigation
<b>Market Interest</b> in the Fund is lower than expected and a smaller quantum of investment opportunities being sourced and difficulty in raising co-investment in order to scale the fund.		The focus and priority areas of the Fund will be based on economic analysis and regular input from the community to identify needs and outcomes they seek.
<b>Reputation</b> - concerning liability surrounding investments, public perception of investments made and adhering to responsible and sustainable practice.	Reduce	The marketing, communication & engagement strategy will be key to managing the public perception of the Fund.
<b>Losses</b> - The Council is slow in making corrective actions where investments are performing below expectations resulting in higher than expected losses or the fund may be assigned insufficient resource to monitor and recover debts following the initial investment period, resulting in higher than expected losses	Reduce	Robust governance and performance monitoring process with multiple layers of reporting to identify underperformance early on and establish appropriate monitoring. Larger and higher risk investments also to include appropriate clauses with loan contracts e.g. clawback to mitigate risk. Decision making reserved internally initially so the Council has autonomy over this.
<b>Perception</b> - There is a risk that recent coverage of Local Authorities getting into difficulty when making loans to third party entities means that the fund is poorly received and subscription is low	Reduce	A robust Marketing and Engagement Strategy is to have an objective to mitigate negative impacts associated with recent coverage of Local Authorities. The strategy will be produced accordingly to clearly signpost and communicate the positive impacts of the Fund and the operation that will underpin it.
<b>Market flexibility</b> - There is a risk that if Investment objectives are unclear, not consistently applied or don't adapt to meet changing market conditions or the needs of the Camden Community then the fund will not meet the stated objectives	Reduce	Investment Strategy is to be a dynamic document that responds to market intelligence and demand and is updated annually. Fund is being operated as a Closed Fund to enable a gateway decision to be taken at the end of the investment period whether objectives are being met and to proceed accordingly.

# Appendix 5 – Summary of Legal Advice

Legal advice prior to launch of the Fund is required on the following matters:

- 1) Vires & Fiduciary Duties** – The powers available to the Council to establish the fund and make investments and compliance with fiduciary duties;
- 2) Public Subsidy Regime** – commercial considerations and specific guidance in relation to the types of investment the CWF will make, compliance with Subsidy Control regulations and utilisation of the Small Amounts of Financial Assistance (SAFA) in the provision of grants and small loans.
- 3) Operating Model & Structure:** Confirm the optimal legal construct and operating model of the fund and tax structure associated with it including:
  - a. The process to set up and establish the legal operating model including any necessary registrations;
  - b. The route and opportunity to secure co-investment;
  - c. Determining the Accountable Body and the role of the Council in the short and longer term;
  - d. Advising on the governance arrangements to support the operating model;
  - e. Direct and indirect tax implications of proposed structure;
- 4) Regulatory Position** – Whether FCA regulation is required or if CWF activity will be caught by the scope of the Financial Services and Markets Act.

In order for the fund to be ready to launch, legal advisors may also be required to provide the following:

- Contract negotiating and drafting for Fund Manager if not via a Framework;
- Produce a legal suite of standard legal and investment documentation e.g. loan agreements and HoTs that looks to minimise risk by setting out:
  - The purpose of the loan;
  - The duration of the loan;
  - The repayment terms;
  - Agrees suitable security for each investment e.g. a charge over applicants assets or a Parent Company Guarantee (where appropriate) Has sufficient reporting criteria; and
  - Any specific terms and conditions regarding taking on additional debt.