

A guide to setting up an urban Habitat Bank

National Trust

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PLYMOUTH CITY COUNCIL

Ocean City Nature

What is habitat banking?

Habitat banking means creating or restoring a habitat, and setting aside — or 'banking' — the resulting biodiversity units. Developers can buy the biodiversity units to meet mandatory 10% net gain requirements.

Upfront investment can be used to fund delivery, and the investor is repaid as biodiversity units are generated and sold. The sale of biodiversity units provides a critical revenue stream for Local Authorities to maintain the newly restored or created habitat for a minimum of 30 years.

Biodiversity unit revenue both repays investors for the upfront cost of creating or restoring habitats, and provides a revenue stream for Local Authorities to maintain them for at least the required 30 years. You can invest any surplus in other initiatives, for example, supporting local conservation activity, greenspace provision or continued maintenance past the 30 year maintenance period.

Habitat banks working across towns and cities can also, in the long term, help nature’s recovery in urban places. Biodiversity Net Gain is mandatory for almost all development. So if there are no units for sale within an urban area, developers will have to look elsewhere to offset. This could lead to a net loss of biodiversity within the urban area.



About this guide

This guide explains the steps involved in setting up a habitat bank, from initial planning to launch. It broadly applies to two types of habitat banks:

- Habitat banks wholly-owned and run in-house by the local authority
- Habitat banks run through special purpose vehicles that are:
    - Wholly-owned by the local authority
    - Owned by the local authority in partnership with not for profit organisations
    - Jointly owned by several local authorities

If you decide to lease land to a third-party habitat bank provider, you'll need to follow a different process.

How to use the guide:

We've set out the steps in this guide in logical order.

That said, setting up a habitat bank isn't a linear process, so you may have to go back and revisit some of the steps.

At each stage, you'll need to work out which stakeholders to involve. Habitat banking requires cross-directorate working, so effective communication and engagement are a must. It may be a good idea to have dedicated comms support in place to act as a central point of contact, and ensure everyone is consulted and kept up to date.

It typically takes around 18 months to set up a habitat bank, but the actual timeframe depends on several factors. These include your capacity, resources, and logistical factors such as the seasonality of ecological surveying, and how long it might take to provide costs for habitat works and make decisions. Of course you might have already completed some of these steps which will make your journey from here on in quicker.

Step 1: Getting started

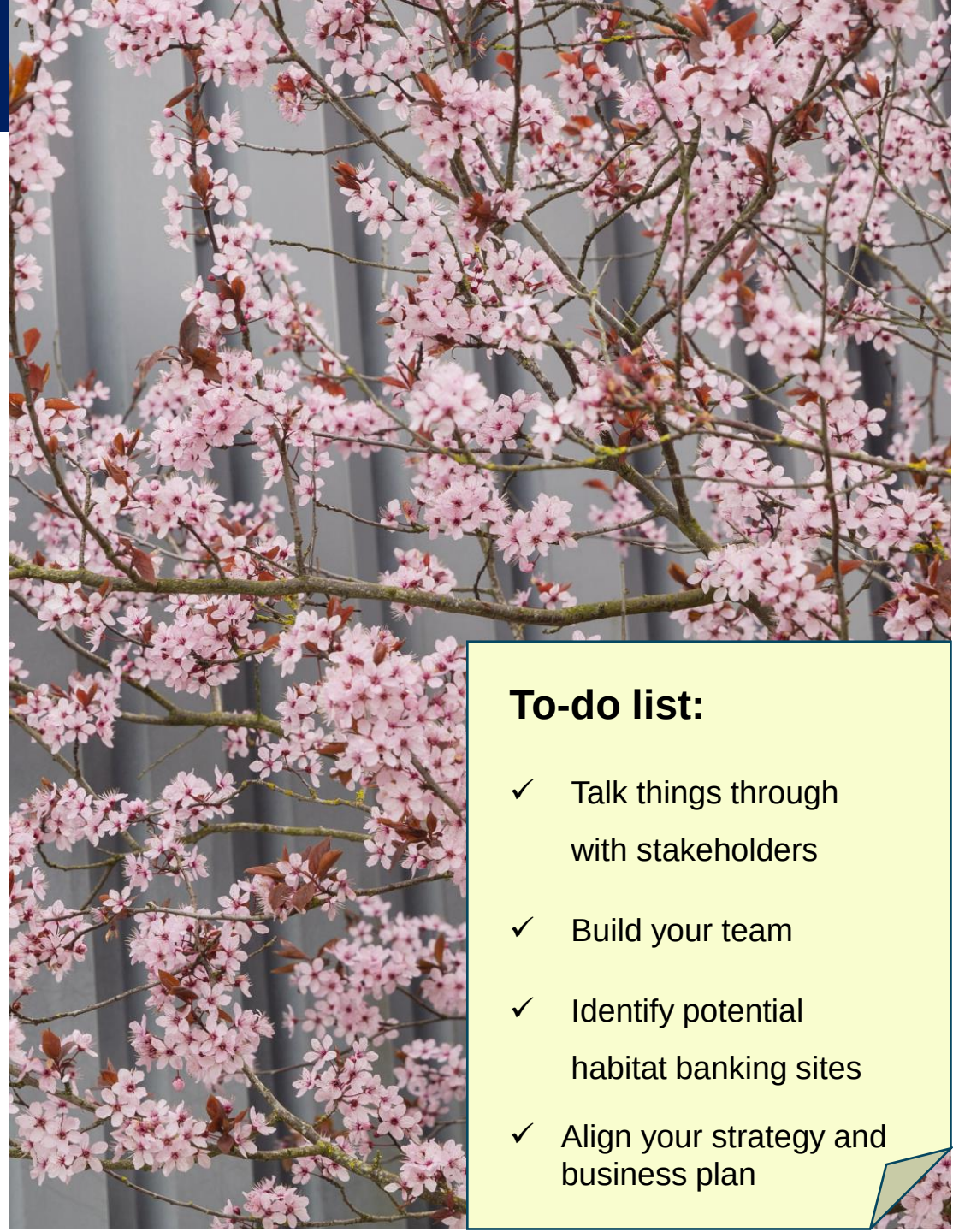
Setting up a habitat bank is innovative work and a process with many moving parts.

You'll need a team who can set time aside to work on it.

The project will likely also involve a large number of stakeholders. So it's important to have someone in place who is skilled at overcoming barriers, creating consensus, and keeping things moving.

Who to involve:

- Senior management team
- Key council members
- Portfolio holders
- Representatives from:
  - Planning
  - Finance
  - Legal
  - Economic development
  - Green space
  - Communications
- External finance, legal, and communications specialists



To-do list:

- ✓ Talk things through with stakeholders
- ✓ Build your team
- ✓ Identify potential habitat banking sites
- ✓ Align your strategy and business plan

Step 1 tasks

Task 1: Talk things through with stakeholders

Because habitat banking is complex and challenging, it's important to talk things through with the relevant teams as early on in the process as possible. This will enable them to understand what it entails more quickly, making it easier to make informed decisions down the line.

Include executive directors, key councillors, and portfolio holders in your discussion.

Task 2: Build your team

You'll likely need representatives from:

- The greenspace or environment team, including ecology
- Finance
- Legal
- Planning

Costing the works as accurately as possible is fundamental, so you should also involve your grounds maintenance contract manager early on.

Your team should:

- Understand how land is currently used and the opportunity for change
- Have a good grounding in habitat creation and restoration, public access improvements, and site maintenance
- Ideally, you'd also have mapping support

Given the highly specialised nature of the work, you may also need external advisors to help you build a business plan, set up your habitat bank's legal structure, make your case to investors and help you to manage your risks.

Task 3: Identify potential habitat banking sites

Habitat banks don't operate in a vacuum, so it's important to understand the wider strategic context. This will help you make sure your habitat bank furthers your priorities and creates the right number and type of biodiversity units.

Things to consider include:

- Where are proposed developments in your local authority area located?
- Which parts of your local authority area are most likely to see significant land-use change?
- Which parts of your local authority area are in most need of new or enhanced natural infrastructure
- Your priority areas for nature recovery? And how much would this cost?

Task 4: Align your strategy and business plan

How will your habitat bank help maximise environmental, social, and economic benefits for your local authority area?

Our Biodiversity Net Gain Principles for Offsetting can help you identify the elements that are most important to you, so you can build them into your plan.

Coming up next… Background research

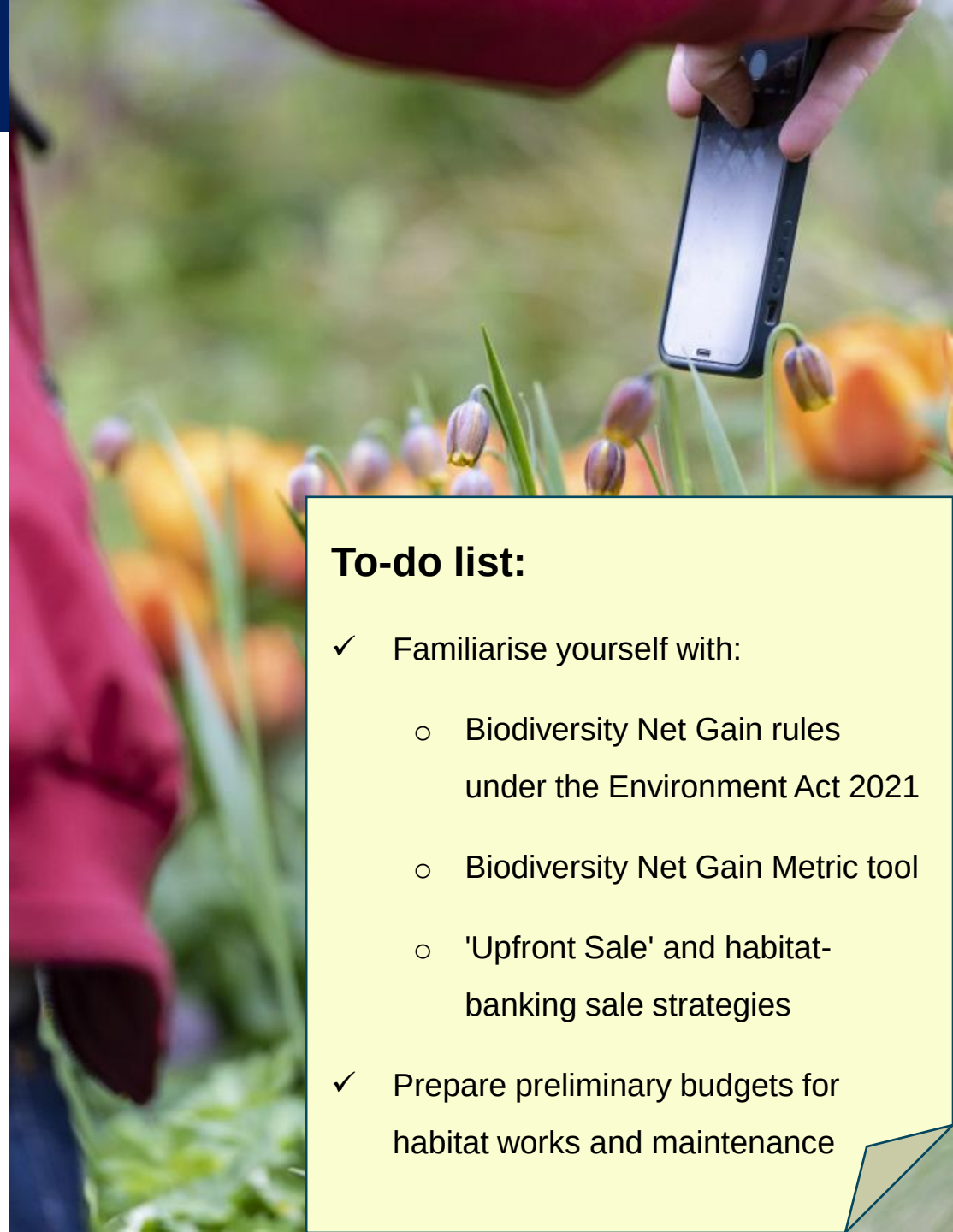
Step 2: Background research

There’s some background information you'll need to become familiar with before you can move forward with a habitat banking project.

You'll also need to put together some outline costs, accounting for habitat creation or restoration, and ongoing maintenance.

Who to involve:

- Senior management team
- Key council members
- Portfolio holders
- Representatives from:
  - Climate
  - Economic development
  - Grounds maintenance
  - Green space
  - Finance
  - Regeneration and development
  - Legal
  - Planning



To-do list:

- ✓ Familiarise yourself with:
  - Biodiversity Net Gain rules under the Environment Act 2021
  - Biodiversity Net Gain Metric tool
  - 'Upfront Sale' and habitat-banking sale strategies
- ✓ Prepare preliminary budgets for habitat works and maintenance

Step 2 tasks

Task 1: Familiarisation

There are three key areas, listed below, you'll need to get acquainted with before you move forward with a habitat banking project.

How to measure the number of biodiversity units in a habitat

Ecologists and other experts measure how many biodiversity units there are in a habitat using the Biodiversity Net Gain Metric tool. This uses species diversity, habitat quality, ecosystem health indicators, and other ecological data to assess and quantify changes in biodiversity over time.

In the context of habitat banking, the ecologist will first work out the number of biodiversity units in an existing habitat — the baseline biodiversity value. They'll then work out how many biodiversity units your proposals would generate.

Your supply — that is, how many biodiversity units you can bank — is the number of units habitat creation or restoration would generate, less the baseline biodiversity value.

Biodiversity Net Gain legislation

From February 2024, developers in England have a legal duty under the Environment Act 2021 to avoid biodiversity loss and achieve at least 10% biodiversity net gain. They must achieve the biodiversity net gain in accordance with the following mitigation hierarchy:

- On the site itself
- If achieving it on the site isn't possible, offsite or through offsetting, that is by purchasing biodiversity units from an authorised supplier

You can find out more on the Government website.

Task 2: Preliminary budgets

There are two parts to this, and you'll need your grounds maintenance contract manager's input for both of them.

First, you'll need to work out how much it would cost to create or restore the habitat.

The second part then entails working out how much it would cost to monitor and maintain the site for 30 years (the period required by law).

Your costings should factor in:

- Nature restoration tasks and activities
- Access infrastructure, such as pathways, fencing, and bins
- Staff and equipment
- If the project requires specialist work, third-party suppliers' fees

Selling biodiversity units

You can sell biodiversity units in one of two ways:

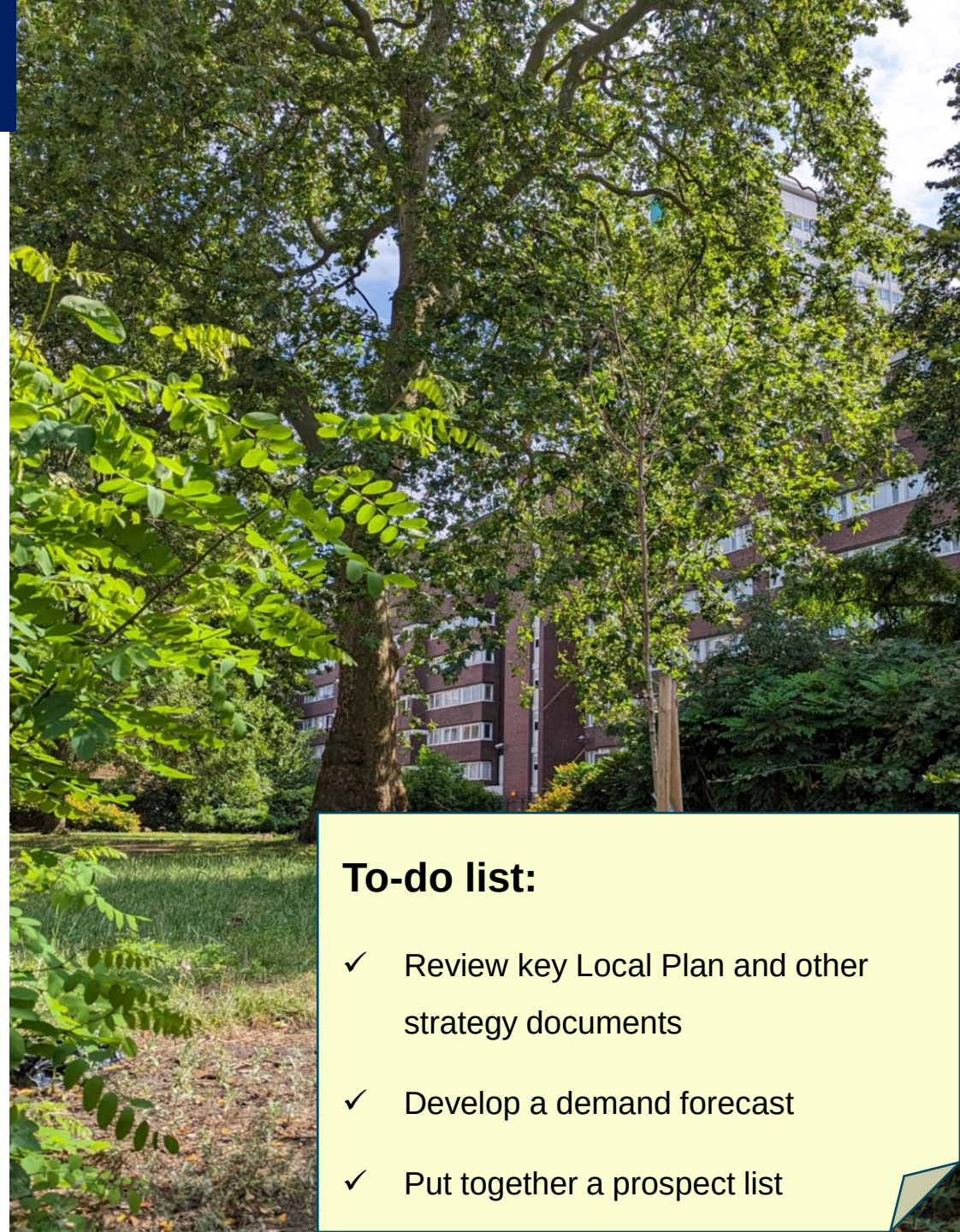
1. Upfront selling: This means selling the biodiversity units at or around the time you create or restore the habitat
2. Habitat banking: Here, you set biodiversity units aside and sell them once the habitat you've created or restored is established. This usually means in 10 or 20 years' time.

Every project is different, but a mix of the two approaches typically works best.

Coming up next… Assess demand

Step 3: Assess demand

With the preliminaries taken care of, it's time to gauge how much demand for biodiversity units, and of what type, there might be within your local area. This will enable you to project how much revenue you might reasonably expect your habitat bank to bring in.



Who to involve:

- Representatives from:
  - Planning
  - Regeneration
  - Green space, including ecology
  - Finance

To-do list:

- ✓ Review key Local Plan and other strategy documents
- ✓ Develop a demand forecast
- ✓ Put together a prospect list

Step 3 tasks

Task 1: Review Local Plan and other key strategy documents

This will give you an idea of likely demand for biodiversity units.

Look at your Local Plan, 5 year housing land supply requirement, major development plans, regeneration frameworks, and other supplementary planning documents, then highlight development hotspots to identify which planning applications might need units, how many and what type. This information will be useful when it comes to determining where you might create biodiversity units close to areas of demand.

It's also a good idea to analyse previous Section 106 spending, and start thinking about potential developers to reach out to, to do early market engagement.

Task 2: Develop a demand forecast

Understanding roughly what the demand is for biodiversity units will help your business case development. A five-year pipeline is a good place to start, but it's best to review this regularly.

You can sell biodiversity units at any time after the restoration is compete until the end of the 30-year maintenance window, so it's important to take a long-term view.

To create a headline demand forecast and understand potential income, you'll need to know (or estimate) the following:

- Development area (ha) / dwelling numbers (units) in forthcoming planning applications
- Number of dwellings per area
- Average biodiversity units lost / ha
- Proportion of onsite BNG delivery (%)
- BNG requirement (%) as determined by BNG policy
- Biodiversity unit price (£)

Task 3: Put together a prospect list

Whilst it’s possible to sell biodiversity units outside your locality, developers are incentivised to buy local.

Check infrastructure, transport, and housing growth targets in your area. These will give you a good idea of whether there will be enough demand for biodiversity units over the next five years.

Planning teams, and regeneration and development teams can help you to understand likely demand and maybe even introduce you to some people to start to test the market. Though you will want to be careful about engaging too widely at this point.

Coming up next… Assess supply

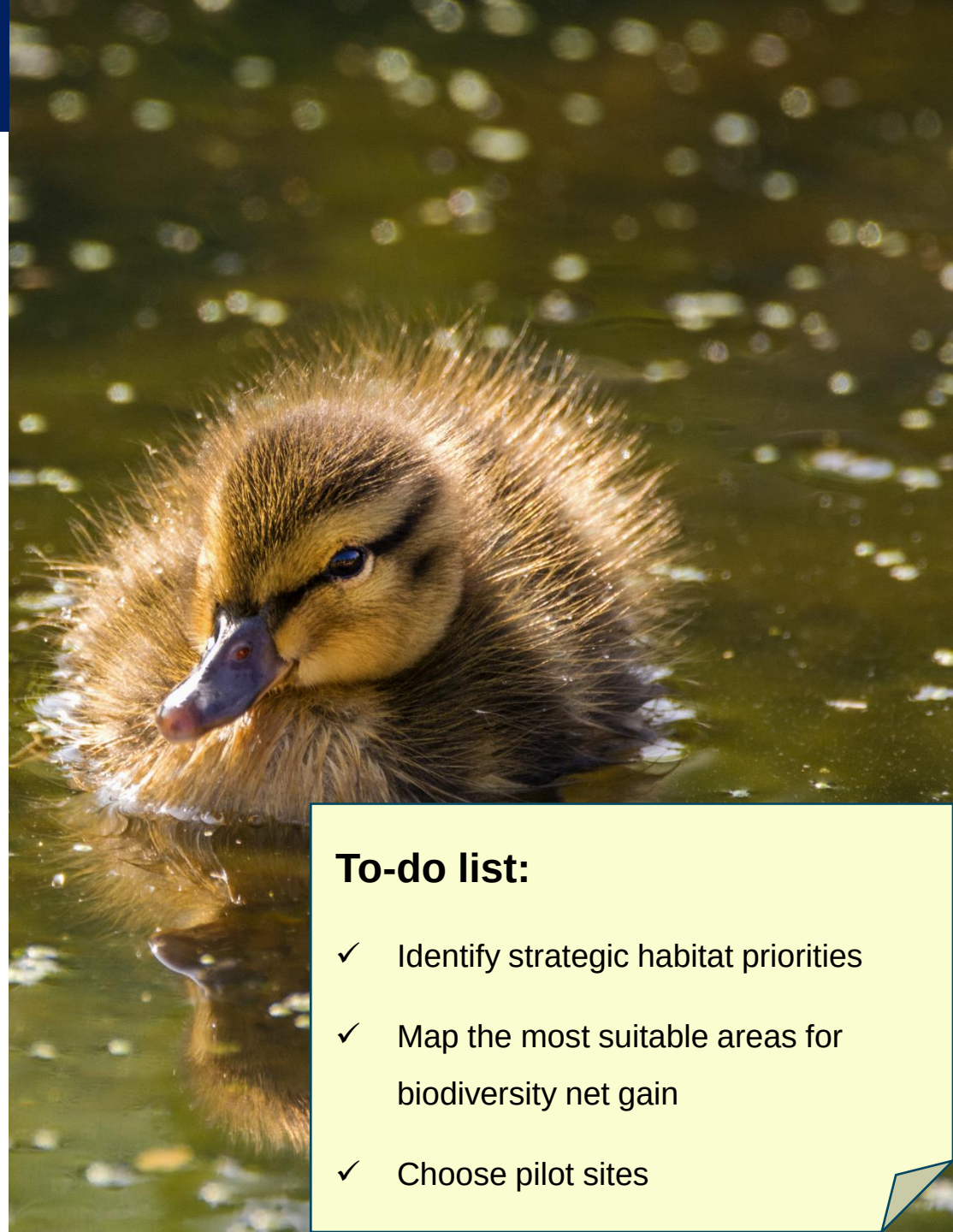
Step 4: Assess supply

You've assessed how much demand there might be for biodiversity units in your area.

Now, it's time to assess supply. What are your strategic habitat priorities? And in which specific sites within your local authority area would habitat creation or restoration support them?

Who to involve:

- Representatives from:
  - Asset management team
  - Regeneration
  - Green space team, including ecology
  - Grounds maintenance
  - Finance
  - Legal
  - Planning
  - Local environmental organisations



To-do list:

- ✓ Identify strategic habitat priorities
- ✓ Map the most suitable areas for biodiversity net gain
- ✓ Choose pilot sites

Step 4 tasks

Task 1: Identify strategic habitat priorities

You'll need to read through your Local Nature Recovery Strategy and Biodiversity Action Plan to do this.

It's really important to reference your priority urban habitats and sites in your Local Nature Recovery Strategy. This is because the biodiversity net gain metric allocates 15% more biodiversity units to sites within it. That 15% uplift could be key to your habitat bank's viability.

However, not all priority urban habitats will make it into the Local Nature Recovery Strategy, so it’s worth referencing your Green Infrastructure strategy at this stage as well.

Task 2: Map the most suitable areas for biodiversity net gain

Where within your local authority would habitat creation, enhancement, or restoration be most likely to achieve biodiversity uplift? And what type of units will be required, e.g. grassland or woodland or something else.

Try to think as broadly as possible. For example, could you work with the Local Nature Recovery Network Partnership, or some other environmental organisation?

Mapping things out using GIS will make it easier to refer back to this information and share it with stakeholders.

Task 3: Choose initial sites

It’s best to start with a handful of sites. Individual sites may not be viable or become unsuitable, so it's worth making a list and modelling the costs for each. The BNG Site Selection Criteria (on the next page) and your BNG Offsetting Principles can help you decide.

Just as important, carry out Land Registry checks, Local Land Charges searches, and other due diligence on your chosen sites before you work up your plans. This way, you won't risk putting time and effort into sites that have prohibitive restrictions or other issues that might make them financially unviable.

Your asset management and legal team can help with these checks.

Step 4: Site selection criteria

This criteria has been developed by Finance Earth for the identification and assessment of initial BNG sites.

Criteria	Sub Criteria	Description
Eligibility	**Ownership**	Ideally, land under LA control may be preferred for initial sites. In practice, land under other forms of ownership may also be considered.
	Funding	Ideally, to ensure that BNG income is additional, sites with existing grant/public funding and designations should not be considered. In practice, sites with Lottery funding and Local Wildlife Site designations have been considered.
Strategic Fit	**Location**	Ideally, sites should be strategically located e.g. Nature Recovery Network or close to known developments with a known BNG demand. This is not a necessity.
	Connectivity	Ideally, sites should promote connectivity with other strategic habitats. This is not a necessity.
	Public Access	Ideally, sites should be located near deprived neighbourhoods and promote public access and community benefits. This is not a necessity and may increase maintenance costs.
Viability	**Size/Scale**	Ideally, sites should include more than 15 ha of BNG intervention area as they are more likely to be viable given economies of scale. In practice, smaller sites may be considered especially when aggregated along with other local small sites.
	Habitat Types	Ideally, grassland sites and sites that are not in high quality may be preferred at an initial stage since they generate units faster than woodland sites & high quality sites. In practice, sites with a mosaic of habitats have been considered.
	Costs	Upfront and ongoing costs of land, habitat delivery and maintenance should be estimated.
	Demand	Offset demand availability should be assessed to ensure supply is appropriately matched.

Coming up next… Carry out an ecological assessment

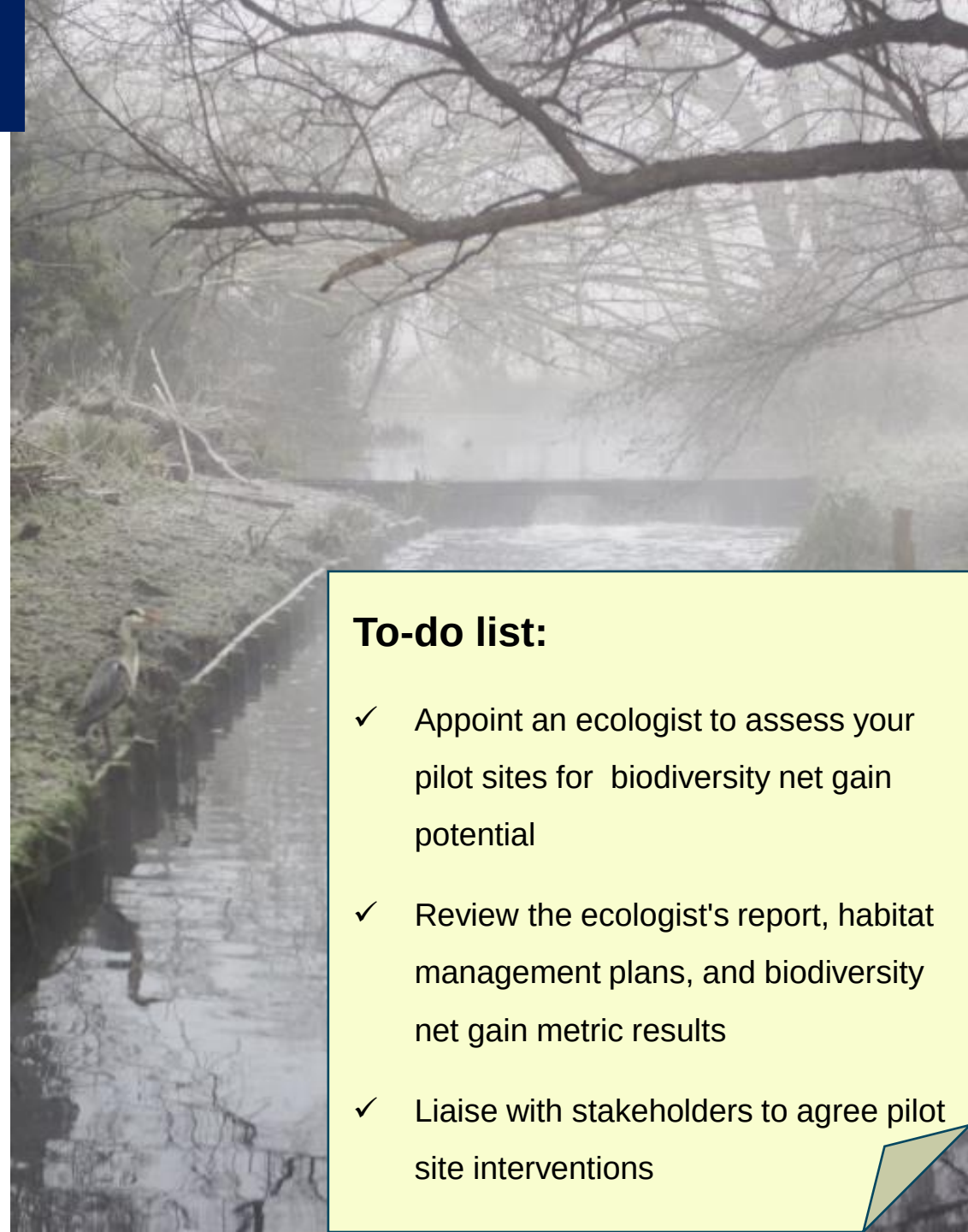
Step 5: Carry out an ecological assessment

You can carry out biodiversity net gain site assessments in-house, or appoint an independent third-party. An independent third-party can give potential investors and buyers an extra layer of reassurance, making it easier to secure funding and sell units.

Regardless of which route you take, the ecologist should meet with site managers and take the time to understand the overall vision for each site. This way, they can factor it into their recommendations.

Who to involve:

- Representatives from:
  - Asset management team
  - Regeneration
  - Green space team, including ecology
  - Grounds maintenance
  - Finance
  - Legal
  - Planning
  - Local environmental organisations



To-do list:

- ✓ Appoint an ecologist to assess your pilot sites for biodiversity net gain potential
- ✓ Review the ecologist's report, habitat management plans, and biodiversity net gain metric results
- ✓ Liaise with stakeholders to agree pilot site interventions

Step 5 tasks

Task 1: Appoint an ecologist

Depending on your circumstances, you could instruct the ecologist to assess all potential habitat banking sites, or just your initial sites.

The benefit of the former is that it tells you how many biodiversity units and, in turn, how much revenue you could expect to generate overall.

Task 2: Review the ecologist's report, habitat management plans, and biodiversity net gain metric results

The ecologist will do the following:

- Review previous site surveys and relevant documentation
- Visit the site to collect UKHab survey data and carry out a habitat condition assessment. This usually takes place between May and July
- If the site is next to a river or within riparian zones, a modular river survey
- Put together a summary of baseline habitat types and their condition
- Put together a summary of target habitat types and their condition
- Work out baseline biodiversity units using the Biodiversity Net Gain Metric tool
- Put together Habitat Management and Monitoring Plan — a list of recommendations for managing each habitat type on the site over the legal 30-year period. You can find a model Habitat Management and Monitoring Plan on Natural England's website.

Task 3: Liaise with stakeholders to agree pilot site interventions

Consider how your access infrastructure can support the biodiversity net gain uplift. For example, your footpaths and seating could steer people away from sensitive wildlife habitats.

Coming up next… Put together a financial plan

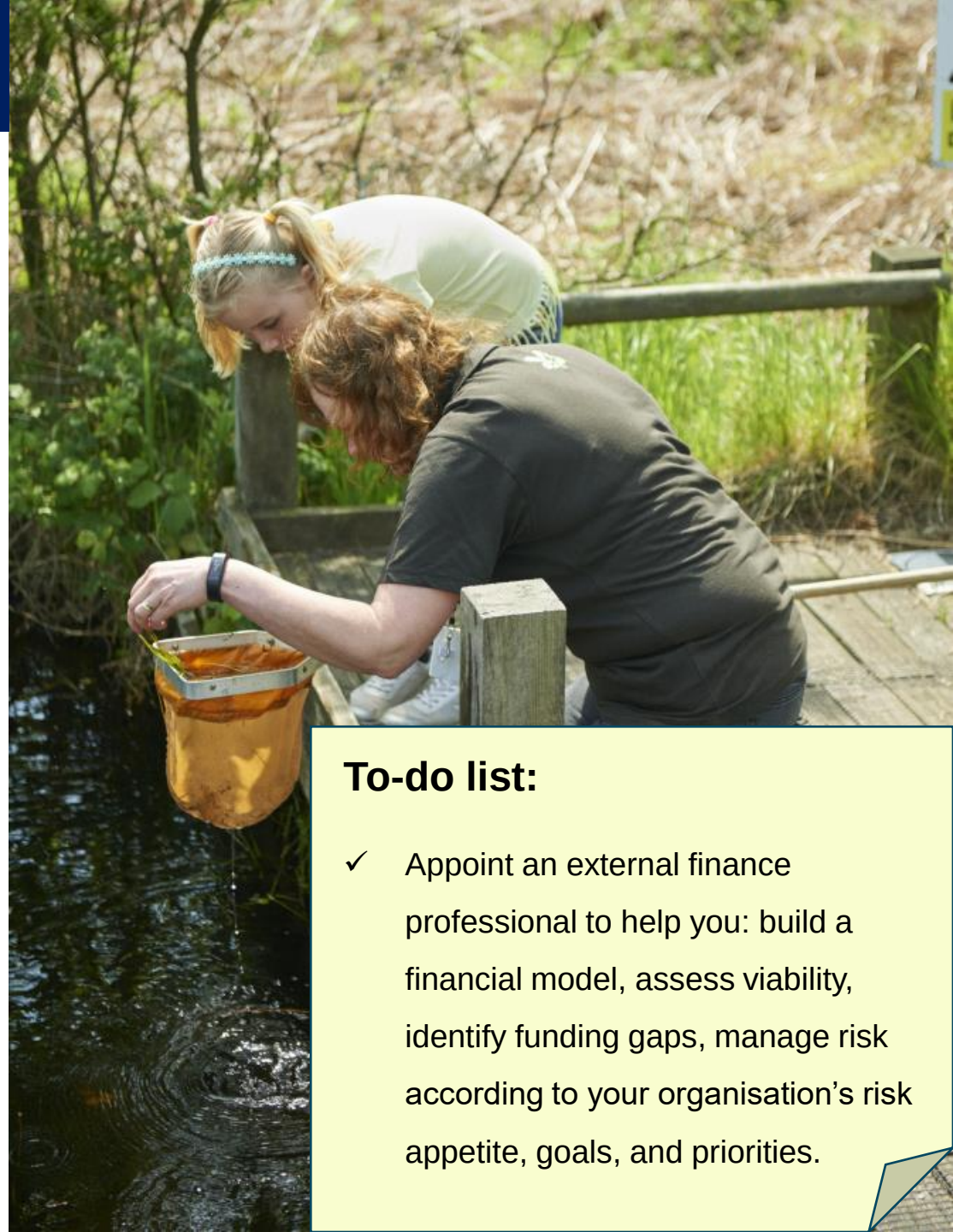
Step 6: Put together a financial plan

Because habitat banking is a complex, highly specialised, and a new area, it might be best to appoint an external financial partner who understands the market to carry out financial modelling. They might also have experience of brokering investment deals.

Your finance team should also be involved every step of the way. This helps you ensure your external partner's financial models are aligned with your organisation's risk appetite, goals, and priorities.

Who to involve:

- Senior management team
- Key council members
- Portfolio holders
- Ecologist
- Third-party finance specialist
- Representatives from:
  - Regeneration
  - Finance
  - Green space
  - Grounds maintenance
  - Legal
  - Planning



To-do list:

- ✓ Appoint an external finance professional to help you: build a financial model, assess viability, identify funding gaps, manage risk according to your organisation’s risk appetite, goals, and priorities.

Step 6 tasks

Task 1: Appointing an external finance specialist

Your external finance specialist will:

- Assess estimated costs (based on the ecologist's report) and input these to the model
- With your information, build a working aggregated financial model using agreed assumptions
- Develop pilot site and aggregated models to assess viability
- Identify the upfront funding gap
- Help you work out potential biodiversity unit sales strategies

Estimating costs

For each site, you'll need to account for both initial intervention and the 30-year maintenance and management period. Use actual costs, from your grounds maintenance provider. And remember to include site access infrastructure, equipment, and staff costs into your estimate.

It's a good idea to start high. You can always revise the figures down later, if necessary.

The working aggregated financial model

This model will give you data you can use to:

- Test ideas
- Decide which sites are viable
- Work out the best time to sell biodiversity units
- Get an idea of break-even biodiversity unit prices
- Estimate the amount of upfront investment you will need
- Find out if you're likely to have a surplus you can invest in other works or to extend the 30-year maintenance period.

You should continuously update your working aggregated model, so it stays accurate.

To help manage risk, the Biodiversity Net Gain Metric includes a difficulty multiplier and a discount factor. The difficulty multiplier is applied to habitats that are harder to restore. The discount factor kicks in if you sell units upfront, before you confirm interventions are complete.

Your external finance partner will also account for fluctuations in price and demand, inflation, and the cost of operating the habitat bank.

As the seller, it's your responsibility to make sure your biodiversity units' price is high enough to cover your costs as a minimum, you might also be able to make surplus. Supply and demand, the type and distinctiveness of the habitat, and when you sell all have an impact on price.

Coming up next… Start engaging with potential buyers

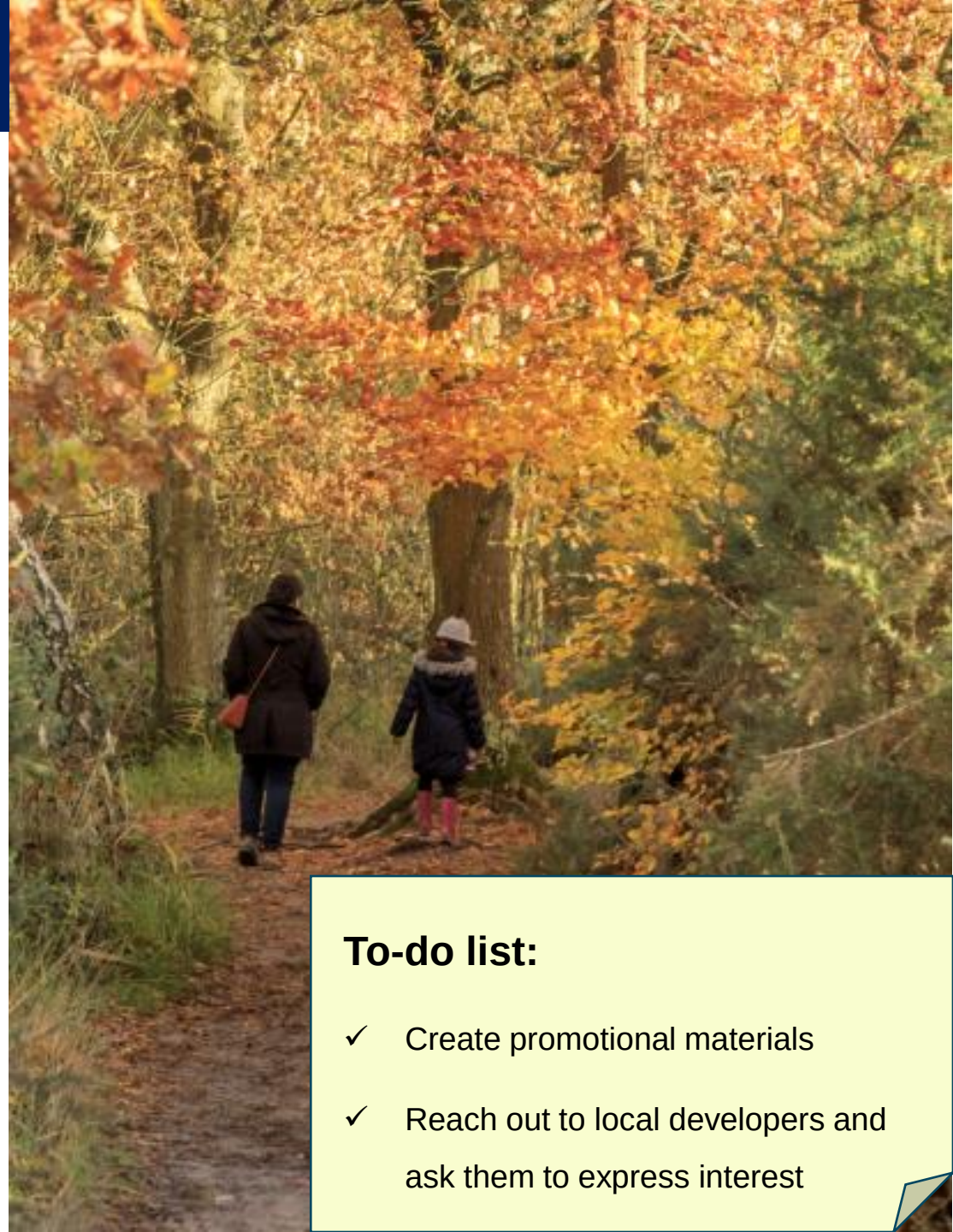
Step 7: Start engaging with potential buyers

Developers have a legal obligation to achieve at least 10% biodiversity net gain. So, unless they know there will be biodiversity units available locally, they'll likely look elsewhere to secure a supply.

For this reason, it's important to engage with them early on. The sooner local developers know about your habitat bank, the more likely they will be to buy biodiversity units from you, and not seek them outside your area.

Who to involve:

- Senior management team
- Key council members
- Portfolio holders
- Third-party finance specialist
- Representatives from:
  - Regeneration
  - Finance
  - Green space



To-do list:

- ✓ Create promotional materials
- ✓ Reach out to local developers and ask them to express interest

Step 7 tasks

Task 1: Create promotional materials

You should target a range of developers, including large-scale private developers and developers of affordable housing.

It might also be worth exploring engagement with other businesses such as B Corps and other corporates with nature-positive targets. While not legally obliged to meet minimum biodiversity net gain requirements, they may still be interested in buying biodiversity units to offset their carbon or ecological footprint.

Task 2: Reach out to local developers and ask them to express interest

It's a good idea to approach this in two phases.

Phase 1: Reach out informally to friendly local developers
At this stage, it's fine to provide developers with just a topline overview of your habitat bank. For example, you could put together a basic slide deck with key points, plus a list of questions for discussion.

The idea is to gauge interest and find out whether your product and offer meet the needs of the market.

Phase 2: Formal engagement
It's best to do this once you've secured (cabinet) approval for your habitat banking vehicle and everything is in place — bank account, website, contracts, and other documentation.

At this stage, it's worth creating a detailed pitch deck you can use to persuade developers to commit to buying your biodiversity units.

Coming up next… Pick your preferred structure

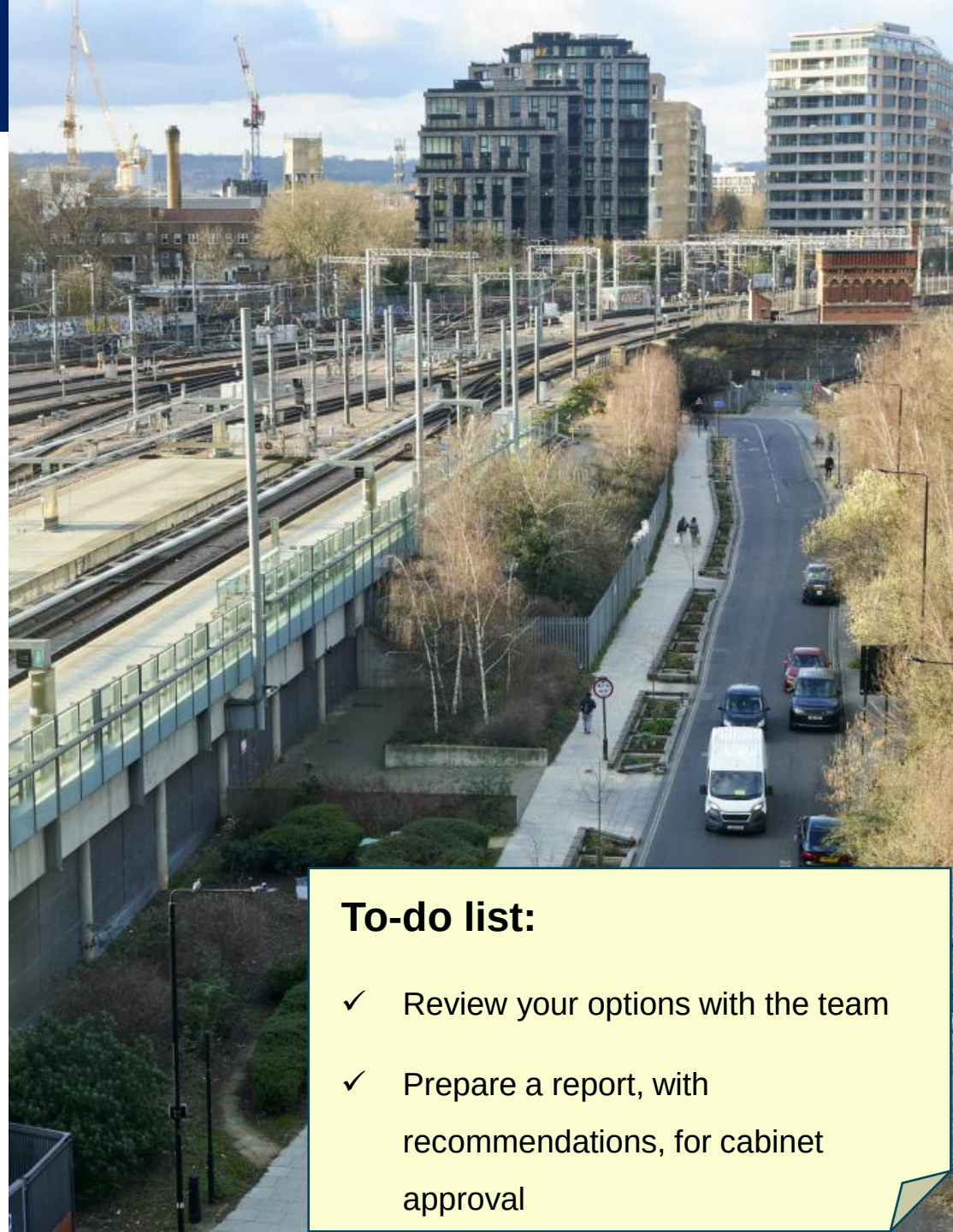
Step 8: Pick your preferred legal and governance structure

You can structure your habitat bank in three main ways:

- Lease land to a third-party that will create or restore habitats
- Run it in-house, within your local authority
- Create a special purpose vehicle. This could be:
  - Wholly-owned by your local authority
  - Owned by your local authority in partnership with one or more local charities
  - Jointly owned by several local authorities.

Who to involve:

- Senior management team
- Key council members
- Portfolio holders
- Third-party finance specialist
- Representatives from:
  - Finance
  - Green space
  - Asset Management
  - Legal
  - Planning



To-do list:

- ✓ Review your options with the team
- ✓ Prepare a report, with recommendations, for cabinet approval

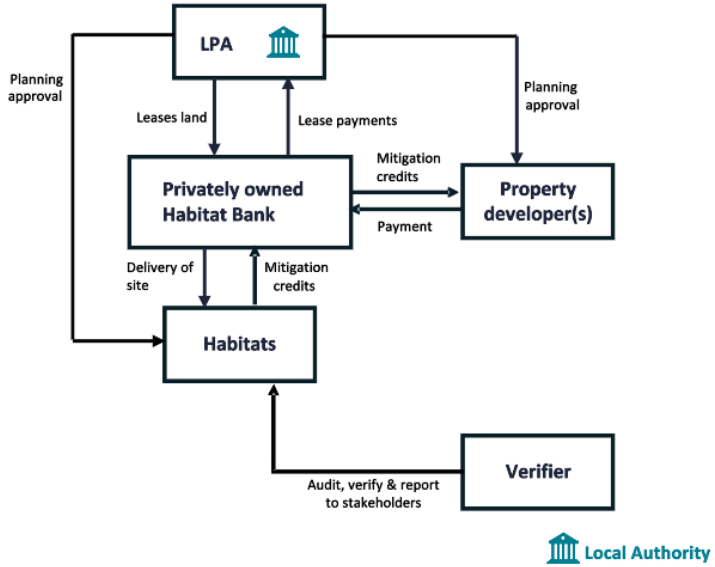
Step 8 options

Tasks 1 & 2: Review your options and prepare a report, with recommendations

Each option has its pros and cons, explored in the following pages.

There may also be political considerations, so it's best to involve key politicians (i.e. council Members and Portfolio Holders) in the decision, as well as keeping your senior leadership team informed.

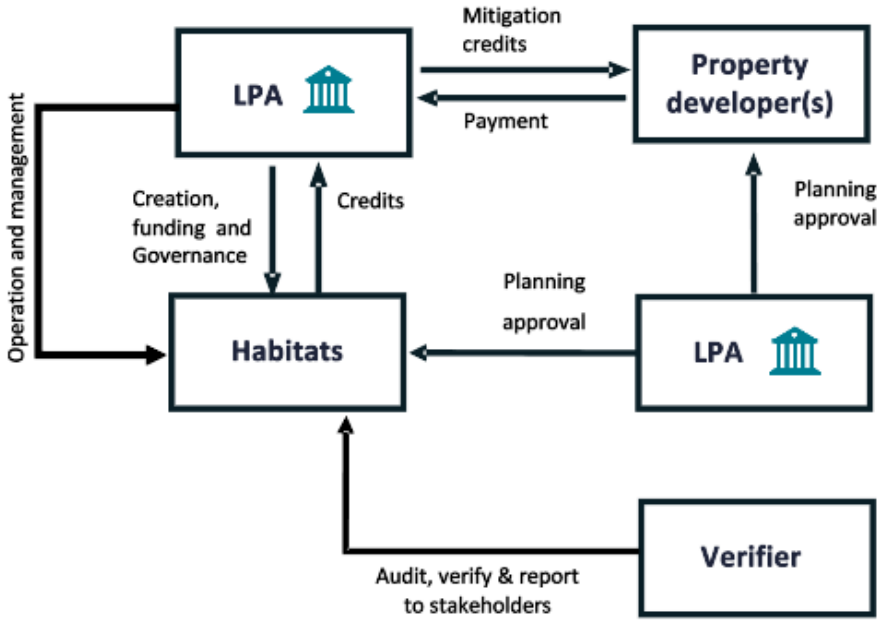
Option 1: Lease land to a third-party that will create or restore habitats



Pros	Cons
Low financial risk	Less control over habitat planning and delivery, including the quality of the outcome
	Risk of public access restrictions
	Private operator takes the biggest share of the profit
	Should the operator go bust, the habitat may revert to you, without the associated revenue streams

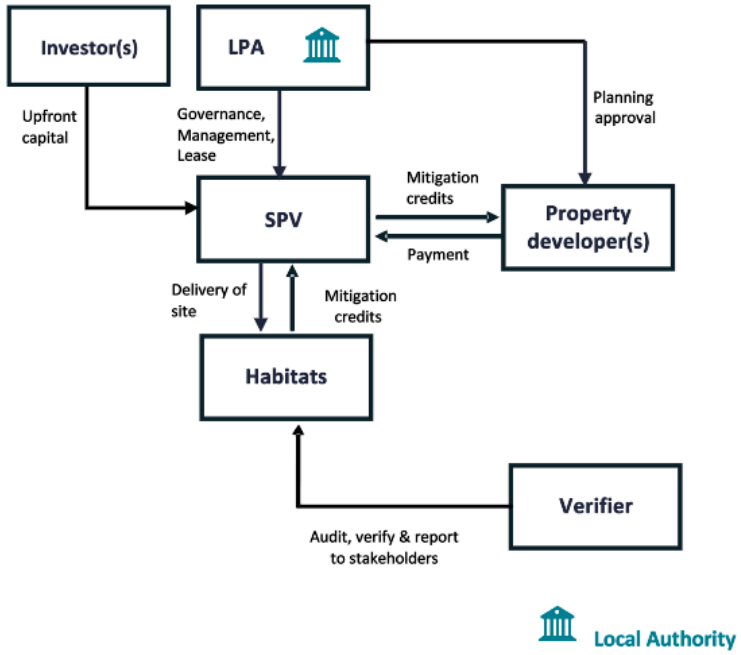
Thanks to our partner Finance Earth for providing the governance diagrams in this section.

Option 2: Run the habitat bank in-house



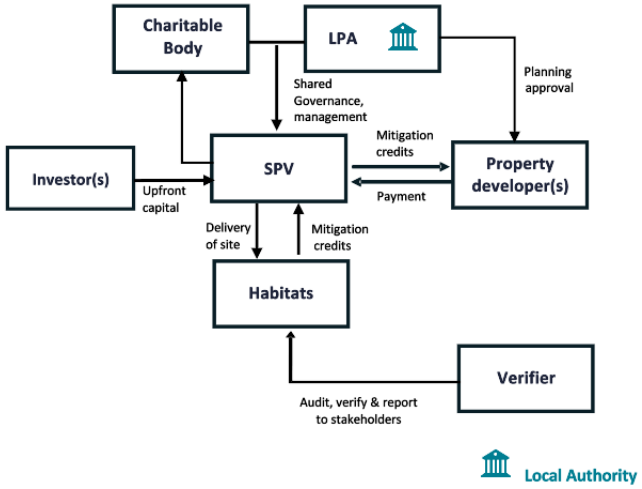
Pros	Cons
Full control of the process, including habitat design, delivery, maintenance, and sales	High financial risk
You retain all the revenue, though it may be challenging to ring-fence them for park management	Potential for conflicts of interest
	Requires a large amount of resources and expertise
	Harder to raise external capital

Option 3: Wholly-owned special purpose vehicle



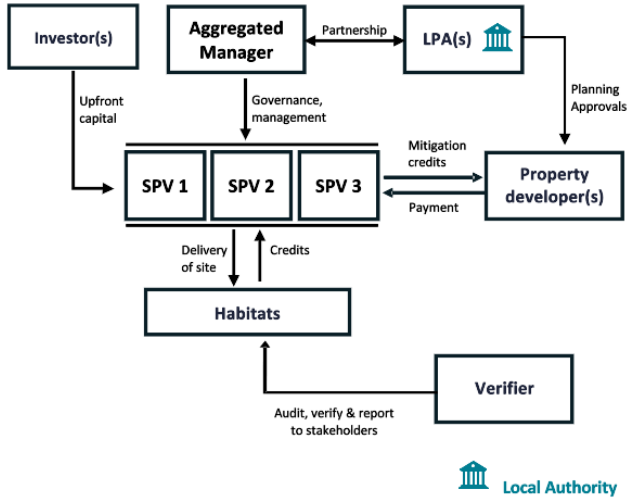
Pros	Cons
Full control of the process, including habitat design, delivery, maintenance, and sales	Requires a large amount of resources and expertise
Easier to raise external capital and share profits with investors	
No risk of public access restrictions	
Most of the revenue stays within your local area	

Option 4: Special purpose vehicle in partnership with local charities



Pros	Cons
Tax-efficient	Requires resources and expertise, though to a lesser extent than wholly-owned special purpose vehicles
Easier to raise external capital and share profits with investors	Less control over habitat design, delivery, and outcomes (though more than would be the case in Option 1)
No risk of public access restrictions	Requires very clear governance and collaboration arrangements
Most of the revenue stays within your local area	

Option 5: Special purpose vehicle owned by a collective of local authorities



Pros	Cons
Costs and resources are shared, easing the burden	Less control over habitat design, delivery, and outcomes (though more than would be the case in Option 1)
Easier to raise external capital and share profits with investors	Requires very clear governance and collaboration arrangements
No risk of public access restrictions	
Most of the revenue stays within your local area	
Ability to scale supply and demand across a larger area, and potentially support landscape level local nature recovery	

Coming up next… Get legal advice

Step 9: Get legal advice

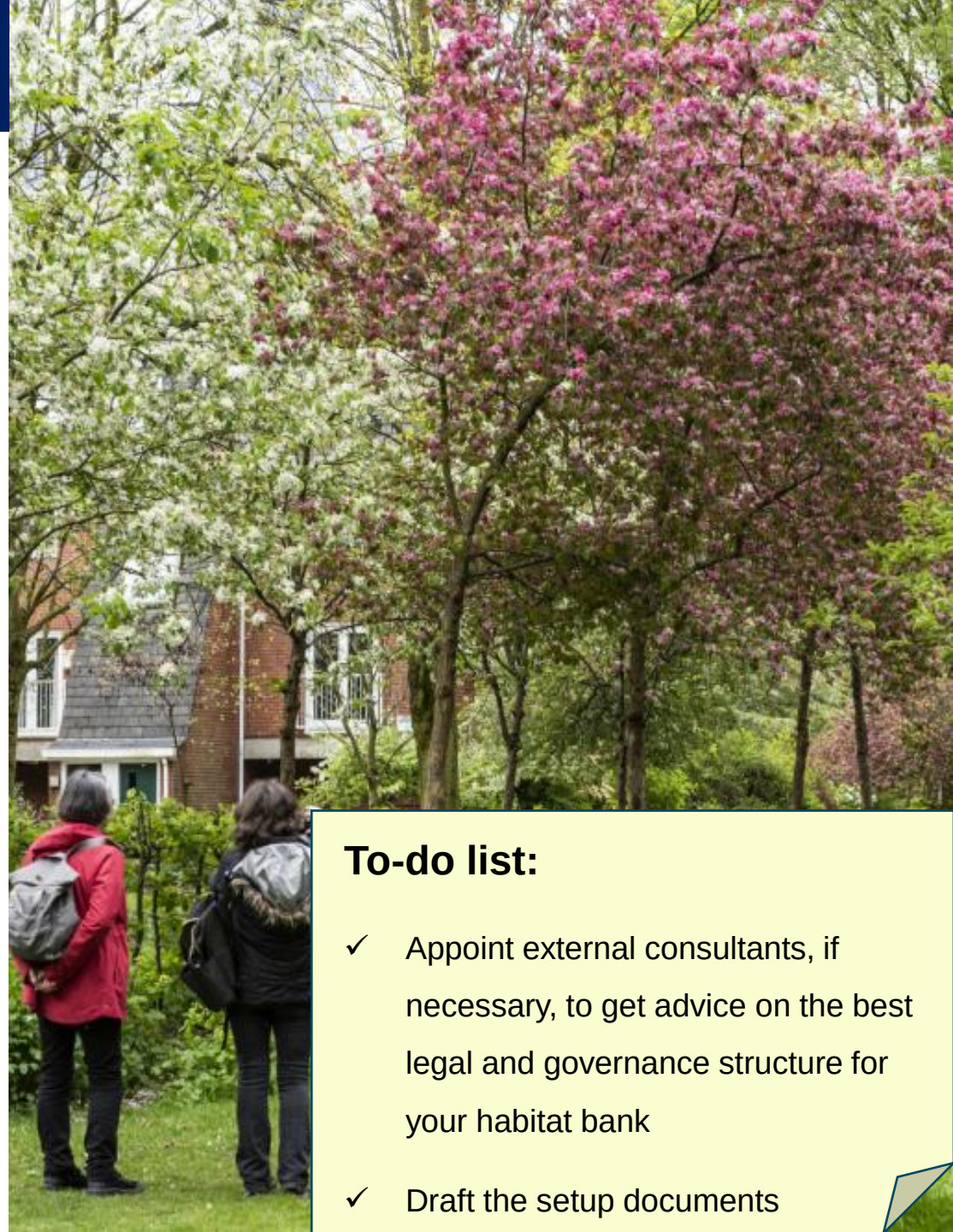
Depending on your circumstances, your in-house legal team may be able to advise on the most suitable legal and governance structure for your habitat bank and set it up, or you might need external legal help.

Either way, it's important that your in-house team is involved every step of the way, because senior management and councillors will likely go to them for advice and reassurance.

You'll also need to involve your finance team, as they'll want to make sure they understand the tax status of your habitat bank.

Who to involve:

- Third-party finance specialist
- Third-party legal expert
- Representatives from:
  - Finance
  - Green space
  - Legal
  - Planning



To-do list:

- ✓ Appoint external consultants, if necessary, to get advice on the best legal and governance structure for your habitat bank
- ✓ Draft the setup documents

Step 9 tasks

Task 1: Appoint external consultants, if necessary, get advice on the best structure for your habitat bank

Once you've appointed your external legal consultant (if needed), considered their advice, and picked an option, you'll need to work with legal to draft Heads of Terms.

These are a series of documents that set up the habitat bank and formalise its governance and operations.

To make this process easier, we've commissioned model Heads Of Terms. These are still in progress and, once ready, will be available on request.

Task 2: draft the setup documents

Depending on which legal and governance option you choose for your habitat bank, the documents you'll need will include:

- An outline business plan
- Articles of association
- Shareholders' or members' agreement
- A management services agreement for third-party suppliers
- A land lease for each habitat site, with the habitat bank as the tenant
- A land management agreement between the habitat bank and the organisation carrying out the biodiversity creation or enhancement works
- An allocation agreement or contract of sale the habitat bank can use when selling biodiversity units to developers
- An S106 agreement or conservation covenant

Coming up next… Reach out to investors

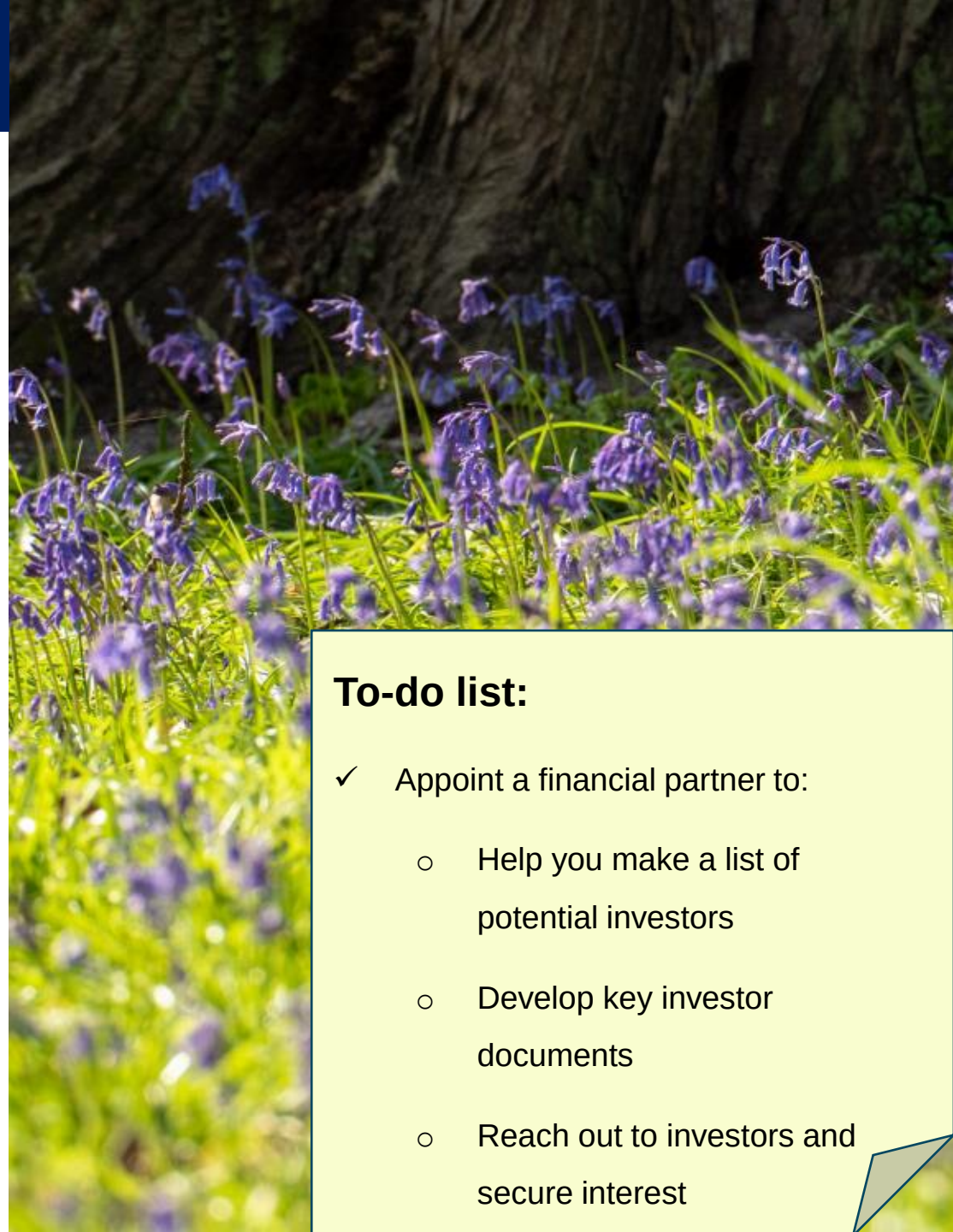
Step 10: Reach out to potential investors

The external financial partner who did your financial modelling may also be able to help you with this step.

Because investment is a regulated activity, you'll need to choose somebody who is FCA regulated. To help ensure this step is aligned with your organisation's risk appetite, goals, and priorities, your finance team should also be closely involved.

Who to involve:

- Third-party finance specialist
- Third-party legal expert
- Representatives from:
  - Finance
  - Green space
  - Legal
  - Planning



To-do list:

- ✓ Appoint a financial partner to:
  - Help you make a list of potential investors
  - Develop key investor documents
  - Reach out to investors and secure interest

Step 10 task

Task 1: Appoint a financial partner

The financial models in step 6 will give you an idea of how much upfront investment you'll need to fund habitat creation or restoration.

The type of investment (and investors) required depend on a number of factors:

- Investment ticket size, that is the minimum investment you require (and the minimum an individual investor is prepared to make)
- The investor's rate of return — that is, the percentage gain on their investment — and what you can support
- The legal structure you've chosen for your habitat bank. Some types of investment, such as equity investment, are only possible if your habitat bank is set up as a company limited by shares
- Your organisation's risk appetite.

You might also decide to sell biodiversity units upfront, before you begin interventions. The advantage of this is that it lowers the amount of funding you need to get the project off the ground.

The flipside is that, if the intervention isn't successful and the biodiversity units can't be delivered, it can harm your credibility and make your habitat bank less marketable.

Once you've worked out the most suitable route, your external partner will prepare an investment case and other marketing materials for your pilot sites, and use them to attract investors.

The Financial Conduct Authority has specific rules these documents must comply with.

Coming up next… Obtain cabinet approval

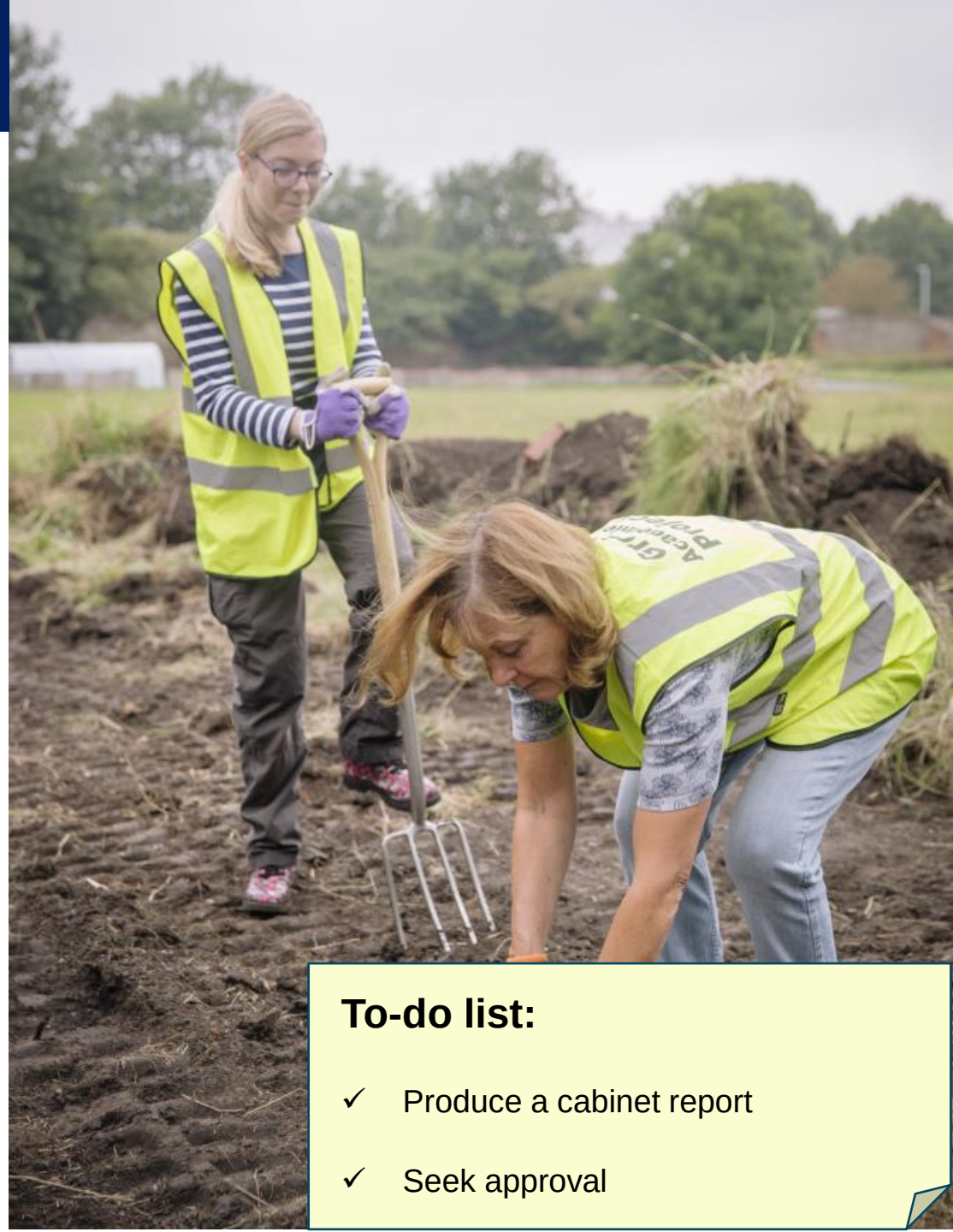
Step 11: Obtain cabinet approval

This is a complex step that requires forward thinking and, potentially, help from team members. You'll need to be thorough to brief and gain support across directorates, stakeholders and decision-makers – so it's worth getting a team together to help you anticipate their queries.

Look out for key meeting dates you could target and plan ahead. You're more likely to get approval if you brief key people thoroughly, as this will help them feel more confident in their decision-making.

Who to involve:

- Cabinet members
- Senior management team
- Key council members
- Portfolio holders
- Third-party finance specialist
- Representatives from:
  - Finance
  - Green space
  - Legal
  - Planning



To-do list:

- ✓ Produce a cabinet report
- ✓ Seek approval

Step 11 tasks

Task 1: Produce a cabinet report

Your report should include:

- The business case. It's a good idea to focus on decision-making, rather than technicalities. You'll likely already have covered the latter in previous briefings.
- A detailed breakdown of your legal and governance model
- An implementation and resourcing plan
- A risk assessment

It may be worth submitting the report jointly, as this will show that your work will have cross-directorate impact.

It's also a good idea to have your external financial partner on hand when you present the report, so they can answer any technical questions.

Task 2: Seek approval

It's likely you'll be seeking approval for several of the following:

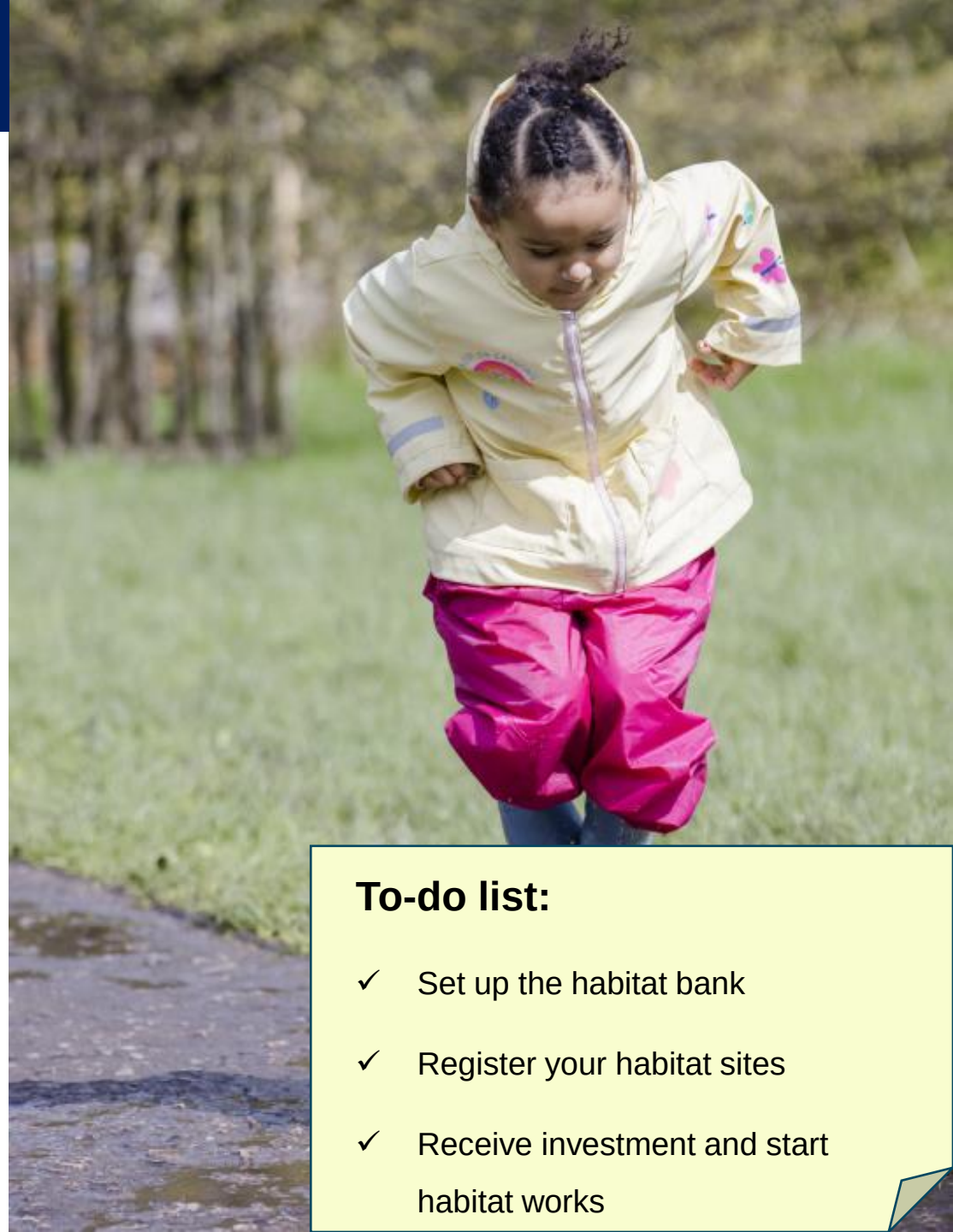
- To create the habitat banking vehicle and / or company structure
- To resource the structure
- To nominate directors
- To appoint a senior officer, such as a finance director, to represent your organisation and ensure its interests are protected
- To delegate authority to a senior officer, such as a finance director, so they can approve and enter into agreements in relation to the habitat bank on your organisation's behalf
- To formally engage with investors and developers

Coming up next… Launch your habitat bank

Step 12: Launch your habitat bank

Now that you have cabinet approval, it's time to put everything in place so you can launch your habitat bank.

It can take up to 18 months to get to this point, so it's worth having a catchup with stakeholders to review your progress and brief them about your launch plans.



Who to involve:

- Cabinet members
- Senior management team
- Key council members
- Portfolio holders
- Third-party finance specialist
- Third-party legal specialist
- Marketing and design
- Representatives from:
  - Finance
  - Green space
  - Legal
  - Planning

To-do list:

- ✓ Set up the habitat bank
- ✓ Register your habitat sites
- ✓ Receive investment and start habitat works

Step 12 tasks

Task 1: Set up the habitat bank

This entails a number of steps:

- Complete and sign the constituting documents your legal team or external solicitor has prepared
- Appoint directors and officers
- Register with Companies House
- Set up a company bank account — this can take several weeks or months, so plan accordingly
- Ensure you have in place all the resources and services you need, including operational staff, accountants, and insurance
- Build a website to promote your habitat bank. The website should highlight your habitat bank's benefits and include instructions on how investors and buyers can get in touch.

Task 2: Register your habitat sites

You must register both your pilot sites and any other sites in Natural England's BNG Register.
You can find detailed, step-by-step instructions on how to do this on the Government website.

Task 3: Receive investment and start habitat works

Now that your habitat bank is live, you can formally engage with investors, receive funding, and start habitat creation, restoration, and enhancement works on the sites you've chosen.

It's also a good time to follow up with local developers and begin selling biodiversity units.

Coming up next… Glossary of terms

Glossary of terms

Aggregated
This means combining several bits of information together to create a single output. The purpose is to simplify analysis and provide more visibility, so it's easier to make confident decisions.

Break even
This is the point at which gains equal the cost of habitat creation, restoration, or enhancement.

Company limited by shares
This is a company in which ownership is divided into units called shares. Each share gives its holder a stake in the company. Should the company find itself in financial difficulty, each shareholder is liable up to the amount they've not yet paid on their shares. So, if a shareholder owns shares worth £300, and has only paid £100, they're liable for £200 of the company's debts.

Company limited by guarantee
In a company limited by guarantee, the members pledge to contribute a fixed amount to the company, called a guarantee. Should the company find itself in financial difficulty, each member is liable up to the amount they've not yet paid. So if a member pledges a guarantee of £300 and has only paid £100, they're liable for the remaining £200. This type of structure is popular with nonprofits.

Equity investment
This is a type of investment in which the investor buys shares and, so, and ownership stake in the company. The investor gets their money back either from dividends — a share of the company's profits — or through capital appreciation. The latter happens when a company is so profitable that the value of its shares increases.

Investment case / memorandum
This is a document that gives potential investors a detailed overview of the benefits of investing in an asset — in this case, a habitat bank. It typically includes:

- A summary of the opportunity
- An analysis of the market
- An analysis of the habitat bank's organisational structure, business model, finances, prospects, and risks
- An assessment of the investment's likely market value
- The risks
- An exit strategy. That is, how and when the investor could convert their investment into cash

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