

Cumbria Nature Special Purpose Vehicle (SPV)

Memorandum of Understanding (MoU)

Agreement to collectively investigate the business case for developing a Cumbria-wide Nature SPV.

THIS initial Memorandum of Understanding **IS DATED 22ND MAY 2024**

PARTIES

- (1) **CUMBERLAND COUNCIL (CC)** whose principal place of business is at [XXX], and
- (2) **CUMBRIA WILDLIFE TRUST (CWT)** a registered charity in England and Wales (number xxx) whose registered office is at [XXX].
- (3) **LAKE DISTRICT NATIONAL PARK AUTHORITY (LDNPA)** whose principal place of business is at [XXX],
- (4) **WESTMORLAND AND FURNESS COUCIL (WFC)** whose principal place of business is at [XXX],
- (5) **YORKSHIRE DALES NATIONAL PARK AUTHORITY (YDNPA)** whose principal place of business is at [XXX],

together the “Parties”, each a “Party”

1 Introduction

The purpose of a Cumbria Nature SPV is to increase nature restoration and nutrient mitigation¹ for the benefit of Natural Capital in Cumbria.

The purpose of the MoU is to investigate the business case for developing a nature SPV with the understanding that all parties are looking at a partnership approach as their preferred option. This MoU will be refined throughout the financial and legal advice procurement commissions by the SPV. A key deliverable of the legal advice commission is to prepare a formal Memorandum of Understanding suitable for SPV operations and based on the aspirations of this initial draft.

The scope of a Cumbria-wide nature SPV would be to support the development of ecosystem service projects, and the creation and trading of ecosystem service outcomes as units or credits.

2 Core Principles

The business case for the Nature SPV will be further investigated according to the following agreed early principles:

- The Nature SPV partnership will support a variety of different ecosystem service models. In the near term the SPV will seek to prioritise Biodiversity Net Gain (BNG) and Nutrient Neutrality (NN) opportunities.
- The Nature SPV will operate with a strategic focus of natural capital restoration and nutrient mitigation primarily within the Cumbrian geography. If the partners choose to enter into an agreement, it will be jointly owned by each of the parties but will be managed on an arms-length basis.
- The Nature SPV will reflect our collective strategic ambitions and operate within an agreed set of principles. The [Nature Market Principles](#) were supported by the *Nature Based Finance Knowledge Hub* at their meeting in November 2023.
- The Nature SPV is envisaged as a Company Limited by Guarantee, but alternatives will be considered within the structuring and establishment phase.
- The Nature SPV will be established in such a way that it can accept investment from any one of the parties. The vehicle will also be able to accept third party financing, if agreed by the parties.
- If a surplus is generated by the Nature SPV, a principle aspiration is to reinvest in line with the Nature SPV's principles.
- For BNG, sales of credits/units will be driven according to biodiversity integrity and alignment with the LNRS (or other relevant strategic documents) that deliver additionality for nature recovery, not displacement. For NN sales of credits will be driven according to the credit allocation policy which takes into consideration geographical factors and

¹ In relation to Nutrient Neutrality

prioritises certain types of applicant in order to unlock the greatest number of homes and help affordable housing providers and applicants with small housing developments.

- The Nature SPV will seek to avoid disbenefits to other public goods i.e. viability impacts on the delivery of affordable housing.
- The parties will seek legal and financial advice on the understanding that the Nature SPV will initially perform two core functions (full details on the business model options is provided in Annex 1):
 - As a brokerage to connect third party landowners with potential developers.
 - As a habitat bank to deliver habitat restoration/creation on our own land and to deliver nutrient neutrality mitigation solutions on our own and privately owned land.
- For BNG units, the Habitat Banking model will be limited to party landholdings until the Nature SPV is sufficiently established.
- For a Cumbria-wide Nature SPV to be successful, there is an expectation that all parties would commit to putting all land managed for surplus units/credits not required for their own development projects exclusively through the Nature SPV.
- No individual party has overall control over the direction of development of the SPV.
- To ensure the SPV is achieving the best possible quality outcomes for nature and the delivery of our strategic ambitions, the SPV will include third party auditing in our unit/credit pricing and will invite a bi-annual peer review.

Until advice has been received on the corporate structure and governance of the Nature SPV, it is not possible to commit fully to all of the above principles at this point. These will need to be discussed and agreed by the relevant board/ governing structure at time of forming the SPV. But we have agreed to continue to work together to research and develop the SPV model whilst taking an approach to strive to achieve the above principles.

3. Contributions and Funding

The following potential sources of funding which can support the procurement of legal advice and site investment have been identified.

- LINC revenue funding - £1million across the Borderlands footprint.
- Westmorland and Furness 'Biodiversity Boost' funding, £45k.
- DHLUC NN funding for 2024 and potential further monies through Local Nutrient Mitigation Fund.
- Planning for Skills Delivery Funding (£300k) towards the staffing costs of ecology support

4. Agreement

This MoU is not a contractual document and does not impose any legal obligation on any Party. The MoU does not constitute a partnership between the Parties. The overall relationship described by the MoU is a voluntary arrangement and it is independent of any other agreements signed by or between the organisations concerned. No legal rights shall arise between the Parties from this MoU.

May 2024 – Final Version for pre-procurement stage

SIGNED FOR AND ON BEHALF OF **XXXX**

SIGNATURE:

NAME:

POSITION

Annex 1 – Cumbria Nature SPV Model Options