

Hackney Council Green Finance Framework

28 May 2024



Introduction to the Council

Hackney is one of the most dynamic and progressive local authorities in the UK. It is a resilient, vibrant, and creative borough in the heart of London, with strong, diverse communities and a powerful set of shared values.

Over the past twenty years, the Council has built up first-class services, outstanding public infrastructure, and a reputation for excellence, innovation, and ambition, including in its response to climate change, for which it won an LGC climate response award in 2022.

Over 280,000 people call Hackney's seven square miles home, and the borough spans from the heart of Shoreditch, the home of London's tech industries to Ridley Road Market, a cultural hub for many of its communities and beyond to Stoke Newington and Stamford Hill.

While Hackney is a great place to live, it also has significant challenges, including high levels of deprivation, which is why the Council wants to make sure that its climate response improves residents' quality of life and helps support them during the cost of living crisis.



A man relaxing by Woodberry Wetlands with the Lincoln Court estate in the background

Introduction to our Climate and Ecological Strategy

The people of Hackney are leading the way on tackling the climate crisis. The borough has the lowest carbon emissions per person of any council area in the UK, but Hackney Council wants to do more. That's why the council has one of the most ambitious climate action programmes in the country.

In recent years it has switched all its buildings to 100% renewable electricity, installed zero carbon energy measures on buildings including the Hackney Empire, planted thousands of trees, and made half of its streets better for walking and cycling by pioneering programmes such as School Streets.

It has adopted a new climate action plan – setting out how the borough can work together to reduce emissions under five themes: buildings, transport, adaptation, consumption and environmental quality. It has also rejoined the UK100 network of councils, committing it to reaching net zero emissions by 2030 for Council office buildings and its vehicle fleet.

The Council wants to end the borough's contribution to climate change and create a greener, healthier Hackney.

- In 2019, it declared a climate emergency, committing to reach net zero emissions by 2040.
- In 2022, the Council consulted on a new climate action plan for Hackney, setting out how residents, businesses and organisations could work together to end the borough's contribution to climate change. This was published in early 2023.
- In 2023, the Council brought forward its net zero target to 2030, as it joined the UK100 network of councils.
- This year, it has hosted its first ever citizens jury on climate change, where a representative group of local people make recommendations on the Council's response to the challenge posed by extreme heat.



People shopping at Ridley Road Market in Dalston, pictured from Kingsland Road

Introduction to our Climate and Ecological Strategy

As part of the Council's climate action plan, it has assessed the borough's contribution to climate change:

- People in Hackney are making great progress on reducing their impact on climate change and the borough has the lowest CO₂ emissions per person in the UK (2.3 tCO₂e per person).
- The Council wants to end its contribution to climate change by 2030 and it has set a target for the borough to end its contribution by 2040.
- The biggest contributors to emissions in Hackney are consumption emissions – the things we buy, use and sell – which represents 73% of the borough's emissions. This includes where money is invested, meat, aviation, food and drink, clothing and footwear and more.
- Energy in buildings makes up 21% of the borough's emissions. This is predominantly made up of gas and electricity used in homes and non-domestic buildings.
- Fuel for transport, including cars and motorbikes, lorries and buses makes up 6% of the borough's emissions. The Council has control over some of these, such as through schemes like School Streets, which encourage children to walk and cycle to school, and by encouraging people to recycle more.

Its climate action plan – a blueprint for all of Hackney to reduce its emissions – sets targets under five themes: building, transport, consumption, environmental quality and:

- adaptation – ensuring that Hackney is prepared for and resilient to the impacts of the climate emergency – like flooding or hot weather – protecting the most vulnerable residents
- buildings – removing gas boilers, adding solar panels and decreasing energy use in the borough's existing buildings by retrofitting and ensuring new buildings (where required) are fit for the future – this will help to reduce fuel poverty
- transport – reducing emissions from transport, improving air quality and helping residents live an active and healthy lifestyle
- consumption – changing what and how everyone in the borough buys, uses and sells, helping create a new green economy in Hackney
- environmental quality – maximising the potential for biodiversity in our green spaces, reducing pollution and helping local ecosystems thrive



New solar panels on the roof of Hackney Empire, which were funded by the Council as part of its community energy fund

Council Track Record on Climate

Hackney Council is one of the most ambitious councils on climate action in the country. The Council has:

- Introduced one of the biggest urban tree planting programmes, with thousands of new trees boosting biodiversity and creating shade during hot summers.
- Pioneered the rollout of School Streets, which close roads for an hour in the morning and afternoon to help kids walk, wheel and cycle to school.
- Switched to 100% renewable electricity in its buildings.
- Made more than half of Hackney's roads low traffic, cutting air pollution and supporting walking, cycling and public transport use.



Children from Rushmore School in Clapton helping to plant new trees in Millfields Park

Over the past year, the Council has delivered the following projects to help create a greener, healthier Hackney:

- Adopted a new climate action plan, setting out how everyone – residents, businesses and organisations – will end their contribution to climate change.
- Installed new solar panels generating clean energy at local organisations, including the Hackney Empire, Hackney Marshes Centre and Parkwood Primary School.
- Launched one of the biggest rollouts of electric vehicle chargers in the country, with 2,500 on-street chargers installed by 2026.
- Launched its first ever citizens' climate jury where a group of 15 people who are broadly reflective of the borough's population help shape the borough's response to climate change.



New solar panels on the roof of Hackney Empire, which were funded by the Council as part of its community energy fund

Green Finance Framework

The Council has prepared this Green Finance Framework (the framework) with the intention of raising capital via the issuance of:

- Green Municipal Investments (GMI) in the form of bonds and P2P Loan Agreements to (re)finance Eligible Green Projects).

The framework provides overarching criteria and guidelines as to how the Council will issue the above products and manage them on an ongoing basis. The Council has developed the framework in line with various applicable market standards as below:

- GMI align to the International Capital Market Association (ICMA) 2021 Green Bond Principles (GBP) and Loan Market Association (LMA) 2020 Green Loan Principles (GLP) or as these principles may be subsequently amended.

The principles referenced within the framework are voluntary process guidelines and, at the date of this publication, are globally accepted as the standard guidelines. They also follow the principles underpinning the UK Government's Green Gilt and Green NS&I saving bond products.

Abundance Investment Ltd will provide assurance that the projects funded by Use of Proceeds are Eligible Green Projects and that all the Use of Proceeds are spent on Eligible Green Projects.

The Council's Section 151 Officer, with assistance from the Group Director for Climate, Homes and Economy, is responsible for ensuring that all borrowing and investment will be in line with the council's standing orders.

The Council is committed to following best practice and appreciates any feedback from market participants on the approaches set out in this framework.

This framework may be updated from time to time to ensure continued alignment with voluntary market best practices and emerging standards. For instance, these documents may be amended to align with the UK Government Green Taxonomy when it is published. Any updated version of this framework will either maintain or improve the current levels of transparency and reporting disclosures, including the corresponding external review.

Considering the Social Co-Benefits of Green Investment

A just transition seeks to ensure that the substantial benefits of a [green economy transition](#) are shared widely, while also supporting those who stand to lose economically – be they, industries, communities, workers, or consumers.

A rapid increase in the speed and scale of actions required to reduce the risks of climate change will create new economic opportunities, but at the same time it may move economic activity away from damaging industries and can carry costs for consumers.

We aim to identify where the challenges will occur and plan the transition, so it minimises the costs to more vulnerable sections of the community. In our reporting we will communicate mitigants that we have put in place when delivering individual eligible green projects to support a just transition.

GMI: Green Bonds and Green Loans

This section of the framework sets out how the Council proposes to issue and manage its GMI on an ongoing basis. Green bonds and loans are defined in this framework as bonds and loans established to finance Eligible Green Projects. These are projects or assets that deliver positive environmental outcomes or refinance Council debt that supports these projects or assets.

The council developed the framework in line with the GBP and GLP and therefore the methodology includes the following four key components:

- Use of Proceeds
- Process for evaluation and selection
- Management of proceeds
- Reporting.

Use of Funds

The Use of Funds is defined in the legal documentation for each GMI issued. It is an amount equivalent to the net proceeds (funding raised after costs) of green bonds and loans issued under the framework and can only be allocated to the financing of Eligible Green Projects. These are projects with positive environmental outcomes, which contributed to a low carbon and climate resilient future), or the refinance of corporate debt that supports Eligible Green Project.

Each GMI will detail which specific projects, asset or project themes the GMI is funding. Where eligible projects and assets are jointly funded between the Council and another party (e.g. Central Government), funding will be applied only to the Council's share of the eligible scheme.



School Street

Eligible Green Projects

The following outline the categories of Eligible Green Projects. The Eligible Green Projects are derived from the categories laid out in the ICMA Green Bond Principles, but for consistency follow the framework established by the UK Government for the countries Green Gilt and Green N&SI savings product scheme as well as the UK Taxonomy objectives.

Renewable Energy



UK Taxonomy Objective: Climate Change Mitigation

The following projects are eligible:

- Schemes generating energy from renewable sources such as wind, solar, geothermal, hydropower (provided environmental and social impact assessments are undertaken and no significant controversies are identified) and bioenergy with lifecycle emissions of less than 100g CO₂e/kWh, declining to 0g CO₂e/kWh by 2050 and only second-generation biofuels are used.
- Energy storage facilities
- Schemes for renewable heat such as district heating and heat pumps where energy is derived from renewable sources

Energy Efficiency



UK Taxonomy Objective: Climate Change Mitigation

The following projects are eligible:

- Schemes that reduce the energy use (heat and electricity) and therefore the carbon intensity of buildings used by the council or buildings owned by the council but rented out for social housing or commercial purposes.
- Schemes that support or provide services to the private residential or commercial market to encourage or implement energy efficiency measures.
- Schemes that utilise energy more effectively to generate heat or utilise waste heat.

Clean Transportation



UK Taxonomy Objective: Climate Change Mitigation

The following projects are eligible:

- Schemes that support low and zero emission mobility, including EV (Electric Vehicle) charging infrastructure, EV fleet conversion, cycle way improvement, car reduction schemes and other schemes that encourage cleaner transportation.

Pollution Prevention and Control

UK Taxonomy Objective: Climate Change Mitigation and Pollution Prevention and Control



The following projects are eligible:

- Schemes that support waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy
- Reduction of air and water emissions and greenhouse gas control
- Schemes that support the circular economy

Climate Change Adaptation

UK Taxonomy Objective: Climate Change Adaptation



The following projects are eligible:

- Schemes that deliver flood protection, resilience, and other risk mitigation programmes
- Schemes that deliver heat protection, resilience, and other risk mitigation programmes
- Engineering activities and technical consultancy dedicated to adaptation to climate change

Living and Natural Resources

UK Taxonomy Objective: The Protection and Restoration of Biodiversity and Ecosystems; Sustainable use and Protection of Water and Marine Resources; Climate Change Mitigation and Climate Change Adaptation



The following projects are eligible:

- Schemes that protect and enhance terrestrial and marine biodiversity, ecosystems and natural capital
- Schemes that support sustainable land use and protection, including environmentally sustainable agriculture
- Schemes that support environmentally sustainable clean water, water storage and wastewater management initiatives
- Funding for environmental activities of third sector partners.

Process for Evaluation and Selection

For new and existing bonds and loans, the Council will manage the eligible scheme selection process by applying professional judgement, discretion, sustainability knowledge and by considering the following objectives, features and benefits:

- Conformance with the relevant principles
- Conformance with the eligible criteria set
- Alignment with the Council's Climate Action Plan
- Broader environmental and/or social risks associated with the project.

The resultant list of eligible assets and their budgets will be provided in the Use of Funds details associated with an individual GMI.

Before a GMI is launched Abundance will validate that the Use of Proceeds only includes Eligible Green Projects. In cases where Abundance and the Council do not agree on the classification of a project as green, a third party opinion may be sort.

Management of Proceeds

To manage the risk of holding unallocated proceeds from GMI, the combined value of the GMI will be less than the total value of the eligible assets and any balance of funding will be met through existing funding sources.

Tracking of proceeds

The Council tracks the receipt and use of proceeds via its internal reporting systems, ensuring Eligible Green Projects (re)financed are appropriately identified.

In addition, to ensure appropriate earmarking for the purpose of internal monitoring and external reporting of proceeds, the Council has established a register that contains details (including value) of all Eligible Green Projects (re)financed by or able to be (re)financed by green bonds and loans.

The Council will service its debt obligations under green bonds and loans out of general cashflows and not specifically from revenues generated by eligible projects alone.

Unallocated proceeds

To the extent that green bond and loans proceeds have not been allocated to eligible assets at issuance, or if during the life of the green bond and loans proceeds become unallocated (“Unallocated Proceeds”) (for example, because an eligible asset has been sold), the amount of unallocated proceeds shall be:

- held in temporary investment instruments that are cash, or cash equivalent instruments, within a treasury function; or
- held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or
- applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to eligible assets.

Should unallocated proceeds arise for any outstanding Green Bond or Loan:

- The Council will disclose this information within the annual use of proceeds reporting
- No contractual right of review or repayment will arise, and no loss of green classification will occur.

The council expects there to be adequate headroom of eligible assets and will endeavour to ensure that funds are disbursed to eligible assets within 24 months of the issuance of the green bonds and loans.



Dalston Curve garden

Reporting

The Council will publish information on the Use of Proceeds as follows:

- Details of the schemes (re)financed and amount of money spent on each project.
- A summary of the environmental outcomes that have been delivered by the projects.

The information will be published as follows:

- Investor Update, this is the digital communication emailed to all investors in a specific GMI.
- Abundance Project Page, the same information will be published on the Council GMI webpage so that any member of the public can view the information.
- Council Website, the same information will be published on the Council Website, or a link provided to the Council page on the Abundance website.

Assurance

The Council is committed to pursuing the highest standards of integrity relating to its GMI programme. By providing an independent and third party check Abundance Investment provide assurance that the program is being delivered in line with the GBP and GLP and that the schemes selected are Eligible Green Projects.

The projects selected to be financed by the Use of Proceeds will be reviewed by Abundance to ensure they qualify as Eligible Green Projects. Where the green credentials of a project are not clear, Abundance might recommend the recruitment of a technical expert to provide an expert opinion on the qualification of a project.

Abundance from time to time will spot check the council's programme to ensure that the updates provided are accurate and the internal systems and controls remain in place to ensure that ongoing compliance with the framework is assured.

