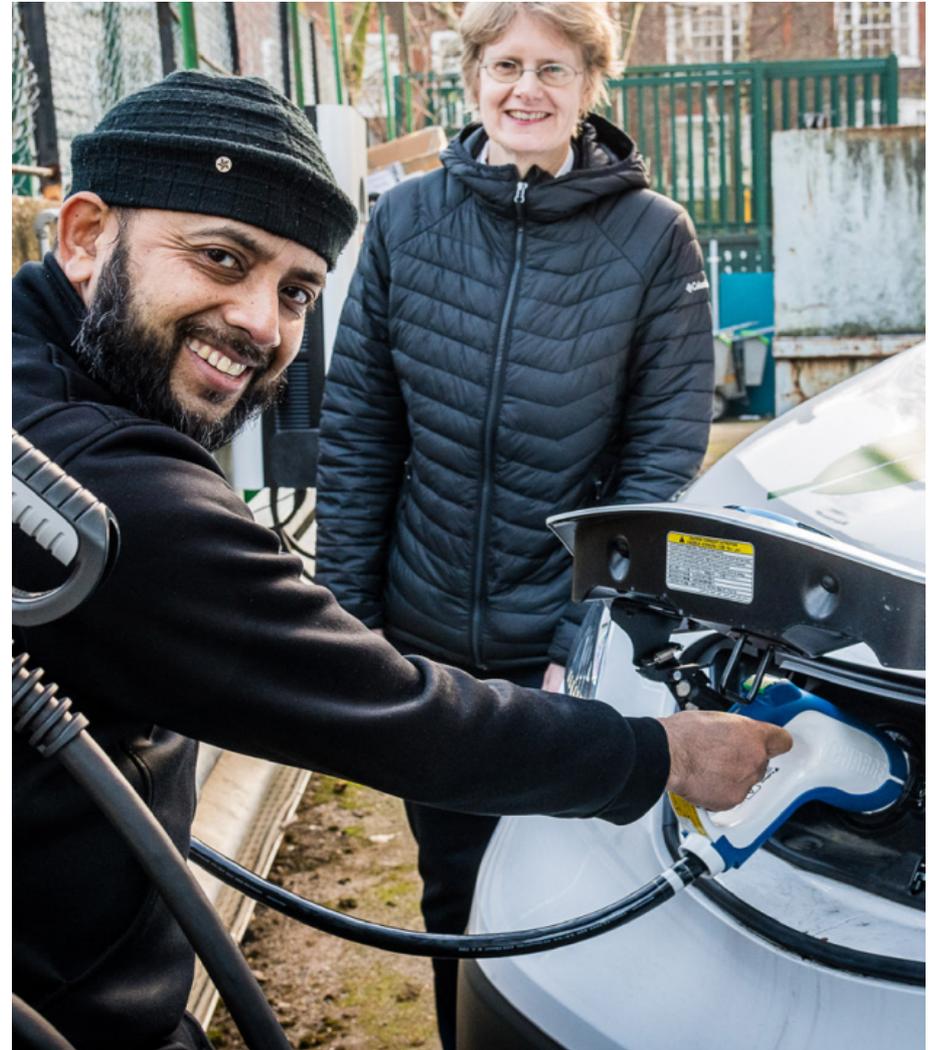


# Finance & Investment Workstream Update

1 February 2022

## Scope

- A refresh on our Objectives
- An update on our Deliverables
- An overview on our Resources
- Opportunity to ask Questions



## The Challenge

- Islington declared a climate emergency in 2019 and adopted 'Vision 2030' Strategy in 2020.
- The strategy is split into six main priorities – Buildings; Transport; Sustainable + Affordable Energy; Green Economy; Natural Environment + Waste and Planning (Workstreams 1 to 6).
- Underpinning all of these priorities is Engagement & Comms. and **Finance & Investment** and the role of this workstream is to collaborate with the six main priorities to achieve NZC.
- The workstream also has its own 'deliverables' defined within the strategy...

UK:  
100

### Membership Pledge

As local leaders across the UK, we recognise our responsibility to tackle the climate emergency and take bold action towards Net Zero.

## Our Objectives

Our Finance & Investment Plan has the following priorities:

- (a) Produce programme business case and support project business cases as needed
- (b) Ensure project business cases considered in Medium Term Financial Strategy
- (c) Consider the most cost effective way for financing 'Vision 2030' Strategy
- (d) Reduce the carbon emissions from the wider aspects of Islington's investments
- (e) Ensure financial reporting and benefit realisation tracking is in place and effective

## (a) Produce programme business case (capital)

- The latest proposed NZC Capital Programme was considered by Executive on 13 January:

Workstream	22/23	23/24	24/25	Total	25/26-31/32	Total
Buildings	4.105	5.035	5.168	14.308	0.000	14.308
Energy	0.251	5.500	5.500	11.251	24.741	35.992
Nat Env, Waste, Recycling	0.860	0.810	0.760	2.430	1.820	4.250
Transport	8.098	6.557	5.347	20.002	26.263	46.265
<b>Total</b>	<b>13.314</b>	<b>17.902</b>	<b>16.775</b>	<b>47.991</b>	<b>52.824</b>	<b>100.815</b>

- Council will be asked to approve 22/23-24/25 on 3 March (25/26-31/32 is indicative only).

### Highlights include...

- Continued investment in People Friendly Streets (£7.596m) and School Streets (£1.200m).
- Ongoing programmes of fleet electrification (£5.969m) and fleet infrastructure (£3.149m).
- Installing LED lighting + solar panels on public buildings (£2.000m).
- Additional investment in retrofitting and GreenSCIES (£24.058m – see Slide 7).
- The above programme includes £13.869m of external income (eg: GLA GGF Grant, S106/CIL).

## (a) Produce programme business case (revenue)

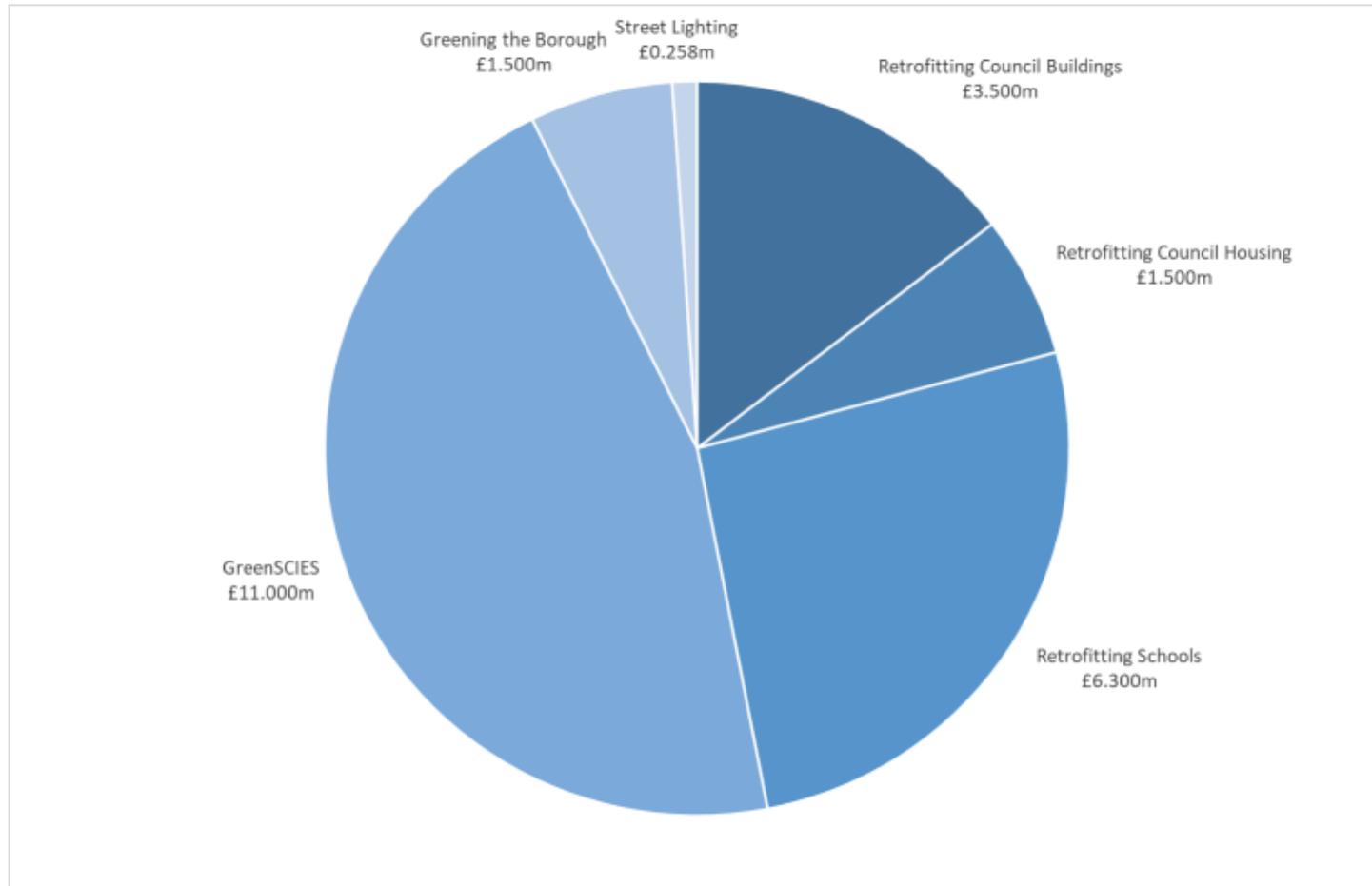
- The initial NZC Revenue Programme was approved by Members in February 2021 (£0.6m pa).

Workstream	21/22	22/23	23/24	Total	Less COF	Total
Buildings	0.063	0.113	0.063	0.239	(0.239)	0.000
Cross-Cutting	0.393	0.383	0.383	1.159	0.000	1.159
Energy	1.194	1.203	1.128	3.525	(3.495)	0.030
Energy / Buildings	0.075	0.075	0.075	0.225	(0.225)	0.000
Engagement	0.205	0.205	0.205	0.615	0.000	0.615
Finance & Investments	0.059	0.059	0.059	0.177	0.000	0.177
Green Economy	0.050	0.050	0.050	0.150	0.000	0.150
Planning	0.038	0.050	0.013	0.101	(0.100)	0.001
Transport	0.000	0.049	0.049	0.098	0.000	0.098
<b>Total</b>	<b>2.077</b>	<b>2.187</b>	<b>2.025</b>	<b>6.289</b>	<b>(4.059)</b>	<b>2.230</b>

- Included above is £3.037m Carbon Offset Funding agreed at Executive.
- Islington's Carbon Offset Fund launched in 2012 and today it is still the biggest offset fund in London generating income of c. £1.5m p/a to help contribute to achieving NZC.

## (b) Ensure project business cases considered in MTFS

- On 13 January Executive was presented with six new business cases...



- Subject to approval this represents £24.058m of additional investment.

\*GreenSCIES is £16.500m in 2022/23 - 2031/32 of which 50% is expected to be grant funded.

## (c) Financing 'Vision 2030' – Islington Greener Futures 2027

- The Islington [CMI](#) launched on the final day of the 'Islington Together' Festival, 29 October.
- Executive Members selected six key projects on the Council's approved Capital Programme:



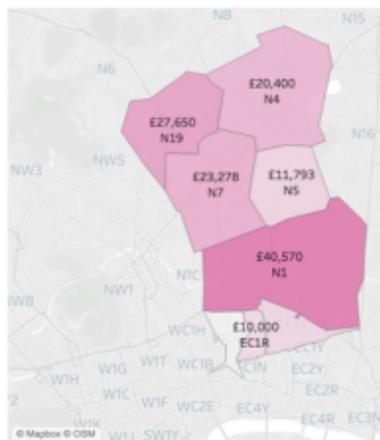
Project	Value
School Streets (AQ)	£200,000
RCV Conversion (1)	£280,000
EV Charging Points	£160,000
Recycling Facilities	£100,000
LED Lighting Pub. Buildings	£130,000
Solar Panels Pub. Buildings	£130,000
<b>Total</b>	<b>£1,000,000</b>

- The interest rate is 1.55% and the 'all in' (including fees) cost of debt is 1.64% so the CMI was a **cheaper form of borrowing** when compared to the Public Works Loan Board.
- As the first ISA, media interest has been wide ranging (eg: Bloomberg, FT, The Times) and interest rates compare favourably to the new NS&I 'Green Bonds' (0.65%).

# (c) Financing 'Vision 2030' – IGF 2027 Investment Update

Number of investors	Total investment	Average investment
629	£897,431	£1,427
Local investors	Local investors	Local investors
47	£147,190	£3,132

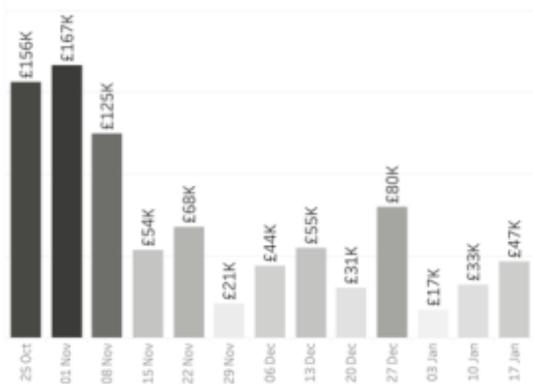
Where has the local investment come from?



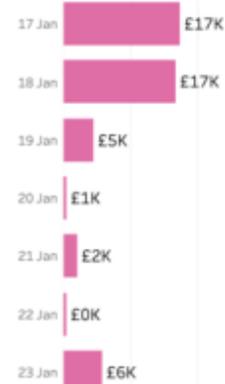
Where has the national investment come from?



Investment by week



Investment by day



Investment amounts (all investors)

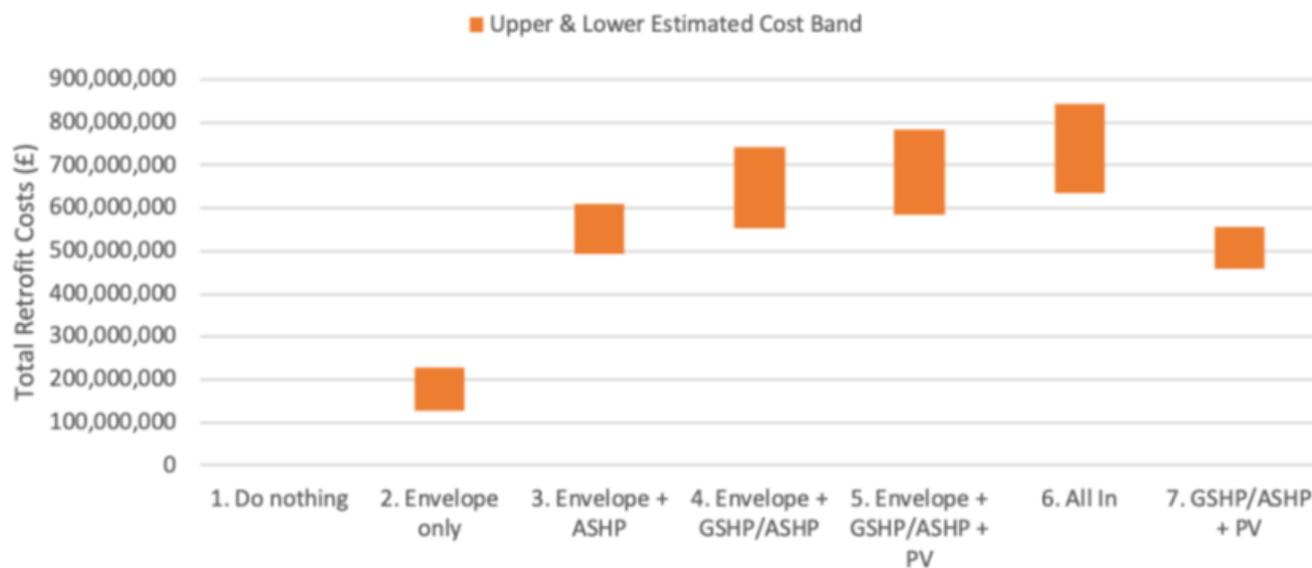
	# of customers	Investment
Less than £100	160	£6,990
£100 - £499	209	£47,015
£500 - £999	105	£61,527
£1000 - £4999	166	£318,241
>£5000	51	£465,657
<b>Grand Total</b>	<b>629</b>	<b>£897,431</b>

New Islington sign ups

Local investment is 7.5% by number of investors (or 1 in 13) and 16.4% by total invested (£).

## (c) Financing 'Vision 2030' – Islington Case Study

- In 2021 UCL Energy Institute were commissioned to develop a 3D Stock Model and a retrofit calculator to model energy performance in homes and assess impact of retrofitting measures.
- Islington was presented with a capital investment range to achieve various scenarios (below) ranging from building envelope (exterior) to ground/air source heat pumps and solar panels:



- Housing is considering how its new build programme can meet NZC targets whilst improving quality, liveability, thermal comfort, maintainability, fuel poverty and the end user experience.
- For example, the Finsbury Leisure Centre Development is expected to include at least £1.5m (estimated) budget specifically for new energy facilities.

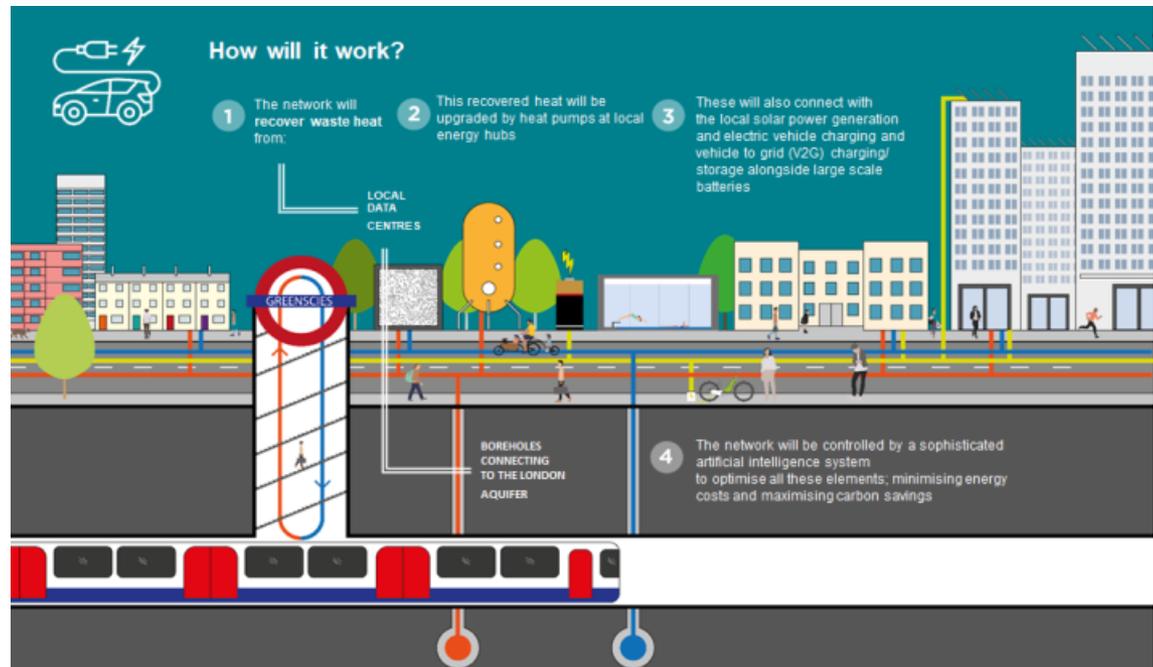
## (c) Financing 'Vision 2030' – Funding Opportunities

- Finance and NZC colleagues are actively monitoring c. 25 funding opportunities which include:

Workstream	Funding (£0.250m+)	Received	Applied For	Unsuccessful
Buildings	Green Homes Grant LAD	1.287		
	Low Carbon Skills Fund	0.120		0.260
	PS Decarbonisation Sch.		2.000	
	SH Decarbonisation Sch.		1.158	
	SH Retrofit Accelerator			0.373
Energy	Green Heat Net. Fund*	0.250	7.230	
	Heat Net. Inv. Project*		0.680	0.650
	Local Energy Accelerator		0.450	
Nat Env, Waste, Recycling	GLA Green New Deal			0.750
Transport	Future Neighbourhoods			1.200
	GLA Good Growth Fund	2.483		
	TFL LIP 22/23 to 25/26		5.100	
<b>Total (All)</b>	<b>*Application in 2022</b>	<b>4.290</b>	<b>16.968</b>	<b>3.233</b>

## (c) Financing 'Vision 2030' – Funding Examples

- The [Public Sector Decarbonisation Scheme](#) (£2.000m) will decarbonise 3 corporate buildings and 2 schools with final decision on funding application expected in late December 2021.
- [Social Housing Decarbonisation Fund](#) (£1.158m) will upgrade 98 Peabody/LBI properties to EPC ratings of C to help tackle fuel poverty with final decision also expected late December.
- Heat Networks Investment Project (HNIP) now in its final year (2021/22) and the [Green Heat Network Fund](#) launched in April and Islington will submit bid for £7-8m in 2022 (GreenSCIES).
- Some bids have been unsuccessful eg: [Future Neighbourhoods](#) (£1.200m, project risk viewed to be higher compared to other applicants) so will be reviewed.



## (c) Financing 'Vision 2030' – Funding Process

Finance have created a Database of all funding opportunities which is actively monitored with workstream leads and SBMs

The NZC Boards/Scrutiny to receive periodic updates with all unsuccessful bids subject to post-application reviews

Workstream leads are the 'owners' of individual applications but Finance is a key stakeholder in process and adds value

**Work continues to develop full cost of delivering NZC**

## (c) Financing 'Vision 2030' – London Action

- London is explored in the UK Cities Climate Investment Commission/CICC (see Slide 15) with investment requirements including £98bn Retrofit, £3bn DH Network, £1.5bn Transport/EVCP.
- In 2019 LEDNet and the Transport & Environment Committee (TEC) issued a [Joint Statement on Climate Change](#) and in 2020 TEC endorsed a lead Borough for each of these programmes:
- Retrofit London (LB Enfield and LB Waltham Forest)
- Low carbon development (LB Hackney)
- Low carbon transport (RB Kingston and City of Westminster)
- **Renewable power for London (LB Islington)**
- Reduce consumption emissions (LB Harrow)
- Build the green economy (LB Hounslow)
- Creating a resilient and green London (LB Southwark)
- Islington's ambition is to 'secure 100% Renewable Power for London's public sector now and in the future' and this programme's action plan will be shared with London Councils.
- Islington is also a lead partner in 'North London Heat Network' proposals that could connect 200,000+ homes, leisure/community/education facilities, commercial buildings for c. £950m.



## (c) Financing 'Vision 2030' – National Picture (1)

- [UK Cities Climate Investment Commission/CICC](#) launched on 1 July and identified investment needs of £206bn across 'Core Cities' and London Councils (1/4 of population) to achieve NZC.
- CICC views private finance as a critical tool for achieving net zero transition...

Net Zero Infrastructure Sector	Current suitability for private sector investment*	Principle-Agent issue to address?***	Carbon co-benefit payments?	Suitable for:		Need for policy development to enhance private finance flows	Key Enabling Actions to Increase Private Flows
				Health co-benefit payments?	Biodiversity co-benefit payments?		
Domestic Building Decarbonisation	Amber	✓	✓	✓	✗	High	<ul style="list-style-type: none"> <li>• Blending private finance, public funding, and co-benefit payments</li> <li>• Aggregating to street or neighbourhood level to achieve economic efficiencies</li> </ul>
Commercial Building Decarbonisation	Amber	✓	✓	✗	✗	High	<ul style="list-style-type: none"> <li>• Blending private finance, public funding, and co-benefit payments</li> <li>• Developing financing arrangements between tenants and landlords, with commercial real-estate companies playing a key role</li> </ul>
Renewable Electricity Generation	Green	✗	✓	✗	✗	Low	<ul style="list-style-type: none"> <li>• Aggregating project types and processes across cities</li> <li>• Integrating with other infrastructure types to support projects with poorer returns</li> </ul>
Transport Decarbonisation	Amber	✓	✓	✓	✗	High	<ul style="list-style-type: none"> <li>• Blending private finance, public funding, and co-benefit payments for active travel infrastructure</li> <li>• Using policy to incentivise the provision of charging infrastructure for electric buses</li> </ul>
Waste Management Decarbonisation	Red	✓	✓	✓	✗	High	<ul style="list-style-type: none"> <li>• Combining market mechanisms and policy to increase the cost of higher emitting management practices</li> <li>• Using policy to require green design criteria to minimise waste and maximise re-use and recycling</li> </ul>
Green Infrastructure	Red	✓	✓	✓	✓	High	<ul style="list-style-type: none"> <li>• Effectively pricing co-benefits to develop additional revenue streams</li> <li>• Implementing projects alongside those with direct revenue sources</li> </ul>

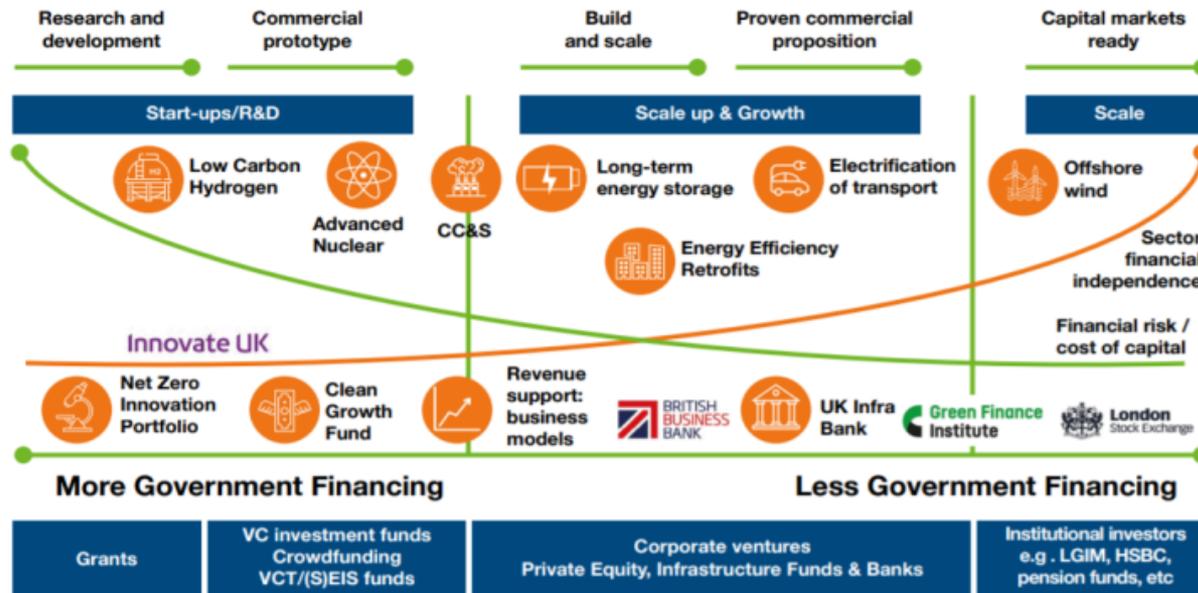
\*Green = Strong existing business case with tangible and predictable financial returns for investors. Amber = Some consistent predictable revenue to provide investors with a return, but lower than desired. Red = Limited to no financial returns.

\*\* Refers to misalignments between those financing projects, and those receiving any associated savings or benefits.

- For Islington, this need is in excess of £1bn (£500-800m for domestic decarbonisation alone).
- In aggregate the economic returns from net zero are limited so a 'blended' finance approach of grant-based funding and returns-based financing is essential.

## (c) Financing 'Vision 2030' – National Picture (2)

- In October 2021 BEIS published its [Net Zero Strategy](#) announcing £620m for zero emission vehicle grants and EV infrastructure plus £5,000 grants to install heat pumps.
- Critics have said these plans were '[lacking in ambition and funding](#)', but BEIS think much of the £50-60bn p/a needs to come from the private sector, especially in more mature sectors:



- Also in October 2021, HM Treasury published its [Net Zero Review](#) which considers the fiscal consequences of the transition to decarbonisation which cannot be offset by carbon pricing.
- HM Treasury noted: 'the biggest impact comes from the erosion of tax revenues from fossil fuel-related activity [c. £37bn in 19/20]' which may mean new taxes or tax rises.

## (c) Financing 'Vision 2030' – Conclusions

- Total carbon emissions in Islington reduced by 45% in 2005 to 2019 exceeding 40% target.
- Looking ahead Islington cannot wait for government funding strategy to deliver NZC.

### **In 2022 and beyond Islington can (and will):**

- Support new investment 22/23-24/25 and build on successes of existing projects (eg: PFS).
- Pursue funding opportunities (eg: Social Housing Decarbonisation Fund).
- Explore alternative forms of finance, including Joint Ventures and ESCOs (eg: GreenSCIES).
- Develop a financial strategy focused on financial and environmental benefits.
- Continue to collaborate with London Boroughs and its partners across the capital.
- Lobby government for more action on climate change.

**Islington will continue to engage with its residents, local businesses, and stakeholders; working together we can deliver a greener, cleaner, healthier Borough.**



## (d) Reduce carbon emissions from Islington investments

- The workstream contributes directly to a reduction in carbon emissions through pension fund (reduce current/future exposure to carbon intensive assets/companies by 50%/75% v. 2016).
- The pension fund is committed to investing at least 15% in green opportunities including but not limited to climate change mitigation; low carbon tech and sustainable infrastructure.
- The pension fund also monitors 'ESG' risks (Environmental, Social, Governance) annually and sets targets to mitigate risks and the Council monitors the ESG ratings of fund managers.
- **By 31 March 2021 the pension fund had decarbonised by 33%.**

## (e) Financial reporting and benefit realisation tracking

- Finance meets regularly with workstream leads + Strategic Business Managers, and monitors performance closely reporting to ELT, CMB, Executive and also the two NZC Boards / Scrutiny; this activity is owned by Finance.
- Finance supports the project leads in the creation of 'Benefit Realisation Plans' that aim to define project benefits and develop a framework for measuring/delivering benefits to best effect.

## Lastly, Resources...

- Note the NZC Budget has funding for a Funding & Finance Officer and responsibilities include:

Identify relevant grants, loans, inv opportunities, support workstreams on funding applications etc.

Develop and maintain NZC funding schedule w/periodic updates to NZC Board on all bids

Lead on implementation of effective project/prog bidding, appraisal, audit (eg: financial modelling)

Provide financial support across NZC programmes and report to NZC Board ELT, CMB then Executive

Explore access to 'green finance' eg: Green Bond and work with Treasury/ Fin Leaders on Pensions

Provide advice to Senior Officers and NZC Boards + represent LBI/Finance with all ext stakeholders

- This Officer helps to identify investment opportunities and has developed a new NZC funding schedule in collaboration with workstream leads + Strategic Business Managers.
- Other responsibilities fall under the NZC Finance Lead.
- Service Finance restructure to be agreed in Spring 2022.



# Together we can make Islington net zero carbon by 2030

Any Questions?

<https://www.abundanceinvestment.com/invest-now/islington-greener-futures-2027>