

# Bristol City Council Finance Framework

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Aerial view of Clifton  
Suspension Bridge,  
Bristol © Bristol Design,  
Bristol City Council



# Contents

Introduction to Bristol City Council	3
Introduction to Bristol City Council's Climate Emergency Action Plan	5
Bristol City Council's Track Record on Climate	6
Green Finance Framework	7
Considering the Social Co-Benefits of Green Investment	8
GMI: Green Bonds and Green Loans	8
Use of Funds	9
Eligible Green Projects	9
Process for Evaluation and Selection	12
Management of Proceeds	12
Reporting	14
Assurance	14

# Introduction to Bristol City Council

Before 1373 Bristol was divided geographically and administratively by the River Avon. In 1373 King Edward III granted important rights and privileges to Bristol. This royal charter gave Bristol and its suburbs jurisdiction independent from other county authorities, making it a county in its own right. Since that time, Bristol has developed its own unmistakable identity, carved out by passionate locals.

Bristol is a green and thriving city with a vibrant culture and a successful economy. It is the largest city in the South West and one of the 11 'Core Cities' of the United Kingdom. Within its 42-square mile area, it is home to a diverse resident community. With a population of 479,200 in mid-2022, Bristol was the second fastest growing of all the Core Cities in England and Wales over the last decade. Bristol citizens represent over 187 countries of birth, speak over 91 languages and 18.8 per cent of citizens were born outside the UK (2021 census). The city has a growing global reputation as sustainable, innovative and inclusive. It is widely recognised for its music, art (including street art) and filmmaking and holds UNESCO City of Film designation.

Ambition Lawrence Weston's "Grow, Cook, Eat Lawrence Weston" project empowering residents to grow food and improve food security and health as part of the Community Climate Action Project. The Green Bonds & Loans project is part of wider work by BCC which will support delivery of Community Climate Action Plans, with money invested helping fund a range of projects including community facilities at Ridingleaze House, within Lawrence Weston.



Children and adults participating in Community Climate Action event at Lawrence Weston Allotments © Bristol Design, Bristol City Council

Bristol has global ambitions, links and twin cities around the world and a role in meeting global challenges, including the urgent issue of climate change. Bristol City Council was the first UK council to declare a climate emergency sparking similar action by over a hundred other UK local authorities. Bristol was the only UK city to be awarded the status of European Green Capital (in 2015). Bristol's One City Plan outlines an overarching plan for the future, up until 2050. Around 15% of Bristol (1,800 hectares) is protected for wildlife.

Bristol City Council, along with city partners, local businesses and communities across the city has been working hard to reduce the city's greenhouse gas emissions for many years. This has resulted in reductions in city greenhouse gas emissions of 50 percent between 2005 and 2022 – better than the national average for the same period.

Bristol City Council is committed to playing its part in both the One City Ecological Emergency Strategy which seeks an ecologically resilient, wildlife-rich Bristol and the One City Climate Strategy which aims for Bristol to be climate resilient and carbon neutral.



Vaillant heat pump



Solar panels on the roof of Barton Hill housing, Bristol  
© Bristol Design, Bristol City Council

# Introduction to Bristol City Council's Climate Emergency Action Plan

Reducing greenhouse gas emissions in the city is key to addressing the climate emergency, supporting economic growth and creating jobs across Bristol and the wider region. The climate emergency and the required speed and extent of action means we all need to play our part and coordinate with others.

The city has a One City Climate Strategy created by city partners including Bristol City Council, the council has created its own Climate Emergency Action Plan which sets out how it contributes to the city strategy. The action plan describes what Bristol City Council is doing to lead the way to a carbon neutral Bristol and adapt to the impacts of climate change.

To lead by example, the council has taken significant steps to generate the activity needed to become climate neutral and climate resilient. The council is putting into action a decarbonisation programme to make its operations carbon neutral and to show others in the city that rapid reduction of an organisations' greenhouse gas emissions is possible.

Since 2015 it has cut its direct emissions by two-thirds; reducing the carbon footprint (and often the running costs) of its buildings, moving to more sustainable forms of electricity and heat supply and developing its vehicle fleet to ensure that it is operating in the cleanest way possible.

One of the most significant steps so far was the establishment of Bristol City Leap, Bristol City Council's partnership with Ameresco and Vattenfall Heat UK. This landmark partnership is already delivering programmes to introduce heat pump technology into homes, expand the city's vital heat network and work with Bristol City Council to continue our success in decarbonising our buildings.



Solar panels on the roof of Bristol City Council's Temple Street office © Bristol Design, Bristol City Council



People talking in front of a display board at the Hillfields Food Justice event, 2023 © Sally Collister, Bristol City Council

# Bristol City Council's Track Record on Climate

Bristol City Council is serious about taking action on the climate emergency and has already reduced its direct emissions by two-thirds since 2015. Further reductions in 2025 are forecast to achieve a total reduction of nearly 90 percent.

Efforts to reduce emissions have significantly shrunk the council's carbon footprint, cutting out nearly 11,000 tonnes of carbon from direct council activity.

The council has taken several actions to reduce its emissions and introduced new initiatives to make its operations more environmentally friendly. These actions include improving the energy efficiency of its buildings, upgrading streetlighting to efficient LEDs, switch to electric cars and vans, generating renewable electricity and purchasing green gas made from waste products.



Bristol City Council wind turbine, Avonmouth © Bristol Design, Bristol City Council

# 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.

Bristol City Council's Section 151 Officer, with assistance from the Executive Director for Growth and Regeneration, 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.



Bristol City Council wind turbine, Avonmouth © Bristol Design, Bristol City Council

# Considering the Social Co-Benefits of Green Investment

Bristol City Council has recognised the climate and ecological emergencies as intertwined crises. In addition, the council has endorsed Bristol's Just Transition Declaration and has sought to address just transition in the design of the Bristol Climate Action Investment.

Climate change often impacts more on those people who are already facing economic and social inequalities. Work to address the climate emergency also has the potential to worsen this situation if not done in a way that considers how to use the opportunity presented by the work to create a fairer, more sustainable future with benefits for everyone.

Abundance Investment thanks the Community Leadership Panel on Climate and Just Transition for offering their view on the Bristol Climate Action Investment as it developed and for their ongoing advice.

## 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.



Eastside Community Trust's Community Climate Action Day  
© Sally Collister, Bristol City Council



# 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.



Array of solar panels on the roof of Bristol City Council's Temple Street office  
© Bristol Design, Bristol City Council

## 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 NS&I savings product scheme as well as the UK Taxonomy objectives.

## Renewable Energy



UK Taxonomy Objective: Climate Change Mitigation

- 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 carbon dioxide equivalent per kilowatt-hour of electricity generated (CO<sub>2</sub>e/kWh), declining to 0g CO<sub>2</sub>e/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

- 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

- 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.

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## Pollution Prevention and Control



UK Taxonomy Objective: Climate Change Mitigation; Pollution Prevention & Control and Transition to a Circular Economy

- 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

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## Climate Change Adaptation



UK Taxonomy Objective: Climate Change Adaptation

- 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

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## 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

- 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 Emergency Action Plan and endorsement of Bristol's Just Transition Declaration
- 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.



Group photograph of Hillfields residents at the Hillfields Food Justice event, 2023  
© Sally Collister, Bristol City Council

# 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 confidence that the programme 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.

