

Decision pathway – Report Format

Title: Business Planning Update on Companies which the Council wholly own, - 2018/2019	
Ward(s):	All
Author: Helen Wheeler	Job title: Senior Client Manager
Cabinet lead: Cllr Craig Cheney	Director lead: Shahzia Daya
Proposal origin: <i>Other</i>	
Decision maker: <i>Mayor</i> Decision forum: <i>Cabinet</i>	
Timescales: Cabinet - 9 th January	
Purpose of Report: <i>Purpose of the report is to recommend for approval the business plans of a number of the councils wholly owned companies.</i>	
Evidence Base: It is intended that the Mayor (or his/her appointee) will make most decisions concerning the executive's role in respect of company interests at meetings of the Shareholder Group. The approval of business plans is an annual process, which sets the direction for the future of the company. Since this is key decision, this decision will be made at meetings of the Cabinet.	
Cabinet Member / Officer Recommendations: 1. That the business plans of following trading companies, be considered and approved, being: 1.1. Bristol Holding Ltd. (company number 09485669) attached as Appendix F1; 1.2. Bristol Waste Company Limited (company number 09472624) – attached as Appendix F2; and Exempt Appendix G2; That approval be given to the allocate earmarked funds set aside (up to 1.5m) under the current capital programme (PL22) in order to carry out required works, including health and safety works on existing waste premises and authority be delegated Head of Asset Management / Property Deputy Mayor and Cabinet member for Finance, Governance and Performance agreed works.	

Revenue Cost: £ £35.5m	Source of Revenue Funding: <i>Waste Revenue Budget</i>
Capital Cost: £1.5m	Source of Capital Funding: <i>Approved Capital Programme</i>
One off cost <input type="checkbox"/> Ongoing cost <input checked="" type="checkbox"/>	Saving Proposal <input type="checkbox"/> Income generation proposal <input type="checkbox"/>
Finance Advice: The Council considers all options available in its decision making and the options of do nothing, approve the business plans and winding up the companies have been considered. There is a cost to the Council in pursuing any of the options noted in this report. However the costs vary considerably depending on the option chosen. Do nothing – The Council has a responsibility as sole shareholder to this group of companies, to monitor and evaluate the operational and trading performance of both entities and ensure alignment of funding with the medium term financial plan and in this instance the current status quo would not deliver the councils strategic or financial objectives. The option to wind up the companies would provide the Council with no recourse in recouping investments made to date and could be more costly annually for the Council in re-commissioning service contracts. The business plans set out the latest position and future forecasted direction of the companies and approval of the business plans is a critical decision which is reserved to the Mayor and is the recommended option.	

Business Plan - Bristol Holding Company (BHC)

1. The proposed 2018/19 Bristol Holding Company business plan sets out the rationale for the company's practice and proposes the continuation of its operations under a 'thin company' structure with minimum expenditure and previously agreed level of activities.
2. Overall the 2018/19 budget for the 'Thin company' structure is set to be at £218,000 of which £35,000 (16%) relates to staffing recharged from the Council, and the remainder of £183,000 (84%) are for costs incurred externally which include audit, tax fees and non-exec directors' remunerations.
3. The funding source under the business plan is proposed to be generated from a combination of recharged audit and tax fees (£148,000) and management charges (c.£70,000) to the subsidiaries (Bristol Energy and Bristol Waste). However the business plan does not specify the apportionment mechanism for the management charges between the two. BHC has been advised to ensure its subsidiaries are aware of and agreed with these charges in their own business plans and any approval is subject to these principals being agreed and as a minimum a balance position being achieved by BHC.
4. Please note, the current BHC business plan does not take into consideration the establishment of any further subsidiary companies or the implementation of any shareholder agreed recommendations following the governance review.

Business Plan - Bristol Waste Company (BWC)

5. The proposed 2018/19 5-year refresh of the business plan is largely based on the 10-year business plan approved in August 2016, however includes a number of key changes.
6. Since the establishment of the company in 2015, BWC has retained a cumulative surplus c£3m based on past years performances. The Council supports the principle that the contract should incentivise the company to pursue a set of objectives that are consistent with the Council's long term strategy for waste and environmental issues, and it embeds a requirement for the company to generate efficiency savings and absorb growth-related costs. Therefore, the revised business plan reviews the principle of a "fixed price" and makes available a number of different mechanisms through which "best price and best value" objectives can be delivered for the Council's Teckal related activities. The council can then make decisions about how surpluses generated, are spent to achieve the strategic vision for the city.
7. This approach will take into account the need for BWC to retain sufficient cash reserves, including amounts required for its planned investments and provide transparency regarding actual costs and growth pressures being absorbed. It is proposed that these principles will be applied from financial year 2017/18 onwards.
8. The company business plan lays out the financial forecasts in further detail and expected timing and amount of the net surplus position. Confidential enclosures to this report outline any commercially sensitive data and forecast.

£000	2017/18 Forecast	2018/19 BP
Council Contract Activity		
<i>Council Main Contract</i>	34,217	34,950
<i>Council Commercial Contract</i>	500	512
Total Annual Forecast	34,717	35,462
% Increase /(Decrease)		2%
BWC Forecasted Surplus	706	624

9. The Business Plans Teckal activity take into account the approved savings programme agreed at Feb 2017 Full Council and whilst the council is facing a significant funding gap estimated at £108m over the Medium Term Financial Planning period from 2018/23, no further efficiency savings are proposed within this business plan. Like many demand led services the business plan seeks to contain demographic and economic changes; however it currently indicates a net annual average growth in costs to the Council of 3% over the coming years and average BWC forecasted surplus of £633,000.
10. The consolidation of this and payment of dividends back to the Council will depend on actual performance of BWC and any other trading operations that sit under the group.
11. Waste collection methodology is assumed to be unchanged if a proposal is presented and endorsed this will be subject to a separate cabinet approval and consultation process. For the purpose of the business plan, the vehicles replacement cost plan is illustrated largely based on existing curb-side sorting methodology, thus like-for-like replacement for vehicles plus minor additional costs for containers. The financing interest rate for fleet replacement in the business plan is assumed at 3.5% p.a. either obtained in the opening market or from the council, which is to be determined at a later date.
12. The Councils has earmarked up to £2m in the approved capital programme (PL22) for carrying out the necessary works on existing waste premises including health and safety works. This proposal seeks cabinet approval to release up to £1.5m of this fund in line with the schedule of works produced, which is estimated at £1.1m - £1.5m. It is proposed that the decision on the timing of programme and drawdown be delegated to the Head of Asset Management / Property services, to be made in consultation with the Deputy Mayor and aligned as required to the completion of the relevant property leases.
13. Please note for health and safety works which do not qualify for capitalisation, BWC has make allowance for these in the business plan under its own proposed revenue investment programme.
14. The business plan presented has been developed following discussions with Council officers and Shareholder Advisors. The financial output of BWC's business plan has been reflected in the MTFP and any material variations will be subject to the Council's Policy and Budget framework procedure rules.

Finance Business Partner: Tian Ze Hao, Finance Business Partner - 8th December 2017

Corporate Strategy alignment: Each of the council companies has at its core the aim to improve deliver benefits for the council as shareholder, further detail can be found within the plans.

Legal Advice: Approval of the company business plans is a reserved matter and requires Shareholder approval. In addition, insofar as any Business Plan requires a commitment from the Council which would comprise a key decision, (eg investment above £500k) then this requires separate approval by Cabinet. As before, it is also important that any support for the companies continues to comply with state aid requirements.

With regard to the Bristol Waste business plan, it is a concern that (as noted in Appendix A) to date the parties have not yet agreed either the terms for the company occupation of the several premises it is using, nor settled the longer term service contract. In the latter case it is also noted that there are proposals (yet to be agreed with the company) for changes to the current payment arrangements which will need to be incorporated into the new contract. With regard to the expenditure proposed on BW premises to address health and safety issues (Appendix A), it is important that the arrangements in this regard (between the Council as landlord, and BW as tenant) are consistent with their landlord and tenant relationship.

Legal Team Leader: Eric Andrews, Legal Team Leader

Implications on ICT: Bristol Waste's ICT infrastructure and help desk service is provided by an external provider; the Council provides network services to Bristol Waste under a Service Level Agreement.

As a number of the ICT projects which BWC propose in their business plan are related to the delivery of waste services on behalf of the Council, it will be important that any ICT projects which have an impact of the end-to-end customer journey have shared project plans and that all relevant stakeholders within the Council, including IT & Digital Services, Customer Service Centre, Complaints and Waste Client team are involved in scoping these projects with BWC.

This will include ensuring that options for the company to use existing council systems for the handling of BCC derived customer data are appropriately considered, as well as ensuring that the total cost of implementing a solution and integrating it with councils systems is factored into the project from the outset.

The Bristol Holding Ltd. Business Plan has no ICT impact, since staff seconded to the company use BCC ICT software and infrastructure.

ICT Team Leader: Ian Gale, ICT Service Delivery and Integration

City Benefits: Each of the council companies has at its core the aim to improve outcomes for citizens and these are a key part of the business plans, further detail can be found within the plans.

Consultation Details: Bristol Waste Company Board – October and November, SLT 28th November, Mayors Briefing – 30th November, Shareholder Group - 14th December, OSMB – 18th December, Executive Board – 19th December, Cabinet - 9th January

DLT Sign-off	N/A	N/A
SLT Sign-off	Denise Murray	28/11/2017
Cabinet Member sign-off	Cllr Cheney	27/11/2017
For Key Decisions - Mayor's Office sign-off	Cllr Cheney	11/12/2017

Appendix A – Further essential background / detail on the proposal	YES
Appendix B – Details of consultation carried out - internal and external	YES
Appendix C – Risk assessment	YES
Appendix D – Equalities screening / impact assessment of proposal	YES
Appendix E – Eco-impact screening/ impact assessment of proposal	YES
Appendix F – Business Plans F1 – Bristol Holding Ltd. Business Plan 2018/2019 (Public) F2 – Bristol Waste Company Ltd. Business Plan 2018/2019 (Public) F2i - Measures that matter	YES
Appendix I – Exempt Information The appendices marked EXEMPT are not for publication under Part 1 of Schedule 12(A) Local Government Act 1972 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) Exempt Appendix G1 - Exempt Financial Commentary Exempt Appendix G2 – Exempt Bristol Waste Company Ltd. Business Plan 2018/2019	YES