

Appendix A

Title: Business Planning Update on Companies which the Council wholly own - 2018/2019

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Background:

1. Bristol Waste and Bristol Energy, and a parent company Bristol Holding Ltd. were established via a detailed business case which resulted in the Cabinet decisions in of 11th June and 6th July 2015 respectively.
2. The process of governing the companies is principally with the Mayor making “reserved matter” decisions as the shareholder, following advice from the Shareholder Group. The business plans set out the latest position and future forecasted direction of the companies. The approval of business plans is an annual process, and a critical decision which is reserved to the Mayor which sets the direction for the future of the company.

Business Plan 2018/2019 - Bristol Holding Limited

3. Bristol Holding Limited, as the holding company for the BCC group of companies, allows the various companies to be governed by the Shareholder as a single group from the perspective of coordinating the consolidation of accounts and other financial activities.
4. Bristol Holding Limited, has submitted a draft annual business plan covering 2018/2019 for approval and is attached as Appendix F1.
5. The purpose of this business plan is to provide the Council with a recommendation for the company to continue as a ‘thin company’ for the purpose of maximising financial efficiency within the group of companies.

Business Plan 2018/2019 - Bristol Waste Company Limited

6. The Bristol Waste Company Limited exists predominantly to fulfil functions required of it by the Council under an agreement for services, where less than 20% of its activities are to trade or to provide commercial services with other organisations or the public (what is known as a Teckal company).
7. On the 11th August 2016, a Cabinet decision was made which agreed to grant Bristol Waste Company a contract to deliver an integrated waste service, including street cleansing and winter maintenance for a period of 10 years.
8. A detailed business plan for 2018/2019 for Bristol Waste Company Limited has been submitted for approval and is attached as Appendix F2 and Exempt Appendix G2. Exempt financial commentary is provided at Exempt Appendix G1.

Capital Programme for works including Health and Safety works required on existing waste premises

9. Bristol Waste Company’s operating properties - At the time of setting up Bristol Waste Company a number of premises had been used for operational purposes with a number of outstanding maintenance and compliance issues (including some health and safety matters). £2.0m has been earmarked in the approved capital programme (PL22) subject to the level of work involved and estimated costs being established.

10. This report seeks approval for up to £1.5m of the overall £2.0m to be released in order to carry out the required works including health and safety works on existing waste premises in line with the schedule of works produced, which is estimated at £1.1m - £1.5m.
11. Bristol Waste Company currently operates on the basis of a short term contract, expiring in November 2018, and is in negotiation with the Council for a longer term (10 year) contract. Arrangements for the occupation of the premises by way of lease still need to be finalised. The company occupies all operational premises, in some cases, in effect by licence, and others by way of a tenancy at will, in all cases terminable at short notice.
12. 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, who will ensure BWC is appropriately reimbursed for the amount which they have or will incur on remediating key Health & Safety matters.
13. Once the relevant leases are completed and signed, the total forecasted release for the agreed works is anticipated to be between approximately £1.1m and £1.5m and will be based on the actual cost of the works undertaken, (as opposed to estimates).
14. Accordingly approval is sought for the spending of between £1.0 - £1.5m on necessary repairs at these premises, in the manner set out above.
15. For details of the agreed works to be funded please see section 22.

Other options considered:

16. 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. As well as this, both companies are required to present and request approval from Cabinet to their business plans.
17. Winding up Bristol Holding Company: As a group company, Bristol Holding does not directly carry out any trading activity but rather acts as a consolidation vehicle for operational and financial matters from its subsidiaries however it is acknowledged that:
 - a. Currently there are two subsidiaries and winding up the group is not recommended as the holding company structure is currently still required.
 - b. the Bristol Holding Company business plan outlines that an assessment of the role of the company will need to be undertaken to take into account the operating model for the council, the recommendations of the governance review and proposed establishment of other commercial ventures by the council, these may result in a revision of the holding company business plan in-year.
18. Winding up Bristol Waste Company: The company benefits from Teckal exemption use of which is complex and can be subject to challenge. therefore the council and the company must ensure that the company is within the Teckal parameters and satisfy the two key Teckal compliant tests:
 - a. **the control test:** The local authority must control all of the shares in the company and **must also exercise effective day-to-day control over its affairs**; in other words, the **same as the relationship between the council and one of its internal directorates**. This can be achieved through the governance structure.
 - b. **the functional test:** The company must be **“inwardly and not outwardly focused”**. 80% rule – that is, **over 80% (calculated based on three years) of its turnover – must be for its public sector owners**. Any contracts with other public sector bodies or private sector entities will not benefit from the Teckal exemption and the company will have to tender in the ordinary way for such contracts in accordance with any applicable procurement legislation.

19. Diversifying activities - If the company has diversified its activities and more than the 20% of its (three-year) turnover relates to trading activity beyond the Council as its public sector owner then the exemption will not be available and the company will need to bid in competition for the renewal of the core waste contract. It should be noted that there is no guarantee that the company would succeed in winning the contract. If that core contract remains critical to the stability of the company's financial position, then failure to win the contract may mean the trading company ceases to be viable.
20. Whilst the turnover or alternative activity-based measure for non-teckal activity are not yet available The company's latest business plan indicates Teckal compliance; and in particular credible activity which shows 1 – 5 year revenue projections that satisfy the „function“ test as outlined above.
21. The Business plan shows there is operating value (derived from managing the Council's waste horizons) to be achieved by the Council if it continues to trade. The refreshed business plan explains the company's commercial strategy, assumptions on which its business plan is built. Later in the year there will be a need for consideration by Cabinet in relation to the waste collection methodology and potentially public consultation should a change be proposed. A change in methodology may have an impact on the the business plan in years 2 – 5.
22. The list below comprises a summary of the top 5 areas for capital works required at each site and totals either an actual costs (because works have been completed) or forecast costs.

Summary	Forecasted Cost
Avonmouth Recycling Centre and Transfer Station	
St Philips Recycling Centre	
Lewins Mead	
Hartcliffe Way	
Albert Road	
Total	£1,052,950 (forecast based on estimates/actuals)

Avonmouth Recycling Centre and Transfer Station Area of Work	Forecasted Cost
Repair damaged Transfer Station Cladding and Steelwork	
Remove overhanging brickwork of old incinerator	
Repair and replace waste storage bays	
Repair roof of WC Block	
Repair Chain Link fencing	
Other Works	
Total	£69,086 (forecast based on estimates/actuals)

St Philips Recycling Centre Area of Work	Forecasted Cost
Replace Portacabin	
Repair Wood Storage Bay	
Repair Garden Waste Storage Bay	
Repair household Waste Bay	
Replace manhole cover	
Other Works	
Total	£29,375 (forecast based on estimates/actuals)

Lewins Mead Area of Work	Forecasted Cost
Rebuild brickwork to the top of the garage door pier	
Repair Roof Tiles	
Repair groundwork in dropped area	
Internal Repairs	
Total	£27,919 (forecast based on estimates/actuals)

N.B. Only 4 Capital Works for Lewins Mead

Hartcliffe Way Area of Work	Forecasted Cost
Repair Bottom Garage Roof	
Scaffolding to enable roof repair	
Top Shed Roof Repair Works*	
Top Shed Roof Asphalt*	
Top Shed Scaffolding*	
Other Works	
Total	£653,940 (forecast based on estimates/actuals)

*'Top Shed' repair costs can be avoided with demolition and replacement of building. Costs of replacement circa £80,000. Cost of full repair £430,000.

Albert Road Area of Work	Forecasted Cost
Workshop Roof	
Workshop, remove render	
Workshop, internal repairs	
The Hub Roof repairs	
Electrical Substation repairs	
Other Works	
Total	£272,630 (forecast based on estimates/actuals)

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