

Full Council

Supplementary Information



Date: Tuesday, 26 May 2020

Time: 2.00 pm

Venue: Virtual Meeting - Zoom Committee Meeting
with Public Access via YouTube

Distribution:

Councillors: Mayor Marvin Rees, Peter Abraham, Donald Alexander, Lesley Alexander, Nicola Beech, Nicola Bowden-Jones, Harriet Bradley, Mark Bradshaw, Mark Brain, Charlie Bolton, Tom Brook, Fabian Breckels, Tony Carey, Craig Cheney, Barry Clark, Jos Clark, Stephen Clarke, Harriet Clough, Eleanor Combley, Asher Craig, Chris Davies, Mike Davies, Carla Denyer, Kye Dudd, Richard Eddy, Jude English, Martin Fodor, Helen Godwin, Paul Goggin, Geoff Gollop, John Goulandris, Fi Hance, Margaret Hickman, Claire Hiscott, Helen Holland, Gary Hopkins, Chris Jackson, Hibaq Jama, Carole Johnson, Steve Jones, Anna Keen, Tim Kent, Sultan Khan, Gill Kirk, Cleo Lake, Jeff Lovell, Brenda Massey, Olly Mead, Matt Melias, Graham Morris, Anthony Negus, Paula O'Rourke, Steve Pearce, Celia Phipps, Ruth Pickersgill, Kevin Quartley, Liz Radford, Tim Rippington, Jo Sergeant, Afzal Shah, Steve Smith, Paul Smith, Clive Stevens, Jerome Thomas, Mhairi Threlfall, Estella Tincknell, Jon Wellington, Mark Weston, Lucy Whittle, Chris Windows and Mark Wright

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Supplementary Agenda

4. Public Forum (Public Petitions, Statements and Questions)

Please find following public forum questions and answers provided.

(Pages 4 - 16)



Extraordinary Council Meeting – 26th May 2020

QUESTION PQ01 & PQ02

Subject: Bristol Energy

Question submitted by: Michael Owen (amended to remove reference ruled out)

1. How many Bristol households and firms are customers of Bristol Energy, and to what extent does this show an improvement since 2018-19?

Reply:

- 11,900
- there has been minimal growth in the last year

2. Which key performance indicators in the 2019-20 financial year triggered the allocation of another £3.5m funds by Bristol City Council?

Reply:

- We do not recognise the reference to an allocation of £3.5m.

Extraordinary Council Meeting – 26th May 2020

QUESTION PQ03 & PQ04

Subject: Bristol Energy

Question submitted by: Suzanne Audrey

I have been trying to understand when Bristol Energy Company actually started trading. Documents on the Companies House website seem to suggest the first trading accounts were produced in March 2016.

Please can you confirm:

1] the total amount of money Bristol City Council invested in Bristol Energy Company before 5 May 2016?

Reply:

- £12m earmarked for investment prior to the 5th May 2016.

2] the total amount of money Bristol City Council has invested in Bristol Energy Company since 5 May 2016 when the current administration came to power?

Reply:

- £23m has been invested in Bristol Energy since the 5th May 2016.

Extraordinary Council Meeting – 26th May 2020

QUESTION PQ05 & PQ06

Subject: Bristol Energy

Submitted by Andrew Brown

1. The Cabinet Member responsible is quoted in local media as saying that the latest cash injection is within “the investment window agreed by cabinet two years ago” and that they have just “brought forward some funding”. Assuming that each investment tranche is designed to achieve specific aims, or linked to specific performance targets, can he clarify a) what these have been for each tranche and b) whether they have been achieved? N.B. If the answer to this question is exempt, please make it available for Councillors with the other exempt papers.

Reply:

Bristol City Councils investment in Bristol Energy has been released in tranches, in line with the growth forecasts set out in the business plan approved in April 2019.

It is not possible for us to release any key performance information in relation to the company in answer to your question due to commercial sensitivity.

2. The number of gas and/or electricity suppliers has increased from 40 to 64 since Bristol Energy launched. Over that time, the market share of small energy companies has risen from 3% to 7%. However, this disguises the fact that both the overall number of operators, and the size of the small operator’s slice, peaked in 2017/18 (at 70 and 10% respectively) and these are now contracting. Part of this is due to the rise of well financed and rapidly growing medium-sized companies, particularly Bulb and Octopus. **What overarching strategy does Bristol Energy have to buck a trend that has seen some larger competitors fall into Ofgen’s ‘Supplier of Last Resort’ process?**

Reply:

We can confirm that the Council has commissioned consultants EY to support the company in determining the optimal business strategy for the company going forwards which will be presented to Cabinet on the 2nd June 2020.

The detail of Bristol Energy’s business strategy is commercially sensitive and we are unable to release any further detailed information in relation to this.

Extraordinary Council Meeting – 26th May 2020

QUESTION PQ07 & PQ08

Subject: Bristol Energy

Submitted by Barry Cash – *attending*

Question One: Have any approaches been made to any other energy company to take on the operations of Bristol Energy?

Reply:

We can confirm that the Council has commissioned consultants EY to support the company in determining the optimal business strategy for the company going forwards which will be presented to Cabinet on the 2nd June 2020.

The detail of Bristol Energy's business strategy is commercially sensitive and we are unable to release any further detailed information in relation to this.

Question Two: What price would the council consider for the company if a sale was deemed appropriate?

Reply:

This really captures the essence of what's at stake here. You and your party are jeopardising the position of the city for political point scoring.

According to 24/7 you're a financial advisor and entrepreneur – would you advise your clients to advertise their sale price in a highly competitive energy market?

If we were going to sell the company, on the competitive market, do you think it would be wise to publicise the sale price to you here now?

Wouldn't that damage the company and tax payers?

Extraordinary Council Meeting – 26th May 2020

QUESTION PQ09 & PQ10

Subject: Bristol Energy

Submitted by Merche Clark

My understanding is that Bristol Energy was established to encourage the production of clean energy and supply this clean energy to the citizens of Bristol. It appears that these two aims are no longer at the forefront of the project.

Since the inception of the idea and when Bristol Energy started trading in 2016, the energy market changed significantly. Bristol Energy, now, is merely another energy retailer in a packed and competitive marketplace. Bristol Energy is a small player and does not have any proprietary skills that might give it a competitive advantage to succeed on this basis. Even large players only average a 3% profit margin.

In fact on its site it states

- “We offer fairly priced 100% green electricity and green gas for homes and businesses in Bristol, the South West and nationwide.”
- “Bristol Energy will make a meaningful difference to the energy sector. We’ll give everyone access to fair, transparent tariffs and great customer care.”

So nothing to do with producing green energy and nothing to do with a Bristol focus.

And we can see that most of its customers are from outside the Bristol area.

1. Whilst Bristol Energy offers attractive tariffs on consumer switching sites, what evidence is there that by attracting low tariff paying customers, Bristol Energy can produce profits and service its debts?

Reply:

Bristol Energy has always aimed to provide fair energy prices and there is a broader city strategy for decarbonisation through the City Leap and through the sustainable development goals which we are driving into the Special Development Strategy for sustainable energy.

You’re right to point out the challenges of a commercial, competitive energy market.

Unfortunately I cannot share the business strategy and supporting evidence as it is commercially sensitive and to do so would harm the company in this commercial, competitive energy market.

2. What evidence has Bristol Energy supplied to Bristol City Council over the last 5 years that supports a vision for profitability justified by its performance?

Answer:

Bristol Energy have produced business plans annually since the company's establishment in 2015 which have taken in to account changes in the market and assumptions on business growth and areas of potential diversification which have indicated profitability.

Extraordinary Council Meeting – 26th May 2020

QUESTION PQ11&12

Subject: Bristol Energy

Submitted by Mary Page

To the chief legal officer, section 151 officer and to the Mayor and relevant cabinet member to whom it might also appropriately concern.

The papers for the extraordinary meeting are exempt to the public, however from information that is already in the public domain there are some facts.

- 1) Media announcement of appointment of Ernst and Young to dispose of Bristol Energy (BE).
- 2) All Councillors have now had sight of the exempt papers.
- 3) BE has been supported with £37.7m of council subsidy already.
- 4) The dividends in the millions of pounds, due to be paid to the council have not been paid.
- 5) In BE's short time of operations 16 out of 22 Directors have resigned.
- 6) That even in the light of these eye-watering subsidies, grants have been offered from Bristol Energy for projects such as £20,000 for Avon Needs Trees, but there is no communication to say whether these will be honoured from the additionality budget.

Some logical deductions:

- 1) There is unaccounted for work time by Bristol Council officers that has not been calculated as part of the subsidy to this company. That there may have been council premises which have been provided for the company to use which have not had rent paid for, at a further loss of revenue to the council.
- 2) From my understanding of the energy market, and comments from past and current customers attracted by very cheap tariffs, which are now rising out of line to their energy use, I suspect that: - guarantees have been given to buy energy at a price above that at which the company is able to sell it.
- 3) c.80% of the company's c.120,000 customers are not in Bristol. Which would mean the Bristol tax payers have given away c.£32m to c.96,000 nonresidents at a rate of around £333 per individual.

I would therefore like to know:

- 1) Why is there (or has been) any justification for prolonging the subsidies as it is likely the Bristol Energy company will need to be sold hence the appointment of Ernst and Young? Or go into administration, unless a rescue package can be found**

Reply:

There is no further investment agreed past the amount agreed in April 2019.

The council agreed to a total investment cap of £37.7m at the meeting on 2nd April 2019 – no further investment in the company has been agreed since that meeting.

Extending these lines of financial bailout, where there is no foreseeable return of the funds, amounts to casino gambling by the Labour administration because this is a strategy that was and is financially unsustainable and morally unjustifiable, as it looks to be political expediency to push the problems of BE past this year's now postponed elections. So to continue subsidising cheap energy rates for non-Bristol residents with Bristol taxpayers' funds, when other areas like special educational needs, adult social care and council housing is in such desperate need of additional funding is reprehensible.

2) What is the total loss and liability to the council for Bristol Energy and should the company be put into administration or be sold?

Reply:

- The council's liability is capped £37.7m.
- The Council has commissioned consultants EY to support the company in determining the optimal business strategy for the company going forwards which will be presented to Cabinet on the 2nd June 2020.
- All the numbers given in your supposition are wrong.

Extraordinary Council Meeting – 26th May 2020

QUESTION CQ01

Subject: Bristol Energy

Submitted by Councillor Marg Hickman

Please could the Mayor provide a full timeline of the establishment of Bristol Energy?
I seem to remember the Council having first discussed it around a decade ago.

Reply:

What I can give you is a list of political meetings, but there are numerous private meetings that included politicians that we can share more about at cabinet.

2010:

September - An exempt Cabinet report to the Liberal Democrat Cabinet approved a technical study programme to create an energy company for Bristol and develop and energy investment programme, as part of Investment in a Low Carbon Future for Bristol.

Report title: Investing in a Low Carbon Future for Bristol - Energy Investment Programme - Phase 1

2013:

April – The previous mayor and Liberal Democrat portfolio holder and councillors appoints a Commercial Director for Energy Services

October onwards - The Energy service is formed by the previous mayor and Lib Dem portfolio holder with agreement of the cross party cabinet.

2015:

February – the approved the initial business case for Bristol Energy company, and award of funds to progress business planning.

July – Approval of Final business plan which projected profits of 12% in 5 years and 35% in ten years.

PWC found this to be prudent.

December - Approval by previous mayor, Lib Dem portfolio holder with the agreement of the cross party cabinet of revised business plan for 2016/2017.

Extraordinary Council Meeting – 26th May 2020

QUESTION CQ02

Subject: Bristol Energy

Submitted by Councillor Don Alexander

Please could the Mayor confirm who, under the previous administration, signed off business plans for Bristol Energy which included annual profit forecasts of some 35%?

Reply:

The papers aren't exactly clear about which cabinet member led, but they were approved on July 6th 2015 by the Mayor and the assistant Mayors. The Lib-Dems had the brief for environment which you'd think this would come under.

You would hope there would be a degree of financial oversight also including a risk assessment of entering a competitive market such as this. The development of the Bristol Energy was the subject of Scrutiny and Party Group briefings.

Extraordinary Council Meeting – 26th May 2020

QUESTION CQ03&04

Subject: Bristol Energy

Submitted by Councillor Tim Kent

1. What is the total financial exposure and investment by Bristol City Council into Bristol Energy including original set up costs, continuing officer support, cash payment support (held as shares), other payments by BCC via other initiatives such as City Leap, any unpaid bills such as rent, any guarantees that Bristol Council may have made (as claimed by the Energy Company in their public accounts)? Please provide a total amount and a breakdown.

Reply:

The Council's investment from 2015 to date is £36.5m within a funding envelope of £37.7m.

Further information regarding other support is in the cabinet report which will be available to review by scrutiny members and party group leaders.

Extraordinary Council Meeting – 26th May 2020

QUESTION CQ05

Subject: Bristol Energy

Submitted by Councillor Martin Fodor

1. One of the notable features of Bristol Energy, as a locally owned not for private profit company, is the added value of a commitment to renewable energy, social and local tariffs, support for community energy, and local sponsorship. What assessment is there of these contributions to the community and how is it envisaged that all these benefits be protected in any future arrangements?

Reply:

At the last business plan, using the social value toolkit, Bristol Energy's social value contribution to the community was assessed at approximately £12m.

1 - City Leap, decarbonising energy and retro fitting homes and reducing fuel poverty with the environmental and social value we get from that.

2 – The kind of homes we build, and where we put them, will be the biggest determinant of our future city. Including social outcomes, our carbon footprint and ecological impact.

3- We're making the UN's SDGs explicit aims of our one city plan and the document taking over from the joint special plan for the city region's growth.

Extraordinary Council Meeting – 26th May 2020

QUESTION CQ06&07

Subject: Bristol Energy

Submitted by Councillor Jerome Thomas

1. What is the forecast revenue and profit (or losses) for Bristol Energy for the year ending 31 March 2020.

Reply:

By 2020 Bristol energy was forecast to make between £1m and £8m surplus, having broken even in 2018 according to the 2015 business plan.
The cabinet report will set out more detail.

2. What are the current customer numbers of Bristol Energy and how does this compare to the number of customers this time last year?

Reply:

There are currently 99,000 business and residential customers as at end of April 2020, there has been minimal growth in the last year.