

Audit Committee Agenda



Date: Monday, 26 September 2022

Time: 2.00 pm

Venue: The Council Chamber - City Hall, College Green, Bristol, BS1 5TR

Distribution:

Councillors: Andrew Brown, Tony Dyer (Vice-Chair), John Geater, Zoe Goodman, Katy Grant, Jonathan Hucker, David Wilcox, Hibaq Jama, Fabian Breckels, Adebola Adebayo and Simon Cookson

Copies to: Simba Muzarurwi (Chief Internal Auditor), Mike Jackson (Chief Executive), Denise Murray (Director - Finance & Section 151 Officer), Nancy Rollason (Head of Legal Service), Glenn Hammons, Husinara Jones, Alison Mullis, Tony Whitlock, Lucy Fleming (Head of Democratic Engagement) and Ravi Lakhani (Head of Strategic Finance)

Issued by: Allison Taylor, Democratic Services

City Hall, PO Box 3167, Bristol BS3 9FS

Tel: 0117 92 22237

E-mail: democratic.services@bristol.gov.uk

Date: Friday, 16 September 2022



Agenda

6. Public Forum

Up to 30 minutes is allowed for this item

(Pages 3 - 5)

Any member of the public or Councillor may participate in Public Forum. The detailed arrangements for so doing are set out in the Public Information Sheet at the back of this agenda. Public Forum items should be emailed to democratic.services@bristol.gov.uk and please note that the following deadlines will apply in relation to this meeting:-

Questions - Written questions must be received 3 clear working days prior to the meeting. For this meeting, this means that your question(s) must be received in this office at the latest by 5 pm on **20 September**.

Petitions and Statements - Petitions and statements must be received on the working day prior to the meeting. For this meeting this means that your submission must be received in this office at the latest by 12.00 noon on **23 September**.



Public Forum

Audit Committee
26 September 2022



1. Members of the Audit Committee

Statements		
Number	Name	Title
PS01	Cllr Geoff Gollop	External Work Plan



Audit Committee
26 September 2022
Public Forum Statement
Item 8 External Work Plan

There are a number of items I feel the Audit Committee should draw to the attention of the external auditors. These are areas where there appears to be insufficient information in the public domain to assure Value for Money or proper processes of decision making. I cannot list them all, but I give some examples for consideration as part of

1. As a first example I give Bristol Heat Networks. I attach below my submission to July cabinet highlighting my concerns that assets appear to be being sold at cost rather than at current value. (and the additional concern that the fixed asset register as maintained, does not provide enough information to support a valuation). It seems strange that a seven-figure sum has been spent on both legal and accountancy advice, but there is at present no suggestion of a valuation. It might be appropriate to suggest this is worthy of review under the Value for Money report.
2. The Councils initiative of the City Leap project is innovative, but whilst the project may well generate significant profits for the Councils partners, there is little indication of direct financial benefit to the council which appears to be very limited with no inflationary uplift. However, scrutiny briefings have been repeatedly cancelled, rescheduled and reduced in content. The governance of the Joint Venture is still unclear. I suggest further investigation by auditors may be appropriate
3. I have very limited knowledge of the Legal and General agreement to develop the former Arena Island. However, my instinct suggests that underwriting rental income on an office development at the current time may have some contingent risks. It might be appropriate to ask the auditors to assess with due attention has been paid to all risks, whether proper benchmarking took place, and whether all liabilities that could arise as a result of the contract have been modelled, quantified and disclosed as appropriate in financial statements.
4. I found out about the simultaneous departure of the Managing and Finance directors of Bristol Waste from Companies House filings, but I am not aware of any background. It would be normal practice where such an issue arises in a wholly owned subsidiary for information to be provided to the board and the external auditors. Audit Committee may wish to be assured that information has been provided.
5. Finally for now, I am sure Grant Thornton will be following up on their last VFM report. I think members may wish to know from GT or from officers the progress in resolving all issues raised in that report, specifically around the capital programme spending cycle falling in the last quarter of the financial year and associated issues.

Cllr Geoff Gollop
23/09/22



Cabinet 12th July 2022

Item 17 Transfer of Heat Network assets

There are a number of concerning matters in this report.

The general proposal to develop the heat network as part of the decarbonisation of the City is not disputed, but the importance of decarbonisation is not a justification for ignoring normal commercial considerations.

My concerns arise from comments in the report itself and specifically Appendix G the Financial Commentary. On Page 26 there is a heading "Current estimated value of the assets to be transferred in....."

However, the note says that the value is based on book value. Book value is not a valuation, it reflects what it says, historic cost of creating the asset.

I would expect there to be a valuation of the assets which should also reflect the impact of inflation, to arrive at a current value of the assets. There is no suggestion of this being done.

The network should be worth more than it cost because it is now generating income and its completion is more certain. That increased value must be reflected in the transfer in to BHNL otherwise no uplift will be realised when it is transferred into City Leap.

If there was no added value from expanding the network, the expansion should not have been allowed to take place. Given the significant fees paid to professional advisors a proper valuation of the assets should have been made. I understand this would not be made publicly available, but had it been made it would have been referred to in the report

Of equal concern is the comment in para 6 of appendix G. Why is a detailed fixed asset register being compiled just before the transfer? Surely it would have been maintained throughout the development of the heat network. Even if that had not happened, the work to prepare a detailed register should have started as soon as the proposal to sell the assets was established. If a detailed register does not exist there can be no certainty that the full book value is itself a correct figure

Over the last 3 years reports to scrutiny and to cabinet on City Leap and Heat networks have been delayed because of due diligence being carried out by the Council or Bristol Holdings on Heat Networks and its assets. If that work had been properly completed the register should now be complete.

The Council has recently received a damning Value for Money report from its external auditors. Today it appears cabinet is making a decision based on a report which provides the auditors with specific evidence of further failures.

Using book value to value an asset is not evidence that an asset is being transferred at fair value, it is evidence that a proper valuation has not been arrived at. Council has a responsibility to achieve best value on an asset transfer. Whilst this transfer is internal, it effectively sets the value at which the City Leap transfer will take place. I believe this is not acceptable for the reasons outlines above

Geoff Gollop

11 July 2022

