

**Members:**

Cllr Geoff Gollop, Cllr Jerome Thomas, Cllr Claire Hiscott, Cllr Gary Hopkins, Cllr Celia Phipps, Cllr Jo Sergeant, Cllr Don Alexander, Cllr, Cllr Stephen Clarke, Cllr Eleanor Combley, Cllr Mark Weston, Cllr Tom Brook,

Also present: Cllr Anthony Negus Cllr Margaret Hickman Cllr Kye Dudd, Cllr Craig Cheney & Cllr Anna Keen

Overview and Scrutiny Management had a joint meeting yesterday to consider the papers for

16 City Leap

18 Bristol Holdings

19 Bristol is Open

20 Bristol Energy

Although the meeting lasted 4 1/2 hours, we were only able to “scratch the surface” on these topics and it is fair to say members had a wide range of views on most key topics.

I try to represent those views in a balanced way, whilst stressing that a four-hour meeting was not long enough to understand all the issues and to develop a conclusive view.

**16 City Leap**

Members were unanimous

- Exciting and Innovative ideas
- Proactive direction of City’s energy needs

- Perfect solution for dynamic entrepreneur to develop significant new strands of business
- Significant amount of work by David White and his team
- Governance of City Leap is critical and a proper structured involvement in scrutiny with an effective flow of information must be developed as a matter of urgency

BUT were split on a number of items

- The levels of risk– 3 members thought the risks were too high, one believed the risk was much lower than doing nothing and others felt concerned about the risk levels but needed to know more. The overall view was to proceed with caution.
- The reports assume that the chosen projects will succeed, members were concerned that there could be no certainty of that and there was no modelling of possible downsides
- There can be no guarantee that the Joint Venture will work. (As an example, members discussed that the BiO joint venture was coming to an end) Or the terms could not be negotiated as suggested
- A lengthy debate took place about placing all our reliance on having Bristol Energy play a role in City Leap. One view was that we have to use BE in that role as the only way of saving the company, some members wanted to know more information, 3 believed it was very unwise to use BE
- If any project doesn't deliver immediately it will require more investment, if we cannot match any additional equity funding provided by a partner, our share of the investment will be diluted very quickly, there seemed to be no reference to the impact of dilution as a result of under performance
- the Council needs to consider how the procurement of the strategic partner may impact the financial position of Bristol Energy, particularly in relation to historic and future losses. I

have a further comment to make under the confidential section on this issue

- 4 members believed City Leap should be supported, 3 members believed these are not the risks a cash starved local authority should be taking

## **18 Bristol Holdings**

Members were in complete agreement that

- David Lawrence has proved highly effective in bringing the companies accountability to the shareholder into an acceptable position
- Governance issues need to be properly addressed, both in terms of scrutiny involvement and public engagement. Members were very unhappy with the “managed access” and the confidential papers and whilst recognising that commercially sensitive information must be protected, sufficient information must be in the public domain and confidentiality must not be the default approach to dealing with everything relating to company investments and joint ventures
- The reduction of shareholder meetings to quarterly was not welcomed and should only be considered as an option if/when the revised structure is proven to be working

A variety of views were then expressed

- Members understand the need to run the Councils companies in a business-like way. However, it was questioned whether any private Holding company, having made a trading loss of £11m, written £11m off its investments and having had to buy out a joint venture partner, would then propose an annual budget in excess of £500k to employ staff, when those costs can only be

recoverable by the Council providing additional funding to the trading companies .

- These costs to be incurred while the Council still maintains its costs to interact with the companies
- 3 members strongly felt this cannot be justified in the current financial circumstances, one believed it imperative, others were not entirely happy with the proposal and said they needed far more convincing.

### **Item 19 Bristol is Open**

Members were questioning why the joint venture had not worked.

Members could see the potential for Smart City but wanted to understand why the relationship will be terminated

Members could see the difficulties of working in a joint venture and wanted to be assured that lessons had been learnt and would be taken account of in City Leap

### **Item 20 Bristol Energy**

Again, there were areas of complete agreement

- The Current management team are taking control of the business and there is a very different and much more positive direction to the business
- Overheads have been reduced and the business now appears to be targeting Bristol residents and those in fuel poverty which was always the intention, members wished to see this with more emphasis in the business plan

- The market remains volatile and there can be no certainty over the next 12 months both in terms of the UK economy and the Energy market
- There remain too many suppliers competing for the switching customers which is keeping margins below sustainable levels
- Even on the base case scenario there were concerns about the long time it would take to break even
- It only requires a minor deterioration in conditions for breakeven never to be obtainable

However, a wide range of views was expressed on other areas

- The business plan is designed to minimise the additional funding provided by BCC, but the Council will have to be the funder of last resort if the Company fails to achieve its business plan. (If we depended on the management team, there would be no doubt we could achieve, but the external factors are too many and varied for there to be any certainty)
- Some Members were concerned that the size of the losses would mean we would have to continue funding and that there was no fallback position. Some believed the loss should be crystallised and that other options should be pursued. Others believed that tackling fuel poverty in Bristol and the wider UK market was a major factor in continuing to fund the business
- One member raised a concern about a bias in favour of optimism within the forecast which had support from a number of members
- 4 members believed that there are too many risks to the Council in continuing to fund BE. Any decision to fund for the next year will effectively increase the Councils exposure to £37.7m of loan and £17.6m of guarantees. By approving this plan Council has a danger that it will effectively be agreeing to fund whatever extra is needed to see the company through the

next 24 months. 3 members believed there was no alternative and the company had to be funded

## **Managed Access**

As referred to elsewhere, there were significant problems with managed access.

I am sure these relate to circumstance, and no one specifically is to blame, but they hampered members ability to access information and as an organisation we need to get this right if we are to develop the governance model necessary to run a group of companies

The key issues were as follows

- 2 reports were only provided at the end of the day on despatch day. They could only be uploaded without time to check
- The other reports were not available until the Monday after despatch, removing the chance to read and absorb over the weekends
- The confidential papers were only available at the last minute
- Members had access to over 200 pages without index or covering note or explanation
- As no one had explained that the confidential report was the same as the public report with the addition of certain paragraphs members had to read through both reports to find the differences. This was an unnecessary challenge for an 83 page report
- Detailed diagrams with codes in colour are very useful in understanding complex issues, but not when they are photocopied in black and white!

- We would recommend that as a general rule reports should be prepared for public viewing and that confidential information be provided as an additional appendix
- We would recommend that reports are finalised at least 2 days before despatch with instructions provided as to what is confidential and why and how it is to be presented
- We would recommend that the chair and or scrutiny officers should have time to check that the information is fit for purpose before it is uploaded
- We ask cabinet and senior officers to understand that complex information presented in a confusing way through managed access is not helpful