



Decision Pathway – Report

PURPOSE: Key decision

MEETING: Cabinet

DATE: 03 March 2020

TITLE	Bristol Energy Limited Operational Update March 2020		
Ward(s)	All.		
Author: Penny Fell		Job title: Director Commercialisation, Citizens and Shareholder Liaison	
Cabinet lead: Cabinet Member for Finance, Governance, Performance and Shareholder		Executive Director lead: Executive Director, Resources	
Proposal origin: City Partner			
Decision maker: Cabinet Member Decision forum: Cabinet			
Purpose of Report:			
<p>To provide an operational update in relation to Bristol Energy Ltd (BE), in response to market conditions and an early indication of the changes that may be required to ensure BE is appropriately restructured in relation to City Leap.</p> <p>Given the current market conditions and critical dependency between BE and the City Leap programme, Ernst and Young have been commissioned to provide professional advice to the Council. This work is underway and a number of actions have been identified which will need to be taken to mitigate the extent of any additional funding requirement from the Council beyond the existing agreed funding envelope.</p> <p>Early feedback from the City Leap bidders indicates that Bristol Energy may need to be reformed or restructured in some fashion. Options in relation to this are currently being considered in the work being undertaken by EY. A further report will be coming to Cabinet in June 2020 to outline any further options to be considered in relation to the company.</p>			
Evidence Base:			
<p>It is intended that the Mayor (or his/her appointee) will make most decisions concerning the Executive’s role in respect of company interests, with the advice of the Shareholder Group.</p> <p>In April 2019, Cabinet authorised the provision of a range of cash, credit, collateral, and guarantee support to Bristol Energy (on market terms) and has delegated authority to the council’s s151 officer to negotiate, sign and enter into the necessary contracts and agreements (including appropriate loans and guarantees). The company’s business plan was updated, and approved in January 2020. This Cabinet Report provides an operational update further to this business plan.</p>			

The first 3 decisions set out in this report are in line with the existing delegations approved by Cabinet in April 2019, namely for the Director of Finance (s 151 Officer) in consultation with the Deputy Mayor for Finance and the Director of Legal and Democratic Services, to agree any phasing of the draw-down and other details of individual funding arrangements, and to negotiate, sign and enter into the necessary contract and agreements (including appropriate loans and guarantees in respect of such funding envelope), subject to compliance with the approved Business Plan.

Cabinet Member / Officer Recommendations:

That Cabinet:

1. Note that, pursuant to the Bristol Energy Business Plan approved by Cabinet in January 2020 for the period 2020/21-2024/2025, the following approvals remain in place:
 - a) a cash funding envelope of £37.7m, to support the core energy supply Business (for the avoidance of doubt, this total cash funding includes any funding provided to BE to date); and
 - b) a limit of £17.6m on the collateral support by way of parent company guarantees.
2. Note that, in addition to the above BCC (City Leap Programme) has entered into a contract for £2m with the company for innovation services in readiness for City Leap. The first £1.2m was paid in January 2020 under this contract and the company is due to receive the remainder £0.8m in April 2020.
3. Note that, in respect of the total cash funding envelope of £37.7m, the Council intends to accelerate the availability of the residual funds of up to £2.7m. Subject to a determination that further investment remains in the public interest the funds could be drawn-down intermittently between March 2020 and June 2020 in order for the company to meet obligations as they fall due within that period.
4. Note this operational update in relation to Bristol Energy Ltd and the extension of the contract with Ernst & Young (of approximately £150k plus expenses, to be funded from the approved City Leap programme budget) to review the Bristol Energy financial position in detail and consider options and next steps in view of City Leap.
5. Note that a further report will be prepared for Cabinet in June 2020 to provide; an update on this work, further actions taken under delegated authority, and seek approval for any proposed next steps.
6. Authorise the Deputy Mayor for Finance, Governance, Performance (in his role as Shareholder Representative), subject to affordability and within delegated authority, to approve variations to the existing Bristol Energy business plan specifically to enable the company to:
 - a) mitigate the extent of any additional further funding requirement beyond the peak working capital cap of £37.7m
 - b) make improvements to the performance of the company, which may include restructuring, particularly with a focus to prepare the company, and/or enhance the value of the company as part of the city leap partnership proposal.
7. Authorise the Deputy Mayor for Finance, Governance, Performance (in his role as Shareholder Representative), in consultation with the Director Finance (s151 Officer), to make an emergency payment to BE from the Council's risk reserve (according to the scheme of delegation) should this be deemed prudent to protect the Councils investment.

Corporate Strategy alignment:

Bristol Energy's Business Plan aligns with the key theme of Wellbeing, supporting Bristol to be on course to be run entirely on clean energy by 2050 through investing in renewable energy generation, and developing innovative products to both reduce domestic fuel consumption, and tackle fuel poverty.

City Benefits:

Bristol Energy was established to support the city towards the following objectives:

1. Keep Bristol on course to be run entirely on clean energy by 2050 by delivering £800m to £1bn of investment in the city's low carbon, smart energy system.
2. Improve our environment to ensure people enjoy cleaner air through supporting the further deployment of renewable energy generation and electric vehicles.
3. Improve physical and mental health and wellbeing by making residents' homes warmer and cheaper to heat, reducing inequalities and the demand for acute services.
4. Tackle food and fuel poverty by reducing energy bills.
5. Create jobs, contributing to a diverse economy that offers opportunity to all and makes quality work experience and apprenticeships available to every young person.

Consultation Details:

Discussion with the Bristol Energy Board, Bristol Holding Ltd board, Shareholder Group, and with Cabinet.

Revenue Cost	See Appendix	Source of Revenue Funding	See Appendix
Capital Cost	N/A	Source of Capital Funding	See Appendix
One off cost <input checked="" type="checkbox"/>	Ongoing cost <input type="checkbox"/>	Saving Proposal <input type="checkbox"/>	Income generation proposal <input type="checkbox"/>

Required information to be completed by Financial/Legal/ICT/ HR partners:

1. Finance Advice:

See Exempt Appendix J2

Finance Business Partner:

Date:

2. Legal Advice:

While all funding to BE to date has been assessed as falling under the Market Economy Investor Principle, and so permitted, it will need to be considered whether any future funding (and in particular any emergency funds) will comply with this principle in view of the information contained in this report. Legal advice will need to be sought prior to making any payments to ensure they do not constitute State aid.

Legal Team Leader: Sinead Willis , Commercial and Governance Team Leader, Legal **Date:** 21.02.20

3. Implications for ICT:

- **Bristol Energy** - No anticipated impact on IT Services

ICT Team Leader: Simon Oliver, Director of ICT and Digital Transformation **Date:** 21.02.2020

4. HR Advice:

No HR implications evident for employees of Bristol City Council. Any impact on employees of the companies will be identified and managed by the companies themselves.

HR Business Partner: James Brereton, Resources HR Business Partner **Date:** 21.02.2020

EDM Sign-off	Executive Director of Resources	25.02.2020
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Cabinet Member sign-off	Cabinet Member for Finance, Governance, Performance and Shareholder	25.02.2020
For Key Decisions - Mayor's Office sign-off	Mayor's Office	24.02.2020

Appendix A – Further essential background / detail on the proposal • Exempt A1. Bristol Energy Operational Update March 2020 – Further information	NO
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	NO
Appendix E – Equalities screening / impact assessment of proposal	NO
Appendix F – Eco-impact screening/ impact assessment of proposal	NO
Appendix G – Financial Advice	NO
Appendix H – Legal Advice	NO
Appendix I – Combined Background papers Previous Business plans of the companies. 1. Cabinet report April 2019: Bristol Energy Limited Business Plan 2019/20 –2023/24 2. Cabinet report January 2020: Bristol Holding Group company business plans 2020/21 – 2024/25	
Appendix J – Exempt Information Exempt Appendix J1. EY short term cash flow findings report. Exempt Appendix J2. Exempt Financial commentary	YES
Appendix K – HR advice	NO
Appendix L – ICT	NO