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BHL COMMENTARY ON 2021/22 BP SUBMISSIONS

The Bristol Holding Co (BHL) Board has reviewed each of its subsidiary Business Plans (BPs) on several occasions leading up to this submission for Cabinet. This note summarises the Board's views on the Bristol Holding and Bristol Waste BPs for consideration.

Bristol Holding Co

The theme of BHL's 21/22 BP is Consolidation and Growth, building on last year's Transition focused BP. This year's plan initially summarises last year's key activities before outlining our value proposition to the Council; we think it is important to re-state this as awareness across the wider council is less developed and it is important to underline the value of BHL and the role it performs. Next, we outline key governance areas that still require development, such as supporting the Council led Governance reviews and maturing the good work achieved this year around risk management. Finally, our consolidation objectives in the coming year include wrapping up the BE sale, ensuring that the remnant company is dissolved, and that all liabilities are either met or have cover going forward.

The remainder of the BP is focused on growth, both within the subsidiaries, but also in terms of BHL itself. Given the limited resources and based on experience this year, we have had to rein back on our ambitions to grow the wider Group approach, instead focusing our expertise and effort around sustaining our core role (scrutiny, assurance & operational oversight) whilst also ensuring support for growth areas in Goram, Bristol Waste (BWC) and Bristol Heat Networks (BHN). Finally, we make no apologies for the emphasis this year on how the Shareholder can help by, amongst other things, ensuring that BHL are engaged and supporting the analysis and development of Exec Dir G&R's Commercialisation workstreams.

In terms of risks, we have included a snapshot of our key risks today which have been drawn from our actual company risk register. Amongst these risks is the fact that we are currently showing a deficit in 21/22 caused by the loss of Bristol Energy as income, which we can mitigate by charging a higher levy this coming year to the remaining companies. However, this cost pressure will worsen from 22/23 when BE2020 and BHN leave the Group; BHN moving to the strategic partner as part of the City Leap strategy. By way of addressing this longer-term shortfall, we have developed a separate paper with options and ideas which is being considered by BCC CE and Cllr Cheney and includes options offering some efficiencies and improved effectiveness relating to wider BHL Group corporate governance.

BWC 21/22 BP

The format of this year's BP is a focus on year one (21/22), with an overview of the out-year forecast (22/23 to 25/26) as specifically requested by the Council's S151 Officer.

BWC's 21/22 BP builds on the excellent work they have done over the last few years whilst adjusting their outlook to allow for the impact of COVID, population growth, Brexit and (worsening) recycle industry trends. The BP includes a snapshot on a wide range of initiatives and improvement programmes, delivering impressive service delivery figures in the City, particularly around key Mayoral projects such as Big Tidy and Clean Streets.

This BP starts to illuminate the real challenges that BWC faces going forward, particularly in their core (teckal) waste business. The company are now facing falling recycle income caused by global sector factors outside their control. Likewise, despite the recent good news about a vaccine, the ongoing COVID impacts persist and this BP assumes will do so until summer of 2021. Although the 3rd recycling centre at Hartcliffe is much needed in the City, it will result in significant additional operating costs for BWC and these really start to impact from FY 22/23. Despite these challenges, BWC has continued to drive efficiencies and the BP outlines the significant progress to date and that forecast.

In their proposed BP, FY 21/22 shows a surplus position in both teckal core business, and their non-teckal commercial business. This despite the challenges above and other factors outside their control, such as increased HoldCo charges. However, although the overall business shows a positive overall surplus trend, the outlook from 22/23 shows an unsustainable position in regards BWC's core teckal business which is forecast to be loss making going forward, requiring significant support from BCC through the Paymech arrangement. It is our understanding that the Client (BCC G&R) recognise the reality of growing population, reduced recycle income and increased HRRC operating costs and that from 22/23, they will need to consider increasing the teckal core waste revenue for BWC and/or consider policy changes in waste collection across the City.