

# Extraordinary Full Council -11<sup>th</sup> February 2021

## Agenda item 4b

### Public Forum questions



#### Procedural note:

##### **Questions submitted by members of the public:**

- Questions can be about any matter the Council is responsible for or which directly affect the city.
- Members of the public are entitled to submit up to 2 written questions, and to ask up to 2 supplementary questions. A supplementary question must arise directly out of the original question or the reply.
- Replies to questions will be given verbally by the Mayor (or a Cabinet member where relevant). If a reply cannot be given at the meeting (e.g. due to lack of time) or if written confirmation of the verbal reply is requested by the questioner, a written reply will be provided within 10 working days of the meeting.



Ref No	Name	Registered to speak?
PQ01	Suzanne Audrey	Yes
PQ02 & PQ03	Caroline Gooch	Yes
PQ04 & PQ05	Merche Clark	Yes

### QUESTION PQ01

**Question submitted by: Suzanne Audrey**

See statement PS01 for background...

Given the considerable financial losses to the city as a result of expenditure on Bristol Energy, and the concerns expressed by the external auditor, I asked a question at Audit Committee about what new measures or processes were in place to improve governance of Bristol City Council's subsidiaries. Unfortunately, I gained the impression from the Monitoring Officer that he did not believe any specific changes were necessary. I hope this was a misunderstanding.

Please can you give details of specific changes that have been made to improve transparency, scrutiny, governance and/or risk management of Bristol City Council's subsidiary companies? [Please note my question is about changes, rather than confirming previous systems.]

### Reply:

Important to distinguish between the question of governance, and company performance.

The Grant Thornton report is limited to commenting on governance for April 2019 to March 2020 and makes no statement on financial performance. Many of these governance problems were put in play as soon as BCC as an organisation committed to transparency launched an energy company that was operating in what the report describes as a highly volatile market in which transparency would have put that company at a disadvantage with its competitors.

The Grant Thornton report does not find that governance impacted on the financial performance of the company.

We have accepted GT proposed changes to our governance.

Changing the governance would not have given us a profitable exit. This is evidenced by the poor governance in the set-up of the company. We inherited a company and the governance around it, and we have changed governance of companies e.g. Holding Company.



**QUESTION PQ02**

**Question submitted by: Caroline Gooch**

PQ02:

When did the mayor first become aware that Bristol Energy was unlikely to make a profit for the council?

**Reply**

The original, business plans signed off in 2015 by the coalition cabinet had the company making losses until at least 2018/19, before going on to be the most successful energy company in the country.

When the business plan was clearly failing, the shareholder executive and the company drew up an alternative business plan that was endorsed by cabinet

Due to the volatility of the market – that business plan also failed and we moved to the sell the company to end losses.

That's why we never should have entered the market in the first place.



**QUESTION PQ03**

**Question submitted by: Caroline Gooch**

When did the internal auditors first make the cabinet aware that there was a financial risk to the council from Bristol Energy?

**Reply:**

You might have misunderstood the role of audit.

The role of internal audit is to provide independent assurance that an organization's risk management, governance, and internal control processes are operating effectively, rather than audit specific investments.

There is always a financial risk in entering into these types of businesses. And this would have been made clear to the cross-party cabinet from the outset.

You'd expect the cabinet members at the time to have been made aware of the risks at the time. Sufficient respect to the risk.



**QUESTION PQ04**

**Question submitted by: Merche Clark**

PQ04: Between 2016-today, how much money has been spent on external consultants looking at Bristol Energy by Bristol City Council, Bristol Holding Company and Bristol Energy ?

**Reply:**

As the external auditors have shown you need expertise which isn't often readily available within a local authority to manage the governance and operation of a company. BCC did not have the expertise to run and operate an energy company.

Bristol City Council spend is publically available – But we're going to write to you with a global figure including Bristol Holding and Bristol Energy as they need to confirm.

It's an expensive market to get into, expensive to operate in, and expensive to leave. If you want to get somebody who understands it, it's going to cost a lot of money.

This supports our view that is one of the reasons why we should never have got into it.



**Question submitted by: Merche Clark**

**PQ05:**

**What is the net operating cost (discounting any staff transfers from BCC) of Bristol Holding Company per year between 2016-today?**

**Reply:**

For 2020/21 the budget set for the holding company was £608k, with £407k for employees and £201k for services provided by the Council to the Bristol Holding Group such as insurance, finance, ICT and legal.

The full financial performance of the Holding companies is publicly available in their annual accounts.

