

Audit Committee

23 November 2021



Report of: Director: Legal and Democratic Services and Director: Finance

Title: Update regarding management actions in relation to Grant Thornton and Shareholder Governance Review Recommendations - November 2021

Ward: N/A

Officer Presenting Report: Director: Legal and Democratic Services and Director: Finance

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Recommendation

That Committee Members note:

- The management actions update in relation to the second Grant Thornton report entitled "Report concerning the governance arrangements for Bristol Energy".
- The recommendations of the Shareholder Governance Review, and associated management actions update.
- The management actions update in relation to the Grant Thornton report entitled "Value for Money Audit Findings for Bristol City Council".

Summary

The Council is overseeing the implementation of management actions in response to reviews conducted over the course of 2020 and 2021. These include actions agreed as a response to Value for Money audits and subsequent follow up reviews conducted by Grant Thornton, in relation to both the Council, and the governance of its wholly owned companies. This report also provides an update on the Shareholder Governance Review report, carried out by the Independent Shareholder Advisor during 2021.

1. Background

- 2.1 In January 2021, Grant Thornton produced two reports “Value for Money Audit Findings for Bristol City Council” (**BCC VfM report**) and “Review of Governance Arrangements for Bristol City Councils Subsidiaries” (**Grant Thornton Report (1)**). The latter report and its associated management actions were presented to Full Council on 11 February 2021.
- 2.2 At this meeting, a motion was passed to establish a cross-party group to examine the actions plan prepared by officers, for how the recommendations in the Grant Thornton Report (1) would be implemented. The working group met three times, before reporting back to Full Council on the 25 May 2021 on the progress made against the management actions, before confirming that its responsibilities had been effectively discharged.
- 2.3 Further to the Grant Thornton Report (1), a secondary report entitled “Report concerning the governance arrangements for Bristol Energy” (**Grant Thornton Report (2)**) was completed in September 2021. This report, was provided to Audit Committee on 27 September 2021 by Grant Thornton in line with their responsibilities to report to Audit Committee on matters of concern. It set out the findings on governance matters not set out in the original report, namely, initial decision making related to establishing Bristol Energy or final outcomes following the decision to dispose.
- 2.4 In parallel to the reviews mentioned above, the Shareholder Representative, (a Mayoral role, formally delegated to Cllr Cheney, Deputy Mayor) commissioned Fiona Ross, Independent Shareholder Advisor, and member of the Shareholder Group (the advisory group to the Shareholder Representative) to undertake a review of the entire governance structure pertaining to the management of its wholly owned companies.
- 2.5 The Governance Review was presented to the Shareholder group June 2021, with a management actions implementation plan presented to the Shareholder Group in September 2021. This report, and an update on the implementation of the management actions is presented here.

2. Additional Information re: Grant Thornton Management Actions in relation to Council Companies (Appendix A)

- 2.6 A progress update on the implementation of the actions from both Grant Thornton reviews in relation to the governance arrangements of the Councils companies (and specifically referencing Bristol Energy) from January 2021 and September 2021, is included at **Appendix A**.

3. Additional Information re: Shareholder Governance Review 2021 Management Actions (Appendix B)

- 3.1 The Shareholder representative, Cllr Cheney, commissioned a review of the council’s governance arrangements in respect of its companies in early 2021 (the scope is included in **Appendices D**).
- 3.2 The council’s Independent Shareholder Advisor, Fiona Ross, conducted the review. As part of this process, she interviewed 22 individuals, including senior officers from the council, as well as senior executives and non-executive directors of each of the council-owned companies.

- 3.3 The Shareholder Group received the Shareholder Governance Review Report on 14 June 2021 (see **Appendix E**).
- 3.4 The primary recommendation of the report was to disband Bristol Holding Limited (the **Holding Company**) if the council was not intending to establish more companies in the short to medium term and if the 'Group' was to remain as including Goram Homes Limited (**Goram Homes**) and Bristol Waste Company Limited (**Bristol Waste**), assuming that Bristol Heat Networks Limited (**BHN**) would transfer to City Leap in early 2021.
- 3.5 The Shareholder Group requested that an options analysis be carried out to consider this recommendation in more detail. The options analysis considered two options: (a) retaining the Holding Company on a reduced budget; and (b) disbanding the Holding Company and transferring the functions to the council (the **Options Analysis**). The Options Analysis was considered at a Shareholder Group meeting in July and concerns were raised, in particular, about the impact of disbanding the Holding Company before the outcome of the City Leap procurement, and BHN's future, were known. An implementation plan was therefore requested that took account of this concern, and other points raised at the meeting.
- 3.6 In August, an implementation plan was presented to Shareholder Group, following consultation with senior officers, the Independent Shareholder Advisor, and the Holding Company board (the **Implementation Plan**). It was agreed at the August meeting that the most pragmatic way forward, to ensure effective governance, was to retain an active Holding Company until the outcome of the City Leap procurement was known, at which point the governance arrangements would be reviewed again to ensure that a proportionate approach was being adopted, given the size and complexity of the Group at that point. It was also agreed that some governance changes should be made within the Group, to reflect recommendations from the Shareholder Governance Review and best practice identified in the (Grant Thornton Report (1)).
- 3.7 These decisions are all reflected in detail in the Shareholder Governance review Management Actions set out in **Appendix B**.
- 3.8 The Independent Shareholder Advisor supports the Management Actions set out (see **Appendix F**)
- 4. Additional Information regarding the BCC VfM report Management Actions. (Appendix C)**
- 4.1 A progress update on the implementation of the actions from the "Value for Money Audit Findings for Bristol City Council" (BCC VfM report), from January 2021 is included at **Appendix C**.
- 5. Recommendations**
- 5.1 That Committee Members note:
- the management actions update in relation to the second Grant Thornton report entitled "Report concerning the governance arrangements for Bristol Energy".
 - the recommendations of the Shareholder Governance Review, and associated management actions update.
 - the management actions update in relation to the Grant Thornton report entitled "Value for Money Audit Findings for Bristol City Council.

6. Appendices:

- Appendix A – Management Actions Update re: Grant Thornton recommendations in relation to Council Companies
- Appendix B – Management Actions Update to Shareholder Governance Review.
- Appendix C – Management Actions Update re: “Value for Money Audit Findings for Bristol City Council” (BCC VfM report)
- Appendix D – Scope for Shareholder Governance Review 2020/2021
- Appendix E - Shareholder Governance Review Report 2021 - reported to the Shareholder Group on 14 June 2021
- Appendix F – Note from Independent Shareholder Advisor, Shareholder Governance Review Report Author - October 2021

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

1. Report concerning Governance arrangements for Bristol Energy
Audit Committee, Monday, 27th September 2021, 2.00 pm

<https://democracy.bristol.gov.uk/documents/s64139/08.%20Report%20concerning%20the%20governance%20arrangements%20for%20Bristol%20Energy.pdf>

2. Report to Full Council: Working Group to Oversee Agreed Management Actions
Full Council, Tuesday, 25th May 2021, 2.00pm

https://democracy.bristol.gov.uk/documents/s60704/21%2005%2013%20FINAL%20Full%20Council%20Cover%20Report_Working%20Group.pdf

3. Grant Thornton Review of Governance Arrangements for Bristol City Council’s subsidiaries
2019/20
Full Council, Tuesday, 22th February 2021, 5.00pm

<https://democracy.bristol.gov.uk/ieListDocuments.aspx?Cid=142&Mid=8727>

4. Report concerning Grant Thornton Value for Money Report 2019/2020
Audit Committee, Monday, 25th January 2021, 2.00 pm

<https://democracy.bristol.gov.uk/documents/s56043/9a%20VFM%20Covering%20Report.pdf>