Report concerning the governance arrangements for Bristol Energy

Bristol City Council

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Contents

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

* This recommendation was included in our report 'Review of Governance Arrangements for BCC's Subsidiaries' as presented to Audit Committee on 25 January 2021

Status of this report

Previous VFM qualification

As external auditor to Bristol City Council (the Council) we have a number of responsibilities relating to the statutory audit under the Local Audit and Accountability Act 2014 (the Act) and the Code of Audit Practice. We have previously reported on matters that occurred during the 2019/20 audit year and that led to a qualified VFM conclusion, regarding the Council's Governance arrangements at its companies, with specific focus on arrangements impacting on Bristol Energy (BE), a company within the Council's Group.

The Council has, in our opinion, initially responded comprehensively to our previous report, which was fully discussed at Audit Committee and debated at an extraordinary meeting of full Council on 11 February 2021. Responses to our recommendations were agreed by management and are now being implemented. The Audit Committee will be monitoring progress against these recommendations. In addition, the extraordinary meeting of full Council resolved that a cross-party group was to add further challenge and monitoring capacity to the Council's response to our report.

Other Bristol Energy matters for consideration

Whilst our previous report covered matters that led to the Council deciding to dispose of its interest in BE in 2020, it did not consider matters relating to the Council's initial decision-making when establishing the Company, nor did it consider the final outcomes following the Council's decision to dispose.

There has been considerable interest in this matter and we have considered it appropriate and in line with our responsibilities to consider both of the areas not covered by our previous report, so that our views on the 'full picture' can be considered.

Decision to issue a Public Interest Report

We have previously been approached by a number of the political groups within the Council – both in administration and opposition – to consider whether this consideration should now be reported as a Public Interest Report (PIR) under section 24 and schedule 7 of the Act.

Such reports are typically reserved for audit reporting of more serious concerns regarding councils' financial and governance arrangements, with any resulting recommendations requiring full and public consideration by a council and a formal response. It is certainly accepted that the amount of loss that resulted in the Council's final decision to dispose of its interests in BE was of the significance that might merit a PIR. However, as matters impacting on our previously qualified VFM conclusion have already been reported in public and, particularly, as the Council had already indicated a very strong commitment to respond to our previous findings, the decision on the reporting vehicle to adopt was less clear.

After considering the findings from the further and previously unreported work included in this report I have decided that a PIR is not required for the following reasons:

- The Council has already demonstrated through its response to our VFM qualification that it is treating our findings extremely seriously – it has already debated the issues at full Council and has established a cross party member working group to oversee the responses to our recommendations;
- We have been assured that the new findings from this report and any actions will be implemented in the same manner as our previous report;
- There are no findings that differ substantially from those previously reported and hence, in our opinion, no need to bring these to the public's attention via a formal PIR; and
- We are confident that the Council's Audit Committee will give this report full consideration in public.

Notwithstanding this decision, the matters reported here are still significant and will need to be formally considered and included in the Council's implementation plan, as overseen by its Audit Committee.

Acknowledgement

We would like to acknowledge the openness and support the Council's officers and members have shown to our work in this area.

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Executive Summary

Options for an Energy Company

The Council established BE as an ethical company, to reduce social inequality whilst improving environmental performance. BE was not wholly motivated by profit and was required to deliver social value. BE's intention was to be a company that the City could be proud of, whilst generating in time a revenue stream that could be invested in the City.

The Council first began to consider establishing an energy company in February 2010 when it developed its Climate Change and Energy Security Framework. This Framework included a range of actions, one of which was to establish a local energy company. However, it was not until early 2015 when the Council agreed to set up a municipal energy company based on a high-level options appraisal.

In our view the options appraisal supported the establishment of an energy company without fully exploring how the Council's strategic objectives might be achieved by alternative options. The options appraisal lacked a detailed and a robust methodology on which the preferred option and the alternatives could be considered. The approach taken was limited, as a result more optimum solutions could have been omitted.

In the early stages the Council's intention was to establish a company structure which included an:

- energy *services* company – a company which would provide energy solutions, such as projects that save energy as well as providing sustainable energy solutions; and an
- energy *supply* company – a company that would provide gas and electricity supplies to commercial and domestic customers.

External advice was also commissioned on this basis. However, in July 2015 only an energy supplies company was established, Bristol Energy. There is no record of the decision as to why an energy services company was not established along with an energy supply company. The energy services functions have remained within the Council. We are unable to determine if the change in this decision would have had an impact on the appropriateness/validity of the advice provided, or if the Council had checked this with their advisors.

Set-up of Bristol Energy

Following the initial options appraisal, the decision to establish an energy supply company, BE, in 2015 was made by Cabinet under a previous administration with the former elected Mayor. The decision was supported by a detailed business plan which was prepared by third party advisors with due diligence undertake by additional advisors to ensure it was robust. In our view the decision was made on reasonable information. However, the decision was not subject to scrutiny and call-in was suspended on the basis of any delay in the decision could result in a commercial/ financial risk. This approach prevented scrutiny and appropriate challenge being undertaken.

The Council recognised that BE needed assistance to improve its performance and engaged with a range of external advices to look at ways in which its financial performance could be improved and consider future options.

In 2017 this included considering a potential sale of BE but this was not progressed on the grounds that the sale would not recover the Council's investment of £19.8m at this stage.

Since its establishment BE grew, increasing its turnover whilst also increasing its financial dependency on its shareholder, but at no point was it able to generate a surplus. By 31 March 2020 the Council's financial commitment had increased to £36.5m in the form of shares with a maximum potential exposure from parent company guarantees (PCG) of up to £17.6m.

Operation of Bristol Energy - matters previously reported

In 2018 the development of the Council's 'City Leap Partnership', a series of energy and infrastructure investment opportunities to assist in the delivery of a carbon neutral City by 2050 was considered as mutually beneficial to BE and a possible solution to BE financial position. BE's financial performance needed to improve if this solution was to be viable. BE was considered to be a 'non-negotiable' part of City Leap and in our view this restricted consideration of the business plan options for BE, including its possible sale at that time.

In January 2020 Cabinet approved BE's 2020/21 business plan. However, six days after this decision BE experienced a significant cash flow crisis and stated that it was no longer able to meet its business plan objectives and immediate action was required to ensure it could meet its financial objectives and prevent a negative cash position. Based on our work we established that the information and papers provided to the January 2020 Cabinet meeting did not clearly state the risks faced by BE, or provide sufficient robust information to enable Cabinet to make an informed decision. In our opinion, and supported by subsequent events, it also represented an overly unrealistic view of how BE might perform.

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Executive Summary

Concerns raised in our Governance report

Our previously reported concerns included:

- Cabinet was not formally made aware of concerns raised at the Shareholder Group, including the fact that the Independent Shareholder Advisor was recorded as being unable to support the business plan;
- the business planning and decision making process was prolonged so that information and advice obtained at the early stages of the process became out of date in a highly volatile energy market, such as the exempt financial report was out of date and was based on an earlier version of the business plan that had been provided to the Shareholder Group in November 2019;
- the public papers did not include a risk assessment and, whilst the exempt version of the business plan included a list of risks and their mitigations, contrary to accepted practice, these risks were not scored or assessed against the likely impact and did not feature prominently in the report; and
- the report from Bristol Holding Limited stated that both BE and Bristol Holding Limited remained concerned that it would not take much to drive BE into a situation that may require additional shareholder funding and/or collateral. As this report was included in exempt session, it was not contained within the main body of the papers provided to Cabinet but was included within the appendices and, as such, its messages were more difficult for Cabinet to consider.

However, through support from Bristol Holding Limited (BE's parent company) and by earlier access to funds from the Council, the immediate cash crisis was alleviated. Bristol Holding also highlighted that BE was very likely to need further cash in March and August 2020 and at this stage this was likely to be above the funding cap previously agreed by Cabinet.

In addition, during 2019/20 the Council's Audit Committee had not always been sufficiently sighted on developments and information relating to the governance arrangements and risks in relation to BE. The Audit Committee is responsible for providing independent assurance on the governance and risk management framework and in order to discharge their responsibilities effectively, Audit Committee members should have had a closer involvement with the issues relating to the Council's investment in BE during the year.

Sale and winding down of Bristol Energy

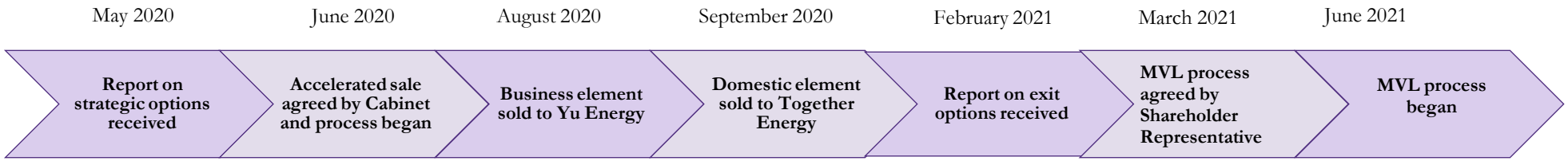
In April 2020, due to the financial predicament in which BE found itself, the City Leap procurement process was paused to reflect feedback from respective bidders and because the accelerated sale of BE had been agreed. The flow chart below illustrates the decisions made during this final stage process.

Cabinet made the decisions in June 2020 to no longer financially support BE and agreed to the accelerated sale. External advisors were commissioned to support BE and following the process of identifying potential buyers, two buyers were agreed upon. They were as follows:

- Yu Energy for the commercial customers
- Together Energy for the domestic customers.

The funds received from these sales were used to meet liabilities within BE, such as the Renewable Obligation Certificate (ROC) liability for 2020, operational liabilities, such as rent and costs of the wind down team.

Decision process for the sale of Bristol Energy



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Executive Summary

The Council also had to decide on the most appropriate option to wind up BE. Third party advice was sought and the reserved matter decision was made by the Shareholder. Representative on the 1 March 2021 to opt for a Members' Voluntary Liquidation (MVL), a solvent liquidation. The Council also considered the option of Creditors' Voluntary Liquidation (CVL), an insolvent liquidation and concluded:

- that there was limited financial benefit between the two options; and that
- due to its solvent nature, a MVL was likely to have the least detrimental impact on the Council's reputation compared to CVL.

The cost to the Council

As at May 2021, the Council had invested funds in the region of £42m, consisting of the following:

- Ordinary and Preference shares of £36.5m
- Indemnity drawdown of £6.5m
- Less funds of £977k transferred to the Council by BE.

Within its 2019/20 accounts the Council also had Parent Company Guarantees (PCGs) relating to BE, valued at £5.4m. The PCGs were not called upon in 2019/20 so there was no cost to the taxpayer.

The liquidation remains an evolving process and the Council estimates that, upon the conclusion of the liquidation process, total funds lost through this investment will not exceed £43.8m (£36.5m issued in share and £7.3m indemnity).

It should also be noted that the Council has spent approximately £2.53 m over the life of BE on third party advisors of which £2m was included in BE's operational costs and as such part of the overall Council investment.

We are of the view that, since April 2020, the approach taken by the Council and BE has resulted in a planned and an orderly solvent winding up of BE and it is reasonable to assume that this approach would be less costly than an unplanned approach. The Council has engaged with reputable and appropriate third party advisors who assessed the most reasonable exit options and its decision to opt for a MVL, taking all known and estimated factors into account is a reasonable approach to have taken.

Communications

Throughout this process the Council has released four press releases through its news room, these included:

- February 2016 - the establishment of BE
- June 2020 – an accelerated sale agreed
- August 2020 – the sale of the commercial element of the business to Yu Energy
- September 2020 – the sale of the domestic element of the business to Together Energy.

The Council agreed a communications approach. This included the issue of a number of emails to key stakeholders and a reactive communication plan, should the Council be contacted by the press. However, the Council has yet to communicate the full cost of BE to the Bristol tax payer and should seek to address this once the final position is known. We recognise that the amount of information which can released will be limited by non disclosure agreements in place relating to the disclosure of commercially sensitive information.

Recommendation 1: The Council should consider communicating to the public the full cost of operating and winding down Bristol Energy.

* This recommendation was included in our report 'Review of Governance Arrangements for BCC's Subsidiaries' as presented to Audit Committee on 25 January 2021

Recommendations

Our recommendations relating to this issue, including those previously reported, are set out below:

Recommendation 1

The Council should consider communicating to the public the full cost of operating and winding down Bristol Energy.

Recommendation 2

In order to support key decisions relating to significant projects the Council should ensure an options appraisal that is fit for purpose is completed prior to completing a business plan.

Recommendation 3

Where the Council is working with external advisors on complex projects it should better document its response against all recommendations made.

Recommendation 4

Public reports should be consist with the issues and concerns raised within exempt papers. The exempt papers should only provide confidential information which cannot be discussed within the public sessions.*

Recommendation 5

Cabinet reports relating to Bristol Holding Limited's companies which include exempt information should be improved. Exempt papers, should clearly identify and quantify the risks and advice provided by the Shareholder Group and any relevant independent advisors as well as the clear views of Bristol Holding Limited .*

Recommendation 6

The Council should ensure Cabinet decisions are based upon more timely and current information .*

Recommendation 7

The Council should update the articles of association and shareholder agreement to reflect the strengthened role of Bristol Holding Limited. The terms of reference for all elements and functions of the governance structure should be in place and updated.*

Recommendation 8

Consideration should be given to the role of the Executive Chair of Bristol Holding Ltd. This should include if this role is appropriate going forward, and does it ensure independence of the chair and reduce potential conflicts.*

Recommendation 9

The Council should improve the risk management arrangements to ensure that all key risks are identified and clearly reported to Cabinet.*

* This recommendation was included in our report 'Review of Governance Arrangements for BCC's Subsidiaries' as presented to Audit Committee on 25 January 2021

Summary of events

Throughout this report we refer to the Council's wholly owned company as Bristol Energy (BE). The reader should be aware that the company has had a number of names as registered with Companies House. These are set out in appendix A. In the following pages we clearly indicate the sections that are new areas of reporting, as opposed to those previously reported in our VFM report to the Council.

Establishment of Bristol Energy – new area of reporting

In **February 2010** Cabinet agreed a draft Climate Change and Energy Security Framework for Bristol. Within this framework the report included 40 specific actions which would deliver the framework, one of which was to undertake feasibility studies to consider setting up a local energy company. No details were provided as to the type or aim of the energy company.

In **September 2010** Cabinet agreed to procure and deliver a technical study programme to create an energy company, which would deliver the energy investment programme. This was a decision to commit in principle to an energy company subject to the findings of the technical study. It was also agreed that the Council would apply to the EIB for up to £3m of grant funding and £0.3m of its own funds to create a local energy company.

The Council did not begin to procure advice until 2013. Between 2013 and January 2015 a range of financial and legal advice was obtained. This advice considered the set up of both an energy services company and an energy supply company. With the structure likely to include a holding company.

The energy services company would progress the Council's objective to reduce carbon emissions through a ranges of measures, such as developing wind and solar power and by improving energy efficiency of domestic and public buildings. Whereas an energy supply company would provide gas and electric to domestic and commercial residents.

In **March 2012** Cabinet had cross party support when it adopted the 2012/15 Climate Change and Energy Security Framework. The framework reiterated the action to set up an energy services company to deliver £140m investment across the city to deliver carbon reduction targets.

Almost three years later in **February 2015** Cabinet approved in principle to undertake the necessary activities to set up a municipal energy company and associated companies to enable it to start trading in 2015. It was agreed that final approval would be sought in July 2015.

The activities required to enable the energy company to begin trading later in the year included:

- incorporation of a group holding company
- provision of cashflow support from the Council (£1.6m) and investment commitment of £4.2m
- acquisition of the necessary regulatory licences to become a fully licensed supplier of electricity and gas
- negotiate and enter into the contracts necessary to operate as a supplier of electricity, gas, heat and digital services
- the appointment of the specialist Bristol Energy staff required to take the company through the set up process to the point of commencing Controlled Market Entry
- development of the relevant business plans and structure of Bristol Energy.

The Cabinet papers included a high level options appraisal, only three options were considered:

1. do nothing
2. fully fund energy services
3. create an energy company

These options were not scored and were covered in very little detail.

The options appraisal addressed the preferred option for electricity retail – fully licensed supply.

In our view the options appraisal undertaken in February 2016 supported the establishment of an energy company without fully exploring how the Council's strategic objectives might be achieved by alternative options. The options appraisal lacked detailed and a robust methodology on which the preferred option and the alternatives could be considered. The approach taken could have meant that too narrow approach was taken, possibly missing a more optimum solution.

Recommendation 2: In order to support key decisions relating to significant projects the Council should ensure an options appraisal that is fit for purpose is completed prior to completing a business plan.

At this stage the intention was to establish a company structure that included a holding company along with an energy supply company and an energy services company. It is unclear and not recorded within Cabinet meetings why an energy services company was not subsequently considered or established.

This decision was not considered by a scrutiny committee, however in **April 2015** and **June 2015** the Overview and Scrutiny Management Board (OSMB) were given a presentations on the intention to establish an energy company. The sessions were informative and in the June session OSMB received a copy of the business plan.

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Summary of events

In **July 2015** Cabinet agreed to establish an energy supply company with an agreed investment commitment of £10.9m. The procedure to call-in the decision was suspended. This was agreed by Cabinet and the Monitoring Officer at the meeting. The rationale to suspend call-in was that any delay in the decision could result in a commercial/ financial risk particularly in relation to:

- recruitment of key staff
- additional costs which may need to be incurred
- potential alteration of the conditions for market entry, that could affect the financial position / viability of the company.

Full Council was made aware of this decision on 15 September 2015. This was one of six similar decisions where call-in was stopped over a six month period. In line with the Council's Constitution these decisions were reported to Full Council.

The Cabinet decision in July 2015 was supported by a detailed exempt business plan. The business plan was developed by Cornwall Energy Consultancy and due diligence undertaken by PwC. The report to Cabinet confirmed that *"The business plan and related assumptions …have been found overall reasonable."*

However, specific improvements were suggested, which included:

- further redesign of the financial model using modelling best practice, as it was found comprehensive and in parts overly complicated
- further realignments to the strategic rationale and the need to balance the mix of customers to ensure profitability whilst meeting the needs of local disadvantaged customers
- work on the Target Operating Model (TOM), before the preferred operating model can be agreed.

These changes were not made prior to the decision to establish the energy company, although the papers suggest that additional support was to be engaged to develop an operational financial model to deal with the ongoing financial management issues, provide assurance on ongoing cash flow, funding requirements and funding mechanisms from the shareholder's perspective. We are unable to establish if these changes were made at any point, but based on the advice provided at the time we do not consider that these changes would have had a significant impact of the original decision.

This meeting also agreed the governance structure under which the energy company would operate including the establishment of the Shareholder Group and the key reserved matters and delegations.

It should be noted that a Bristol energy services company was not established at this point. Although the business plan referred the reader to a separate business plan for energy services, the Council has been unable to locate this business plan. Energy services have remained within the Council and, as a result we have assumed that the business plan was not prepared.

The Council had obtained a range of advice from third parties prior to making its decision to establish BE. This advice was not provided to Cabinet but did assist in the development of the business plan. However the majority of advice assumed that both an energy services company as well as a supply company would be established.

We are unable to determine if the change in this decision would have had an impact on the appropriateness/validity of the advice provided or if the Council had checked this with their advisors.

Recommendation 3: Where the Council is working with external advisors on complex projects it should better document its response against all recommendations made.

BE was incorporated on the **16 July 2015**, a week after Cabinet agreed the decision.

Operation of Bristol Energy

In **December 2015** Cabinet approved the annual 2016/17 business plan for BE. At this stage increasing the agreed total funding to £15.8m. The report concluded that BE had made a good start, but that the anticipated loss had increased from £2.1m to £5.2m. Largely due to:

- the initial implementation cost of smart meters
- ongoing system investment
- additional staffing costs
- lower customer numbers than anticipated
- a three month delay in entering Controlled Market Entry (a requirement of the electricity industry, by which new entrants prove that they can operate within the industry and not affect the business of other suppliers).

In **January 2017** Cabinet approved the 2017/18 business plan for BE within the exempt session of the meeting. This included agreement of total funding of £31.3m, which included 20% cash collateral and £10.4m peak parent company guarantee (PCG). The business plan was approved within the expected timeframe, so that an agreed business plan was in place ahead of the financial year which it covered.

Later that year the Council engaged external consultants to consider the future options for BE and their recommendations to achieve profitability. In October 2017 the external consultants reported to the Shareholder Group. A shortlist of options was provided, which included selling the business. The external advice concluded that continuing to trade was the best option for the Council, as the sale would not recover the Council's total investment to date of £19.8m and BE should consider diversification to generate additional income. The Shareholder Group concluded that there were no simple solutions to increase profitability and that action was required by management to consider the options proposed.

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Summary of events

Operation of Bristol Energy – previously included in our VFM report to the Council

In **January 2018** BE's 2018/19 business plan was rejected pre-Cabinet as it required an increase in funding to a maximum of £44.8m and parent company guarantees (PCG) in the region of £40m. In order to help and support BE additional external consultants were engaged. The findings were reported in August 2018. It was agreed that BE should reduce costs through a strategic restructure and transformation. The opportunities that City Leap could provide to BE were also identified, such as additional revenue through diversification into energy services. As a result, interim business plan proposals were approved in September 2018, increasing the maximum PCG exposure to £17.6m, with funding to remain capped at £31.3m.

Later that year, additional support was commissioned to assist in BE's transformation and to assist in delivering the recommendations identified earlier in the year, the aim being to produce a more credible business plan and improve profitability whilst also delivering social value. This transformation resulted in an increased turnover of staff, at both executive level and in middle management and also led to the resignation of the Managing Director in December 2018.

Cabinet approved BE's 2019/20 business plan in **April 2019**. This followed concerns having been raised over the viability of BE by the Shareholder Group and the business plan not being supported by four out of seven members of the Overview and Scrutiny Management Board (OSMB).

The exempt financial report which was provided to Cabinet suggested that a positive Earnings Before Interest Taxation, Dividends and Amortisation (the appropriate accounting definition of a company's financial performance, known as EBITDA) might be possible in 2023/24 but that if the worst case was to materialise the funding requirement might be £60m and the EBITDA loss would continue to be around £8m per annum. This finance report provided some scenario planning, but did not clearly set out the assumptions made and the risks faced by the Council. The report did not quantify any financial risks other than stating that the worst case scenario could see the cumulative funding requirement reaching £60m in 2023/24.

It was at the same Cabinet meeting that had agreed to proceed with the procurement process to identify a strategic partner for the City Leap Partnership. The City Leap Partnership, was a series of energy and infrastructure investment opportunities to assist in the delivery of a carbon neutral City by 2050. This partnership required a range of investors/partners to provide this investment.

From 2018 BE's involvement with the City Leap Partnership was considered mutually beneficial and, as market conditions became tougher for BE, BE was increasingly considered as not viable without City Leap. Furthermore, it was around this time that BE became a non-negotiable 'red line' requirement within the City Leap programme.

In **January 2021** Cabinet approved BE's 2020/21 business plan. However, six days after Cabinet approved BE's business plan (**27 January 2020**) the Deputy Mayor (Shareholder Representative) was informed that BE was experiencing a significant cash flow crisis and would no longer be able to meet its business plan objectives with immediate action required to prevent a negative cash position.

Cabinet received the business plan following review in November 2019 by the Shareholder Group and OSMB in December 2019.

The Shareholder Group recorded a list of actions required to complete the business plan and the Council's Director of Finance concluded that, she required further assurance. We understand further discussions were conducted via email but, Bristol Holding Limited was responsible for ensuring the appropriate due diligence was undertaken and that the actions were completed for the next iteration of the business plan. The Shareholder Group did not formally review the business plan again.

Cabinet did not receive an update/report from the Shareholder Group and were therefore not formally made aware of the concerns raised at the Shareholder Group, or if those concerns were resolved. No formal referral was made from OSMB and the Cabinet papers did not record that OSMB were consulted and the outcome of that discussion.

The papers provided to Cabinet to inform the decision making process included a report from the Chair of Bristol Holding. This stated that BE faced significant risks/challenges and that both BE and Bristol Holding Limited remained concerned that it would not take much to drive the company into a situation that would require additional shareholder funding and/or collateral. Bristol Holding continued to support the business plan.

Cabinet was not provided with a risk assessment. In addition the confidential finance report, was out of date at the time it was presented to Cabinet, and was based on an earlier version of the business plan (as provided to the Shareholder Group in November 2019). In our view, this significantly undermined the quality of this advice and should have been updated for Cabinet.

However, the indications are that whilst this advice might have been considered within the Shareholder Group it has not been considered or acted upon by Cabinet. This was compounded by the way that the information and key risks were included within the Cabinet papers.

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The business planning process in 2019/20 and 2020/21 illustrate that whilst the Shareholder Representative sought advice from the Shareholder Group and Bristol Holding Limited and that scrutiny was provided by OSMB and this advice might be considered within the Shareholder Group it has not been considered or acted upon by Cabinet. This was also compounded by the way that the information and key risks were included within the Cabinet papers, which were not, in our opinion, evidently clear to the reader/decision maker.

The information and papers provided at the January 2020 Cabinet meeting did not clearly state the risks faced by BE, or provide sufficiently robust information to enable Cabinet to make an informed decision. In our opinion, and supported by subsequent events, it also represented an overly unrealistic view of how BE might perform.

Recommendation 4: Public reports should be consist with the issues and concerns raised within exempt papers. The exempt papers should only provide confidential information which cannot be discussed within the public sessions.*

Recommendation 5: Cabinet reports relating to Bristol Holding Limited's companies which include exempt information should be improved. Exempt papers, should clearly identify and quantify the risks and advice provided by the Shareholder Group and any relevant independent advisors as well as the clear views of Bristol Holding Limited .*

Recommendation 6: The Council should ensure Cabinet decisions are based upon more timely and current information .*

Through support from Bristol Holding Limited and by earlier access to funds from the Council, the immediate cash crisis was alleviated. The work undertaken highlighted that BE was very likely to need further cash in March and August 2020 and at this stage this was likely to be above the funding cap previously agreed by Cabinet.

BE's financial position had been impacted by:

- a reduction in the wholesale price of gas and electricity by around 30%;
- declining customer retention;
- competitors' offering customers low prices which provided little if any profit; and
- inadequate cash management.

External advisors, who were already commissioned to support the City Leap Partnership, were engaged by Bristol Holding Limited to find a sustainable solution.

The external advisors completed two reviews:

- Phase 1 – a review of BE's short-term cashflow forecast. The report identified that without further funding from the Council, BE would be insolvent (as a result of its inability to pay its debts as they became due) and funding above the £7.7 million agreed cap would be required.
- Phase 2 – support for BE Board to identify solutions and to provide an options analysis. The report identified the medium term funding requirement, with £1.44m expected over the following six weeks and a further £5.7m in August 2020 as a contribution towards the ROC payment. Four options were considered, with an accelerated sale requiring the lowest level of funding, although if a sale could not be achieved then additional funding might be required to avoid insolvency. Additional funding was approved only if it was as a result of a supplier of last resort.

In **March 2020**, BE's Managing Director (MD) resigned. The MD had been in post since August 2019, having previously held the post of Finance Director since August 2018. An interim MD was appointed by the Shareholder Representative, who was considered to be more experienced in dealing with the situation in hand.

In addition, the Council's Audit Committee requested additional information to provide assurance on the governance arrangements of BE. This was prompted by elected members becoming aware of the findings raised by the external advisors in the first phase of their work.

In **April 2020** the procurement process was paused as a consequence of BE no longer being a viable option for the City Leap Partnership and also to address other issues within the procurement process. The bidders were updated on developments relating to the situation that BE was then in. The following month the procurement process was restarted to reflect the material changes.

Sale of Bristol Energy – new area of reporting

In **June 2020** Cabinet agreed to progress the accelerated sale of the Council's interests in BE on the condition that any additional financial liabilities arising from the sale process do not exceed the maximum exposure under the PCGs (£15.9m). If this was not possible, emergency funding of £2m could be utilised in an unintended insolvency scenario.

The Council continued to commission external advisors and the advisors began the process of identifying potential buyers for the commercial customers (B2B) and domestic customers (B2C) elements of BE. Following a bid clarification process, five parties were identified as leading bidders. An analysis of these offers was presented to the Council in July 2020. The Council subsequently agreed to progress offers from Yu Energy ("YU") for its B2B business and Together Energy ("TE") for its B2C business. Following advice from the Council's third party advisors, it was considered that this combination sale would result in the greatest return to the Council.

* This recommendation was included in our report 'Review of Governance Arrangements for BCC's Subsidiaries' as presented to Audit Committee on 25 January 2021

Summary of events

Accelerated sales process

BE concluded the sale of its commercial customer business to YU on 7 August 2020. The sale included such things as customer contracts, employees, all debit and credit balances and the estimated 2021 associated ROC liability.

The sale of BE's domestic element of the business was sold to TE and concluded on 8 September 2020. The sale included, items such as customer contracts, employees, fixed and moveable assets and business records including intellectual property rights.

Certain assets and liabilities were excluded from the commercial and domestic sales. They were excluded either because they were of no value, not wanted by the buyer or because they needed to be retained by the Council to ensure the smooth wind down of remaining operations. They included, for example, certain employees and associated assets required to assist in the wind down and any ROC liability for 2020 and/or 2021 which was not transferred to a buyer. These elements remained the responsibility of BE and will unwind in the period prior to the agreed exit.

The approach taken by the Council and BE has resulted in a planned and an orderly solvent winding up of BE and we consider that it is reasonable to assume that this approach would be less costly than an unplanned approach. These funds have been used to meet the remaining liabilities within BE, such as ROC liability for 2020, operational liabilities, such as rent and costs of the wind down team.

Indemnity

Following the transactions set out on the previous page, the Council granted an indemnity of up to £7.3m, to cover all liabilities which may fall due as a consequence of the sale and planned winding up of BE. The Council envisaged that this indemnity would prevent any call upon its PCGs of up to £15.9m. This would be achieved by preserving the solvency of BE and assisting in its orderly wind up. This would result in a saving for the Council of £8.6m should the indemnity be fully utilised and the Council fully honour the PCG commitments. In our opinion in the circumstances, the decision to grant the indemnity at this time appeared reasonable.

Following the indemnity being set up, BE immediately utilised £2.7m to meet certain Ofgem ROCs payments and other associated energy industry obligations.

Exit options

In February 2021 BE engaged specialist restructuring advisors who provided BE with a an initial options report setting out the possible exit routes for BE. Striking off was discounted at an early stage. The options considered in more detail were Creditors' Voluntary Liquidation ("CVL") and Members' Voluntary Liquidation ("MVL"). The report set out the advantages and disadvantages of these options but did not recommend any one option over and above the other.

In our view the Council engaged with reputable and appropriate third party advisors who assessed the most reasonable exit options available to BE, either a CVL or an MVL, when considering the reported nature of its operations and liabilities at the time of assessment.

This resulted in an estimated outcome for the Council, through an MVL process, of circa. £2.2m lower than the outcome achieve through a CVL process. This figure included the additional fund that would be required to fund an MVL process (which is assumed to be captured by the existing indemnity).

The Council subsequently adjusted the net position to reflect accrued liabilities, the implications on the Council's net cashflow from the various transactions and the risk that a CVL route is likely to lead to the Council guarantee / indemnity, being called in full by the liquidator, increasing the estimated exposure. As a result, the Council's restated risk-adjusted calculation was considered by the Council to be a difference of £164,000 between whether a CVL or an MVL was followed, compared to £2.2m suggested by third party advisors mentioned above. Both scenarios were anticipated to avoid any call upon the PCGs.

Reputational implications for the Council were also considered and a CVL was considered to have a significant detrimental impact of the Council's reputation when compared with an MVL, as a CVL liquidation could have a consequential financial impact on the Council's other companies.

The Council agreed that an MVL should be pursued, as the estimated £164,000 adverse variance, when compared to a CVL, would be offset by other best value considerations that would have both reputational and financial implications, for example:

- adverse impact on Director's reputations and potential disqualification
- availability and pricing of Directors and Officers (D&O) Insurance cover
- potential impact on local authority Credit Rating
- reputation and emerging market confidence in the Council

This decision was a reserved matter decision and was made by the Shareholder Representative on the 1 March 2021. The following officers were also in attendance:

- Chief Executive
- Director of Finance
- Director of Legal and Democratic Services
- Shareholder Liaison Manager.

When considering the return in a CVL process, it should be noted that any return is based on amounts paid to BE through loans, indemnities and/or guarantees only. No return would be expected to be received on the Council's preference shareholding.

* This recommendation was included in our report 'Review of Governance Arrangements for BCC's Subsidiaries' as presented to Audit Committee on 25 January 2021

Summary of events

The Shareholder Group were not formally consulted on this decision as the Shareholder Group now only meets quarterly, although the Officers listed on the previous page are members of the Shareholder Group so were involved in the decision making process. The Shareholder Group was made aware of the decision to progress to a MVL on the 11 March and the reserve matter decision was confirmed to the Shareholder Group in the monthly report from the Shareholder Liaison Manager on the 12 April 2021.

In addition, given the level of BCC's investment at this time and the certainty of a conclusion that an MVL provides (and unlikely call upon PCGs), we are of the view that the MVL process is not an unreasonable exit route. It should be noted that we have not verified the cost and financial implications of each liquidation option, but we have considered the actions taken as a result.

Anticipated Final Outcome

By May 2021, the Council had invested funds in the region of £42.0m, consisting of the following:

	March 2020 £m	May 2021 £m
Ordinary and Preference shares	36.50	36.50
Parent Company Guarantee	17.60	0
Indemnity drawdown (available headroom of £800k)	0	6.50
Less funds already transferred to the Council	0	1.00
Total invested funds	**54.10**	**42.00**

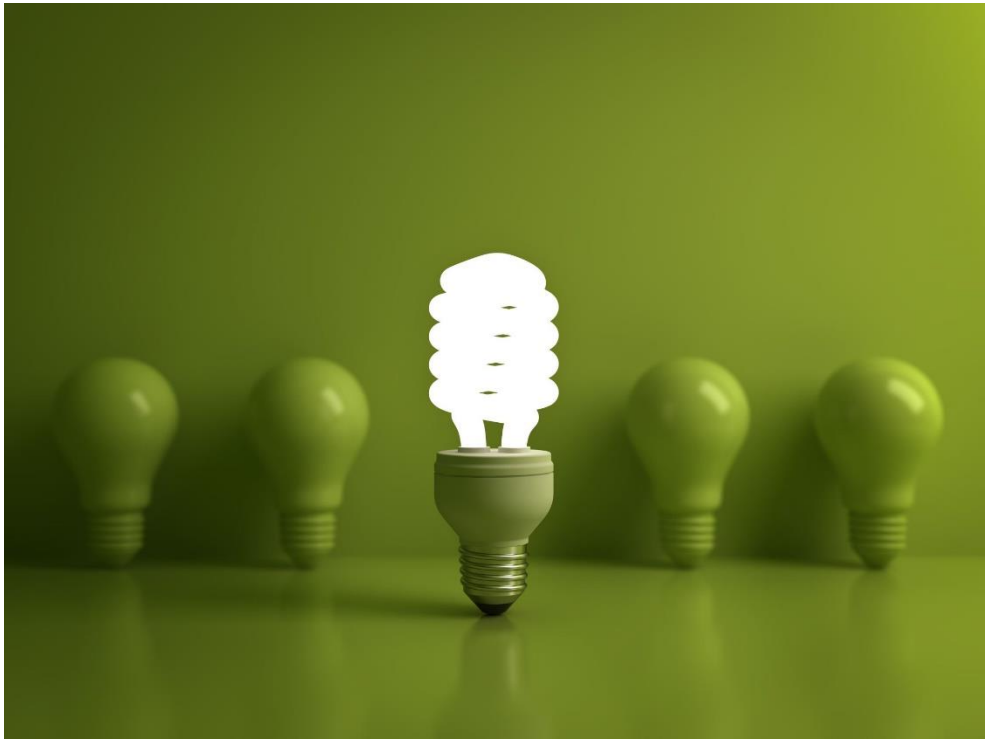
The Council estimates that, upon the conclusion of the MVL process, total funds lost through this investment will not exceed £43.8m (the ordinary and preference shares £36.5m plus £7.3m indemnity).

Action taken by the Council

Our previous report led to a qualified VFM conclusion, regarding the Council's Governance arrangements at its companies, with specific focus on arrangements impacting on BE.

The Council has, in our opinion, initially responded comprehensively to our previous report. The Council has agreed with all our recommendations, which was fully discussed at Audit Committee on the 25 January 2021 and debated at an extraordinary meeting of full Council on 11 February 2021.

Following this extraordinary meeting the Council set up a cross-party working group to add further challenge and monitoring capacity to the Council's response to our previous report.

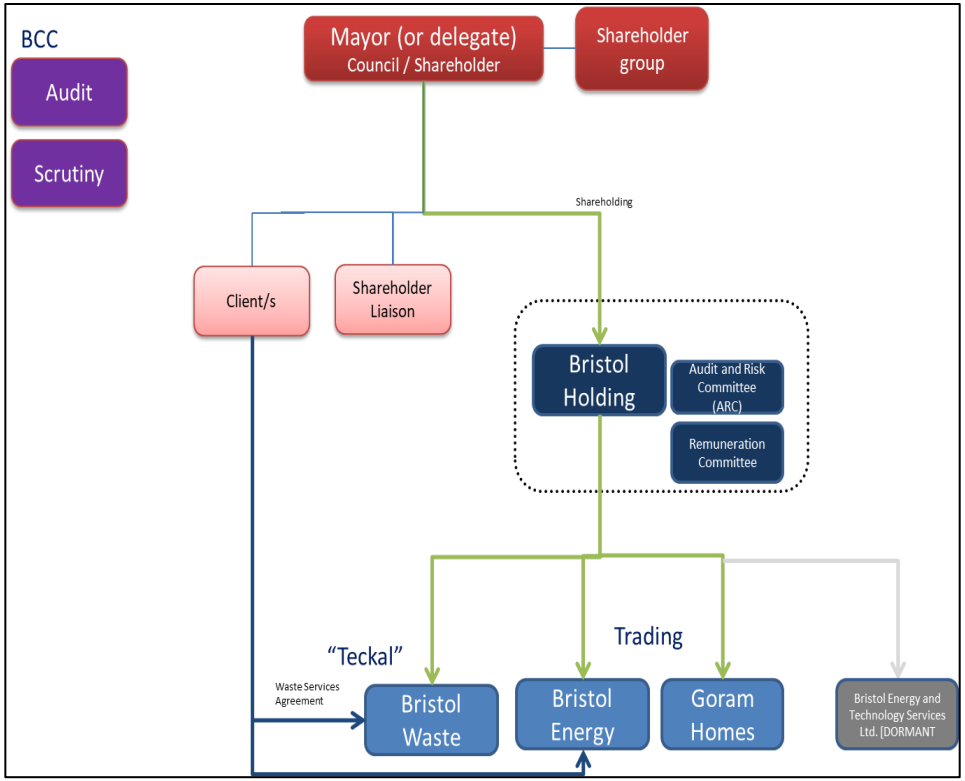


* This recommendation was included in our report 'Review of Governance Arrangements for BCC's Subsidiaries' as presented to Audit Committee on 25 January 2021

Governance arrangements - previously reported in our VFM report to the Council

The illustration below sets out the governance arrangements in place during 2019/20 and 2020/21. We established that the arrangements were undermined by the articles of association and shareholder agreement not being up to date and not reflecting the agreed changed roles and responsibilities of Bristol Holding Limited. Although terms of reference were in place for some of the functions, these were also not up to date.

Recommendation 7: The Council should update the articles of association and shareholder agreement to reflect the strengthened role of Bristol Holding Limited. The terms of reference for all elements and functions of the governance structure should be in place and updated.*



Roles and responsibilities

Bristol City Council has a mayoral model of governance and decisions relating to companies are, ultimately, the responsibility of the Mayor. Shareholding is an executive function and in 2017 delegated authority was given to the Deputy Mayor – Finance, Governance, Performance and Culture, who acts as the Shareholder Representative.

Key decisions are made in Cabinet and other reserved matter decisions are made by the Deputy Mayor. The current structure means that the Shareholder Representative was responsible for making a large number of delegated decisions, not just for BE but for all the Council owned companies. For key decisions the Shareholder Representative is also responsible for updating the Mayor and Cabinet.

In 2019 Cabinet agreed to strengthen the role of Bristol Holding Limited and to support this new role through the appointment of an Executive Chair. Additional resources were provided to Bristol Holding Limited to enable it to oversee the operation and performance of its subsidiaries and therefore reduce the role of the Shareholder Group.

Bristol Holding Limited and its subsidiaries began to operate a strengthened group structure, with Bristol Holding Limited ensuring delivery of BE's performance and objectives. This included centralised resources and structures, such as the new Audit and Risk Committee and the Remuneration Committees. The Shareholder representative appointed the Executive Chair in August 2019 and two Non-Executive Directors shortly afterwards.

The appointment of the Executive Chair (an individual who carries out the responsibilities of the chair of the board and the chief executive/managing director of the company) is not good practice and does not follow The UK Corporate Governance Code – July 2018. The Council provided the following reasons for this appointment in the report to Cabinet in April 2019:

- the use of Executive Chairs is more common in government entities; and
- it may be more appropriate in an environment where the shareholder has direct control of the Executive Chair, and is comfortable with the governance implications.

We do not consider that these reasons justify the lack of independence that an Executive Chair would have and the possible conflict of interest in responsibilities. In our experience local authorities often struggle to balance the level of control and commercial freedoms whilst operating in a political environment. An independent chair is important to ensure the success of local authority companies.

Recommendation 8: Consideration should be given to the role of the Executive Chair of Bristol Holding Ltd. This should include if this role is appropriate going forward, and does it ensure independence of the chair and reduce potential conflicts.*

* This recommendation was included in our report 'Review of Governance Arrangements for BCC's Subsidiaries' as presented to Audit Committee on 25 January 2021

Governance arrangements

It is not uncommon for elected members to be found on the boards of local authority companies, but it is generally not considered good practice due to potential conflicts of interest that may arise and their potentially limited commercial experience. Conflicts of interest can arise when the Council, the Council owned company, officers and elected members have differing roles and responsibilities. Existing arrangements indicate that it is highly likely that conflicts of interest will occur, therefore it is important that the governance arrangements provide effective mechanisms for identifying and dealing with potential conflicts.

Audit Committee

The Council's Audit Committee has a responsibility to provide independent assurance on the governance, risk management framework and the associated control environment operating across the Council. To some extent this will include the Council's owned companies, although this is not included or clarified within the Council's Audit Committee terms of reference.

In order to discharge these duties the Council's Audit Committee received the minutes of Bristol Holding Limited's Audit and Risk Committee, Companies' annual governance statements and also received updates from external audit and internal audit relating to any relevant work they have carried out.

Concerns have been raised relating to access to confidential information, because a proportion of papers were viewed to be commercially sensitive and, as such, could not be easily viewed. This has since been discussed by the Audit Committee and a response provided by the Monitoring Officer as to the legal basis on which the Audit Committee have access to information.

In order to discharge their responsibilities the Audit Committee should have sight of issues relating to the Council's governance arrangements. We recognise that information which is commercially sensitive cannot be publicly available and access needs to be restricted, but the Council needs to find a way to balance the legal and commercial sensitivities to enable Audit Committee to operate effectively. This should not be all exempt papers but only those relevant to the Committee role and responsibilities. We are aware that some Councils achieve this by the Monitoring Officer holding briefing sessions with the Chair and Vice Chair of the Audit Committee.

Overview and Scrutiny Management Board (OSMB)

As set out in the Council's Constitution, OSMB is authorised to scrutinise decisions and actions which are the responsibility of the Mayor or Executive and to scrutinise governance arrangements at both the strategic and local level. The terms of reference do not mention companies owned by the Council, but are sufficient to cover all reserved matters and key decisions, as these are the responsibility of the Mayor or Cabinet, or are delegated to the Deputy Mayor.

OSMB has had the opportunity to scrutinise key decisions made by Cabinet regarding BE, performance, both mid and year end and has provided its response to Cabinet. These responses have been confidential and, if they were discussed by Cabinet, the minutes and meetings were not recorded.

OSMB's ability to scrutinise reserved matters has been restricted as it has not routinely been made aware of these decisions. These decisions are made by the Deputy Mayor, in line with the scheme of delegation, but are not routinely published on the Council's website. In our opinion, this is not in line with the philosophy of open and transparent decision making, or with our experience of other local authorities which own companies. It also reduces the opportunity for OSMB to scrutinise these decisions, or the governance arrangements.

Managing risk

The number of occasions when the Council has commissioned external advisors to consider solutions and options for BE illustrates that the Council has to an extent understood the risk that BE posed. However, we consider that the risks were not fully appreciated by Cabinet for a number of reasons:

- the risk posed to the tax payer by BE was not separately documented and was subsumed in the corporate risk register within the risk 'long term commercial investments and major projects' which included other projects such as Colston Hall;
- the commercial sensitivity of the information meant that risks were not clearly identified and scored in reports and was either contained less prominently within the appendices or was not provided; and
- the complex nature of the industry resulted in it being more difficult to understand the information and mitigations being provided, resulting in information provided by BE being more difficult to challenge.

This was compounded by the view that the City Leap Partnership would mitigate the risks in this area and provide a financial lifeline to BE.

In addition, as the Council did not identify any prior warning of the significant deterioration in BE's financial position and cash crisis, this outcome suggests that the Council did not have effective risk management arrangements in place. These arrangements could be improved, for example by more clearly stating and evaluating the risks and mitigations, ensuring information is up to date and as current as possible and providing specialist advice direct to Cabinet.

Recommendation 9: The Council should improve the risk management arrangements to ensure that all key risks are identified and clearly reported to Cabinet.*

* This recommendation was included in our report 'Review of Governance Arrangements for BCC's Subsidiaries' as presented to Audit Committee on 25 January 2021

Action plan

	Assessment	Recommendations
1	(Medium)	The Council should consider communicating to the public the full cost of operating and winding down Bristol Energy. **Management response** Liquidation remains an evolving process and as such confirmed final costs are not available and could not be communicated. However, reactive media relations have been transparent about this, with a January 2021 media statement from the Mayor including: "These accounts do not give the final financial picture but do demonstrate that our lost investment in Bristol Energy remains within the financial envelope of £37.7m approved by Cabinet in April 2019. A further £7.3m of risk reserves to cover indemnities was set aside at the same time, and how much of this will be drawn upon cannot be confirmed until our accounts for 2020/21 are appropriately audited and filed next year." We will consider the appropriate mechanism for communicating the direct financial cost to the public once liquidation is complete (this will not include speculative opportunity costs such as Council staff time), and the audited accounts for the relevant year will detail the final position. **Responsible Officer**: Director: Policy, Strategy and Partnerships **Timing**: Subject to completion of the liquidation process
2	(Medium)	In order to support key decisions relating to significant projects the Council should ensure an options appraisal that is fit for purpose is completed prior to completing a business plan. **Management response** The Council has a culture of continuous improvement and will seek to strengthen option appraisal techniques to support evidenced based decision making. Providing a framework or protocol for Officers (incorporated within the Companies handbook and financial protocols published on the Source), that can be consistently applied in ensuring that where required the identification and appraisal of options, is undertaken as objectively as it can be. This will ensure that Officers look at the different ways of achieving the changes and outputs required, pros and cons of each (financial and non-financial) and clear rationale for determining the option which best meets the requirements and ensures value for money (VFM) is secured prior to completing a business plan. The resulting business plan should provide a clear audit trail of how the preferred option has been reached and that it works best financially for the Council and for best meeting the aspirations and needs of the community. **Responsible Officer**: Director: Finance **Timing**: 31 March 2022

Controls

- High – Significant effect on control system (red)
- Medium – Effect on control system (amber)
- Low – Best practice (green)

* This recommendation was included in our report 'Review of Governance Arrangements for BCC's Subsidiaries' as presented to Audit Committee on 25 January 2021

Action plan

	Assessment	Recommendations
3	(Medium)	Where the Council is working with external advisors on complex projects it should better document its response against all recommendations made. **Management response** Guidance and training for officers will be prepared to ensure that due regard is had to all recommendations proposed by external advisors on complex projects. The advice and any recommendations proposed by external advisors will be clearly presented to decision makers, and the preferred approach being recommended by officers will be clearly set out and this will be emphasised in the guidance and training for the Companies handbook. **Responsible Officer**: Director: Legal & Democratic Services **Timing**: 31 March 2022
4	(High)	Public reports should be consistent with the issues and concerns raised within exempt papers. The exempt papers should only provide confidential information which cannot be discussed within the public sessions*. **Management response January 2021** Whilst seeking to balance public transparency and as the only shareholder the responsibility for the protection of shareholder value, we had previously identified the need for additional information to be incorporated within the presentation of the Council-owned companies' business plans. Content considered exempt for commercial reasons have been incorporated within the exempt business plans and continue to be significantly improved. We have worked closely with the companies over the last 12 months to ensure that exempt information is presented effectively and only includes information which cannot be discussed in public sessions. We will continue to improve the reports to ensure that exempt information is presented effectively, with appropriate redactions to ensure consistency in the information reported and that only information which cannot be discussed in public sessions is excluded. **Responsible Officer**: Director: Legal & Democratic Services **Timing**: Ongoing **Management Progress due November 2021**

Controls

- High – Significant effect on control system (red)
- Medium – Effect on control system (amber)
- Low – Best practice (green)

* This recommendation was included in our report 'Review of Governance Arrangements for BCC's Subsidiaries' as presented to Audit Committee on 25 January 2021

Action plan

	Assessment	Recommendations
5	(High)	Cabinet reports relating to Bristol Holding Limited's companies which include exempt information should be improved. Exempt papers, should clearly identify and quantify the risks and advice provided by the Shareholder Group and any relevant independent advisors as well as the clear views of Bristol Holding Limited*. **Management response** We are committed to ensuring a high quality of discussion and decision making and note that exempt sessions of Cabinet invited views from the Shareholder Group and other representatives. We acknowledge that it would be beneficial to also capture these in the written reports. Risk assessments will be included in each Cabinet Report relating to the Council's companies and we will consider with the Shareholder Group how their advice, and that of other advisors and organisations, should be presented to Cabinet. The report template will be strengthened, and training provided where required to improve the quality of the report content and ensure key financial points and risks from the proposal and associated appendices are appropriately summarised in reports. In cases where logistics make it impossible to update written reports prior to publication, any additional views of Shareholder Group will be incorporated into Cabinet Member introductory remarks to ensure they are known to Cabinet. **Responsible Officer** — **Timing** Director: Legal & Democratic Services — By April 2021 **Management Progress due November 2021**

Controls

- High – Significant effect on control system (red)
- Medium – Effect on control system (amber)
- Low – Best practice (green)

* This recommendation was included in our report 'Review of Governance Arrangements for BCC's Subsidiaries' as presented to Audit Committee on 25 January 2021

Action plan

	Assessment	Recommendations
6	(High)	The Council should ensure Cabinet decisions are based upon more timely and current information*. **Management response** This finding highlights the governance challenge that was inherent in operating a commercial company in a high-paced, volatile marketplace whilst needing to serve the high levels of scrutiny, transparency and assurance which are required in local government. Consideration will be given to the governance pulse and how this could be streamlined from Shareholder Group to Cabinet, whilst still enabling appropriate Scrutiny and feedback to be considered and where appropriate, reflected in the plans / reports and further written confirmation of endorsement or recommendations obtained. In future Cabinet Reports will be explicit about the date of the latest Business Plan upon which the report is based. We will also consider holding separate Cabinet meetings for budget and business plans to help ensure sufficient capacity is available for wider discussions should it be required at the point that a decision is taken. Utilising new IT systems available to officers, the version control of reports and appendices will be improved with appropriate report prompts and ensure that during iteration of proposals, the professional commentary of Business Partners is subject to a final review and only signed-off as complete at the end of the process. **Responsible Officer** — **Timing** Director: Legal & Democratic Services & Director: Finance — By April 2021 **Management Progress due November 2021**
7	(High)	The Council should update the articles of association and shareholder agreement to reflect the strengthened role of Bristol Holding Limited. The terms of reference for all elements and functions of the governance structure should be in place and updated*. **Management response** A Governance Review has already been commissioned to help inform the update of the articles of association and shareholders' agreement, to take into account Bristol Holding's role. This was placed on hold subject to the completion of this Value for Money review and can now be progressed. The Terms of Reference for the Shareholder Group will be updated as part of this review. A series of guidance notes are being devised to illustrate the governance structure and the workings of the governance arrangements for inclusion in the company's handbook. **Responsible Officer** — **Timing** Director: Legal & Democratic Services — By October 2021 **Management Progress due November 2021**

Controls

- High – Significant effect on control system (red)
- Medium – Effect on control system (amber)
- Low – Best practice (green)

* This recommendation was included in our report 'Review of Governance Arrangements for BCC's Subsidiaries' as presented to Audit Committee on 25 January 2021

Action plan

	Assessment	Recommendations
8	(High)	Consideration should be given to the role of the Executive Chair of Bristol Holding. This should include if this role is appropriate going forward, and does it ensure independence of the chair and reduce potential conflicts*. **Management response** The revised Bristol Holding arrangements were intended to be reviewed. The Governance Review has been commissioned and the role of Executive Chair, independence and potential conflicts will be considered as part of the planned review. The Executive Chair post was filled on a fixed term basis in order to facilitate a revised approach if deemed appropriate as a result of this review. **Responsible Officer** — Chief Executive **Timing** — By October 2021 **Management Progress due November 2021**
9	(High)	The Council should improve the risk management arrangements to ensure that all key risks are identified and clearly reported to Cabinet*. **Management response** Steps have been taken during 2020/21 to strengthen the risk management framework in the Council and across the Council's subsidiaries and continues to be advanced in order to move further towards risk maturity and seamless embedding of risk management. Whilst ensuring its suitability and effectiveness, further consideration is being given to greater alignment with the risk matrix adopted by the Council and its subsidiaries, in terms of scoring, likelihood and impact to facilitate ease of collation and consistency in reporting. We propose that going forward the risk will be incorporated in the reports to Cabinet and where the lack of alignment prevents this, the full details will remain in the Business Plan and the significant risks and potential Council impact will be summarised in the officer comments to the report. **Responsible Officer** — Director: Legal & Democratic Services & Director of Finance **Timing** — February 2021 Subsidiary and Investment risks will be disaggregated from the 'long term commercial investments and major projects risk '(CRR1) and separately identified and management actions reported on quarterly within the Corporate Risk Management Reports. This will ensure the continuous overview and monitoring currently being undertaken by the Shareholder Group can be more visible. **Responsible Officer** — Director: Finance **Timing** — 2021 Quarter 4 Report & Ongoing **Management Progress due November 2021**

Controls

- High – Significant effect on control system (red)
- Medium – Effect on control system (amber)
- Low – Best practice (green)

* This recommendation was included in our report 'Review of Governance Arrangements for BCC's Subsidiaries' as presented to Audit Committee on 25 January 2021

Appendix B

Bristol Energy Limited Company number 09135084

Date	name
17 July 2014	Osmium Energy Limited
14 July 2015	Bristol Energy Technology & Services (Supply) Limited
16 July 2015	Bristol Energy & Technology Services (Supply) Limited
14 February 2018	Bristol Energy Limited
2 October 2020	BE2020 Limited

* This recommendation was included in our report 'Review of Governance Arrangements for BCC's Subsidiaries' as presented to Audit Committee on 25 January 2021

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