

BRISTOL HOLDING COMPANY BUSINESS PLAN 2022/23

1. Foreword by Peter Beange, Chair of Bristol Holding Co Ltd

As Chair of Bristol Holding Co Ltd (BHL), I am pleased to introduce what we understand will be the last company business plan under the stewardship of myself and the current Board of Directors. I should like to take this opportunity to thank all board members and executive staff, past and present, for their support over the last two and a half years in steering the company through the necessary challenges and providing the required advice for the Shareholder in its dealings with its wholly owned companies.

In managing the sale of Bristol Energy and ensuring an effective wind-up to enable solvent liquidation of its successor Be2020 Ltd, we have presided over what we believe to be the best possible conclusion for the Council. We are now in the process of supporting an effective sale of Bristol Heat Networks Ltd to the winning bidder through the City Leap procurement process. Having initially set up Bristol Heat Networks to ensure delivery of the Redcliffe and Old Market networks, supported by government grant, trading activities commenced during 2020/21 and developed further during last year as opportunities to connect and supply heat arose.

We are pleased with the progress of Bristol Waste and Goram Homes, during another year impacted by Covid, and potential growth opportunities that successful delivery is bringing. Despite the concerns expressed by many in public last year, Bristol Waste have successfully taken on key Facilities Management functions from the Council, earning the praise of many in regards how they have taken particular care to help the staff transition. Goram are now well on the road for delivering Romney, and have secured a JV partner for Dovercourt Rd. We are now hopeful that 2022/23 will include a significant new development, cementing their position as one of the largest housing developers in the City. However, we acknowledge that governance arrangements need to change if it is now intended that there will only be two Council companies for the foreseeable future, operating in very different environments, and the Board is committed to ensure the successful and seamless transition of BHL services to the Council and its role as Shareholder.

For this reason, we have put together a short-term business plan focussed on sale of Bristol Heat Networks and transfer of BHL functions, minimising the financial implications for the Council and its remaining companies, but ensuring effective corporate governance is retained.

2. 2021/22 Review

During last year the BHL Board and staff continued to demonstrate agility, delivering on all key targets set out in last year's plan, continuing to provide effective scrutiny and assurance for the Shareholder, whilst responding to emerging circumstances and directing resources as appropriate.

Having disposed of Bristol Energy's customers and brand we set about ensuring an effective and speedy wind-up process for the residual company Be2020 Ltd, and process for solvent liquidation, which could only follow negotiation of cessation of its energy supply licence. The company entered into members voluntary liquidation in June 2021, and as the year has progressed, we are confident that the final outcome will be well within the financial envelope set by the Council, and significantly better than many feared when we commenced this process in 2020.

During the last year significant BHL resources have been required to support the development of Bristol Heat Networks, developing its trading whilst supporting the Council in commercial arrangements for City Leap. It has highlighted gaps and financial and operational risks, not least the consequences of the massive increases in energy costs on the business, but we anticipate a successful share sale to the winning City Leap bidder JV, and this will be a key focus for the company during the early part of 2022/23.

Despite having to reduce some services Bristol Waste continued to cope well with ongoing Covid issues and key staff shortages. In June they successfully took on Cleaning and Security, as part of a programme of FM services scheduled to be transferred, which will strengthen their commercial offer across the City. They have also led on the development of the new HRRC site at Hartcliffe which is scheduled to open early in the new financial year. We supported key changes to board membership who are now leading on areas of transformational change.

Goram Homes has continued to go from strength to strength, with commencement of works at Romney, following planning consent during the year. Unfortunately, Baltic Wharf has been held up due to BCC planning issues impacting on all development sites close to River Avon/Harbourside. Notwithstanding that they have entered into a JV partnership for the development of Dovercourt Rd, other pipeline sites are progressing well, and there is now opportunity to take a lead on Hengrove and other key developments, is now set to be key to delivery of the Council's housing delivery targets.

We have continued to strengthen internal audit and embed risk management arrangements. Audit and Risk Committee is well established, and new membership of the Committee has reinforced its scrutiny and independent governance arrangements. We undertook board effectiveness reviews and acted on required improvements. At the same time, we have continued to reduce the cost base of BHL as the holding company.

3. Timeframe of the 2022/23 Business Plan

The BHL business plan is a transitional plan and is for one year only. This is following the outcome of the independent shareholder advisor's governance review of the Council's wholly owned companies. The review concluded that, following disposal of Bristol Heat Networks Ltd procurement process to the successful City Leap bidder, and without clear intent to bring more companies under the Holding Company in the short to medium term, Bristol Holding should be disbanded and its core functions absorbed by the Council and its Shareholder function.

Although all financial information is based on a full year, it is recognised that full transition to the new governance delivery model is anticipated to be completed within 7 months of the start of the new financial year.

4. Bristol Holding Strategic Objectives and Targets for 2022/23

This business plan has been prepared on the following assumptions:

- That Bristol Heat Networks Ltd is acquired, via share purchase agreement, by the City Leap Joint Venture during the financial year.
- That following the outcome of the independent shareholder advisor review, and subsequent management action plan, the Council will determine to transfer key Holdco functions to either the Council or remaining subsidiaries (Bristol Waste and Goram Homes).
- That the above transition will be completed during the 2022/23 financial year.

The strategic objectives of the company should reflect the successful conclusion of the above desired outcomes, ensuring seamless transition whilst delivering effective corporate governance arrangements.

During this transition period, the strategic objectives of Bristol Holding will remain as follows:

Key Strategic Objectives;

- To provide effective commercial, financial and risk assurance to the Shareholder in the operation of its wholly owned companies
- To ensure strategic alignment between Bristol City Council corporate aims, objectives, and values, and those of its wholly owned companies, including their commercial objectives
- To oversee the delivery of the companies' 22/23 business plans and objectives
- To ensure effective corporate governance arrangements across the companies
- To promote maximisation of social value of the companies
- To support the Council achieve a seamless transition of Holding Company services, staff and corporate governance requirements to the new delivery model
- To ensure effective and efficient arrangements for residual company statutory and retained Holding Company activities
- To ensure effective disposal of Bristol Heat Networks Ltd to the City Leap JV

- To minimise costs and charges to subsidiaries pending completion of the transition process and deliver value for money

In line with our strategic priorities outlined above, key targets for the year ahead are set out in the table below;

<i>KPI</i>	<i>Metric</i>	<i>Owner</i>	<i>Dependency</i>	<i>Timescale</i>
Timely and robust finalisation of 2021/22 statutory accounts process reflected in external audit opinion	BHNL audited accounts signed off by June 2022, other companies by Sept 2022	Group FD	Subsidiaries, BCC, External Audit and Tax Advisors	Sep-22
Full end-to-end heat network business operational prior to disposal of Bristol Heat Networks	All HNIP and residual assets transferred to BHNL	BHL Board	BCC Energy Services	May-22
Timely and effective sale of Bristol Heat Networks to the resultant City Leap JV	Successful Share Purchase Agreement, TUPE arrangements, tax matters and information transfer within agreed timeframe	BHL Board	City Leap	Sep-22
Key tenets of good corporate governance and assurance of wholly-owned companies maintained post Holdco	Full review of audit and risk arrangements for residual wholly-owned companies completed and actioned	Group FD	BCC Subsidiaries	Jul-22
Key tenets of good corporate governance and assurance of wholly-owned companies maintained post Holdco	Completion of all Board Effectiveness Review improvements actions for subsidiaries, renewal of Goram Homes Board appointments and remuneration arrangements	BHL Board	BCC Goram Homes Bristol Waste	May-22
Complete the seamless transfer of Holdco functions to BCC and subsidiaries	All staff, assets, resources appropriately transferred, all liabilities understood, and clear plans for managing residual functions in place	Group FD	BCC City Leap	Oct-22
Liquidation of Be2020 progresses to have a reasonable expectation that completed by April 2023 within indemnity agreement limit	Final outcome is reasonably forecast to be at least £2m less than the indemnity agreement	Group FD	Effective liquidation process	Sep-22
Successful support to BWC transformation programme/ new opportunities and support for Goram in emerging opportunities	Detailed proposals for BWC improvements and timetable agreed by BCC Goram Homes outline proposal for Hengrove site approved by BCC	BHL Board	BCC budget/ decision-making processes BWC Board Goram Homes Board	Sep-22

5. Finance

Having successfully concluded the placing of Be2020 Ltd into solvent liquidation, in June 2021, we commenced the process of reducing the establishment and costs of Bristol Holding. As a consequence, we reduced Company Secretary support to companies by 0.6FTEs in July 21, the Executive Chair role ended in October, and the number of independent non-executive directors reduced by one the following month. The number of BHL employees has now reduced from 3.8FTEs to 2.6FTEs.

The company made a small operating surplus for the 2020/21 financial year, although with further impairment of Be2020 Ltd, and the preference share liabilities owed to the Council (primarily relating to Be2020 Ltd), total losses for the year were £3.3million. during 2021/22 the Council agreed to reclassify 27.3million preference shares relating to the company's shareholding in Be2020 Ltd to ordinary shares and waive outstanding preference share dividends, which will significantly improve the financial position for the year. We anticipate a break-even position in terms of operational performance, but there does remain some preference share holding with the Council which will impact on reported profit/losses.

Set out in the table below is the draft budget for 2022/23 which is for a full year. In reality, we aim to conclude full transition to the new governance model by October 2022 (7 months). After allocation of directors' costs to BHNL the planned budget for Holdco is reduced from £563k to £373k for the year. Employee costs below include BHL directors' remuneration.

<i>Bristol Holding - Draft Budget 2022/23</i>		
<i>Original Budget</i>	<i>Revised Budget</i>	<i>Draft Budget</i>
<i>2021/22</i>	<i>2021/22</i>	<i>2022/23</i>
<i>£</i>	<i>£</i>	<i>£</i>
<i>Income</i>		
5,000	2,000	2,000
Charges to BCC		
558,000	565,500	371,500
Charges to Subsidiaries		
563,000	567,500	373,500
Total		
<i>Expenditure</i>		
396,000	361,500	256,000
Employees		
95,000	148,000	78,000
Supplies & Services		
<i>Recharges from BCC/ Subsidiaries</i>		
54,000	47,000	35,500
Finance, Audit & Insurance		
10,000	5,000	2,000
Legal		
5,000	3,000	-
HR		
3,000	3,000	2,000
ICT		
563,000	567,500	373,500
Total Costs		

Set out below are key sensitivities and financial assumptions underpinning the budget. It should be noted that some core costs, including Company Secretary, internal and external audit, and group-wide insurance will be required under the future governance model.

Sensitivities

- *Pay award – Each 1% above assumed equates to - Additional costs £1,400*
- *Contract inflation – Each 1% above assumed equates to – Additional costs £1.100*
- *Delays in completion of City Leap/ transition process (per month) £21,000*

Financial Assumptions

- % Pay Awards, Pension & NI – 2.6% plus 1.25% Employer's NI uplift
- % Inflation assumptions - 4% contracts and services provided by BCC
- All costs to be charged to subsidiaries
- Indemnities, warranties and guarantees from BCC – Sale of BHNL to City Leap JV
- BCC Debt write-downs, write-offs, and reclassification – Preference Share reclassification assumed to be finalised as part of wind-down process
- The company has minimal reserves

6. Social value

The use of BHL for key governance and assurance purposes, along with support for subsidiaries generates additional social value to Bristol. We have assessed and enumerated those social value benefits that derive from BHL, and which include;

- 100% employees resident within boundary of Bristol City Council, (60% of those from postcodes areas deemed most deprived)
- Majority of third party spend contained within local economy (80%)
- Minimisation of carbon footprint through flexible working arrangements and promotion of public transport/ walking/ cycling alternatives

The full year equivalent social value anticipated to be delivered by Bristol Holding equates to **£184,600**. The values above are all calculated in accordance with the Council's agreed TOMs framework.

In addition to the above, all distributable surpluses will be returned to the Council.

7. Risks

Top Bristol Holding Risks are set out in the table below:

Risk Title	Description	Mitigations/ Controls	Current Risk Level		
			L i k e l i h o o d	i m p a c t	R i s k R a t i n g
RIS12: Corporate Governance	<p>Failure to have clear and effective corporate governance arrangements contributes to business failings and further loss of confidence by shareholder and other stakeholders</p> <p>Risk Causes Include; Out of date or inappropriate governance arrangements Focus on unreasonable cost reduction rather than effective governance Lack of clarity with respect to roles and responsibilities Vast majority of decision making authority rests with Shareholder Inadequate or incomplete corporate policies and procedures Breach of appropriate standards and/ or probity Poor risk management processes and culture</p>	<p>Retention of assurance and scrutiny role pending finalisation of BCC management action required from Grant Thornton and independent shareholder advisor reviews Prioritised programme for standardised policies and procedures Group-wide risk management framework and assurance policy and regular risk reviews Internal Audit Review of effectiveness of Holdco corporate governance arrangements and action plan in place to address issues raised</p>	4	4	16
RIS15: Cyber Security	<p>Risk that key IT systems are compromised and systems become inoperative and/or sensitive data stolen or lost</p> <p>Risk Causes Include; Insecure ICT hardware Inadequate virus protection software Malicious behaviour by 3rd parties Human causes</p>	<p>BHL on BCC server and utilise BCC applications where feasible Sign-on and password protections Secure Configuration Malware protection User education and awareness Home and Mobile working Managing user privileges (BCC) Incident management (BCC) ICT Monitoring (BCC) Network security (BCC) Implementation of Modern.Gov</p>	3	4	12
RIS08: BHL Workforce Retention	<p>Failure to ensure continuity of key staff prior to completion of transition to Post City Leap alternative governance delivery model</p> <p>Risk Causes Include; Lack of succession planning Inability to retain the right people at the right remuneration Inadequate staff development and training Failure to agree approach for retention of workforce between Shareholder and companies</p>	<p>Early commencement of transition planning CoSec role to transition seamlessly into BCC Key support staff retention arrangements agreed by BHL Board Indicative temporary succession arrangements for Group FD role</p>	3	4	12
RIS22 - Leadership	<p>Failure of board / Senior Leadership team to give capable leadership, control and strategic direction BHL Board/ executive fail to gain confidence/trust of stakeholders; lack of buy-in to HoldCo by subsidiaries</p>	<p>Approval by Shareholder of revised BHL Board/ Committee arrangements Board Effectiveness Review Consistent and effective oversight in regards subsidiary performance, Supporting and influencing strategic direction in a positive way Keep key stakeholders apprised of key issues and action plans Ensure BHL has the right mix of skills at board level to achieve goals Ensure updated governance protocols support board to fulfil role</p>	3	4	12
RIS07: Delivery of Business Plan	<p>Risk of failure to deliver BHL business plan</p> <p>Risk Causes Include; Incorrect service transition assumptions in business plan Incorrect financial assumptions in business plan City Leap doesn't progress as planned Poor performance Failure of buy-in from Shareholder/ Subsidiaries to alternative governance and transitional arrangements Failure of performance from BCC on areas of their control Failure to achieve service KPIs and milestones Loss of funding</p>	<p>Annual business plan and budget preparation, scrutiny and approval process with review by Shareholder Monthly monitoring of financial performance and key operational KPIs by BHL Board Robust financial modelling for business planning and business development Efficiencies delivered during 2021/22 Identification of realistic targets and benefits in tangible terms Alignment of limited resources to service priorities and risk mitigations Collaboration with BCC and subsidiaries</p>	3	4	12
RIS18 - Inadequate Resources	<p>Insufficient resources are available to deliver against BHL plan. Budgetary constraints Staff reductions (CE & CoSec) Multiple concurrent issues demanding BHL involvement</p>	<p>Reduce involvement in operational matters across subsidiaries. Prioritise work with small exec Team Key staff retention arrangements</p>	3	4	12