

## APPENDIX 9

### 1. Long Term Investments / Shareholdings

- 1.1 The Council has a range of long-term investments and shareholdings which it wholly owns or in which it has a material interest. In relation to the wholly owned companies, these are complex businesses and when entering any long-term investments such as these it is important to assess market conditions and to acknowledge that the industries are ever-changing and as such will always be subject to external influences, volatilities and risks. The financial performance of these companies and their assets and liabilities is regularly reviewed to ensure that there is no unexpected financial implication for the Council in future years.
- 1.2 Bristol Holding Group currently includes the following subsidiaries:
- Bristol Waste Company Ltd
  - Goram Homes Ltd
  - Bristol Heat Networks Ltd
- 1.3 The Council budget provides the shareholder investment context. It reflects the Council's associated financial committed reserves and establishes the capital and revenue cash limits considered sufficient to meet business needs.
- 1.4 The maximum level of exposure of the Council to loans in its subsidiaries is set out in the Council's Capital Strategy as refreshed in 2021/22. It is set at the lower of either 10% of the Council's general fund capital financing requirement or £70m.
- 1.5 The process for preparation of the companies' annual business plans has been revised to give opportunity for improved governance and scrutiny. These plans are in the process of being refreshed / developed and will reflect the funding parameters approved at the right time for 2022/23. These will be submitted separately to Cabinet for consideration.

### 2. Bristol Holding Company

- 2.1 The Council continues to hold £0.653m share capital investment in Bristol Holding (£0.05m of Ordinary shares and £0.603m of redeemable Preference shares). This will be considered in 2022/23 alongside a review of all shareholder company structures. There are currently no loan agreements between Bristol City Council and Bristol Holding Company. If the Council commissions work through Bristol Holding which is additional to that budgeted, then Bristol Holding's operating model enables them to recover such costs alongside those budgeted costs incurred directly where appropriate or in the form of a fee via management recharges to the subsidiary companies.
- 2.2 Bristol Holding currently holds £1 Ordinary share capital in each of Bristol Waste, Goram Homes and Bristol Heat Networks.

### 3. Bristol Waste Company (BWC)

- 3.1 The Council's 2022/23 budget for its core waste services (Teckal activity) is £40.2m. This includes a £1m increase from 2021/22 in line with the Council's 2.65% assumed budget increase for inflation. This BWC contract with the Council for its core (Teckal) service includes a payment mechanism (paymech) based on a cost plus % approach, calculated annually according to unavoidable cost, market volatilities (e.g. for recyclates) and a mechanism for efficiencies and cost savings to be returned to the Council under the contract. This paymech represents a risk / reward arrangement between the Council and BWC when dealing with in-year contract variations. The cost plus approach for 2021/22 allowed for +15%. This has

been reviewed as part of budget preparation for 2022/23 and revised down to +14% for the next 3-year review period.

- 3.2 A small reserve is held and movement +/- is applied to this fund during the paymech period to reset. Review of the paymech has taken place as part of the 22/23 Business Plan review and approval process.
- 3.3 The Council has previously approved repayable loan facilities of £12m to BWC for fleet vehicle replacement (Cabinet 4 December 2018) and £2.8m for Phase 2 of the Avonmouth site redevelopment (Cabinet 26 January 2021). No further loan requests are anticipated and therefore none are included in the Council's budget proposal for 2022/23.
- 3.4 Of the £12m for fleet vehicle replacement, £11.3m has been borrowed. In line with contractual payment terms, £2.5m (the principal) has been repaid at December 2021 plus £0.5m interest. This leaves £8.8m (again the principal) to be repaid in full plus £0.8m interest by November 2028.
- 3.5 A contract for the £2.8m loan facility for Phase 2 of the Avonmouth site redevelopment was signed in 2021. Again, this agreement includes an interest charge on the principal sum. Draw down is planned to commence in Q4 2021/22.
- 3.6 Teckal Only Covid-19 costs for 21/22 are expected to be £0.2m and consequently no grant is forecast to be distributed by the Council to BWC. Covid-19 costs for 2022/23 are expected to be similarly low-level. No Covid-19 grant allowance is budgeted for distribution in 2022/23.

#### **4. Goram Homes**

- 4.1 The Council approved the establishment of Goram Homes in 2018, with an initial Pipeline 1 development, namely: Romney House and Baltic Wharf, land transfer (with a deferred receipt) and up to £10m (earmarked revenue reserve) potential loan facility for working capital and development investment (terms still to be agreed for one of the schemes). Pipeline 1 schemes are expected to deliver 432 units of housing, 173 (40%) of which will be 'affordable' housing.
- 4.2 Against this approved £10m, an initial loan facility of £3.3m for Pipeline 1 working capital was established with a contractual repayment date (of principal plus interest) of March 2024.
- 4.3 As part of Budget 21/22, £4m was released back to the Council and the final £2.7m of this approved £10m was set aside as potential development funding also linked to Pipeline 1. As part of Budget 22/23, £1.7m of this is now proposed to be released back to Reserves so that only £1m then continues to be set aside for Pipeline 1.
- 4.4 Goram is expected to generate a cumulative net profit by April 2025 against Pipeline 1. No decision has been made regarding either the distribution of these profits in the form of dividends or their reinvestment.
- 4.5 The unrequired balance of £3.7m remaining from the initial £10m was re-directed in to a second £10m loan facility for a suite of additional sites, referred to as Pipeline 2, as approved at Cabinet 26 January 2021.
- 4.6 From this 2nd Pipeline's overarching approved £10m, a loan facility of £4m for working capital has been established during 21/22 with a contractual repayment date (of principal plus interest) of March 2027. Drawdowns from this £4m facility are expected to commence in Q4 2021/22 since the development of properties within this Pipeline 2 is still in its infancy. The £6m balance continues to be set aside for Pipeline 2 or the development of subsequent pipelines (subject to separate Cabinet approval).
- 4.7 The Council's strategic priority for housing delivery may result in further development opportunities and whilst no further funding has been earmarked in

22/23, should Goram be successful in securing these opportunities it would result in further pipeline funding adopting similar principles in the medium term to support the acceleration of housing development.

## **5. Bristol Heat Network (BHN)**

- 5.1 The Bristol Heat Network (BHN) was established in 2020/21 to manage the extension of the Old Market and Redcliffe heat networks as well as to assume responsibility for and management of all assets within BHN. Overruns or overspends in capital investment and delays to the timing of customer connections for example could potentially also have a material impact on the company's operating model. The Council has embarked on the City Leap programme to contract with a Strategic Partner to deliver on Bristol's decarbonisation ambitions. Subject to approval of City Leap the long-term intention is for BHN to transfer out of Bristol Holding Company and be acquired by the City Leap Strategic Partner. The expected timeframe for this transfer is Spring / Summer 2022.
- 5.2 The Council has previously approved a repayable loan facility of £12.7m of capital sourced funding to BHN for heat network funding headroom (Cabinet 1 September 2020).
- 5.3 The Council's Capital Programme for Bristol Heat Networks expansion proposes £16.5m of investment over the next 4 years which is planned to be funded by £2.5m revenue/reserves, £6.9m prudential borrowing and £7.1m grant. No further loan requests are included in the Council's budget proposal for 2022/23; however, it should be noted that this will be subject to change via subsequent Cabinet reports, to reflect the value of any assets being transferred to BHN and or City Leap at the time of transfer. Any transfers will need to reflect the Councils Capital Programme and affordability threshold in the Council's Capital Strategy.

## **6. Risk Management**

- 6.1 On a monthly basis Bristol Holding Company reviews and consolidates the Shareholder companies' common or specific high risks into its' group-wide risk register. In turn, quarterly or more regularly if appropriate, the Council incorporates those risks into its Corporate Risk Register where it assesses them as significant to the Council. It also includes an additional risk impacting the Council as Shareholder rather than the investment companies themselves.