

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 (Disposal in 2022/23)
- 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 approved by council October 2022. The level is set at the higher of either 10% of the council's general fund capital financing requirement or £70 million and the latest assessment is that this level will not be reached as part of the 2023/24 business planning process.
- 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 2023/24. These will be submitted separately to Cabinet for consideration.

2. Bristol Holding Company

- 2.1 Bristol Holding Limited is wholly owned by the council and is an intermediate holding company for investments in Bristol Waste Company Limited, Goram Homes Limited and (until January 2023) Bristol Heat Networks Limited. Its principal role is to protect the interest of the shareholder by ensuring effective governance of the council's portfolio of trading companies and supporting delivery of activities
- 2.2 The council holds £37.153 million share capital investment in Bristol Holding (£36.55m of Ordinary shares and £0.603 million of redeemable Preference shares). There are currently no loan agreements between Bristol City council and Bristol Holding Company. The gross budget assumed for 2023/24 is £0.2 million and this would be fully recharged to Bristol waste Company Ltd and

Goram Homes Ltd. This budget reflects a lean operating model where functions have been transferred to the council with time spent by council employees expected to be charged back to Bristol Holding Company. The budget assumes people cost will consist of just two roles, namely a part time Non-Executive Chair and a part-time Interim Group Finance Director

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.

- 2.3 Bristol Holding currently holds £1 Ordinary share capital in each of Bristol Waste and Goram Homes

3. Bristol Waste Company (BWC)

BWC is Teckal company, wholly owned by the council and provides the council's waste and street cleaning services (its municipal waste business) as well as providing commercial services and workplace/Facilities management services. The council has 2 main contracts with BWC

- Waste Services
- Facilities Management (FM)

Waste

- 3.1 This is 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 allows for +14% set in 2022/23 Budget preparation with a 3 year review period.
- 3.2 A small reserve is held and movement +/- is applied to this fund during the paymech period to reset. No uplift is assumed in the 2023/24 budget.
- 3.3 In 2022/23 the council provided additional funding to BWC of £0.7 million. £0.5 million to fund inflationary pressures on the West of England waste contract which was over and above the 2.65% increase assumed in the 2022/23 Budget and £0.2 million one off contribution towards cost of living pressures negotiated with the union.
- 3.4 The council's 2023/24 budget for its core waste services (Teckal activity) is £42.7 million. This includes a £2 million increase from 2022/23 budget in line with the council's 5% assumed budget increase for inflation.

	22/23 Budget	Additional funds in Year	5% inflation uplift for 23/24	23/24 Budget
	£m	£m	£m	£m
Waste Core	26.5		1.32	27.8
Waste Disposal	11.9	0.5	0.62	13.0
Recycling	1.8		0.09	1.9
Total	40.2	0.5	2.0	42.7

- 3.5 Due to current rise in inflation and increase in cost of living amongst other economic pressures, in order to remain within the funding envelope set by the council above, BWC have put forward proposals on savings and increase in charges to come into effect in 23/24 and £0.8m of additional income (included in the council's Budget) is expected to be generated via the council and transferred across. To mitigate the risk of this income not being achieved on the council, the income position would be reconciled as part of the paymech process at the end of the year.
- 3.6 The council had previously approved repayable loan facilities of £12 million to BWC for fleet vehicle replacement (Cabinet 4 December 2018) and £2.8 million 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 2023/24.
- 3.7 Of the £12 million for fleet vehicle replacement, £11.3 million has been borrowed. In line with contractual payment terms, £3.9 million (the principal) has been repaid at December 2022. This leaves £7.4 million to be repaid in full plus interest by November 2028.
- 3.8 A contract for the £2.8 million 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 2022/23. BWC indicates that the cost for the Avonmouth site redevelopment has increased by £1.5 million and plan to fund this from their cash reserves.

Facilities Management (FM)

- 3.9 The council entered a 4 year contract with BWC for Integrated Workplace & Facilities Management Services (Soft FM) for BCC estate which started on 1 June 2021 to deliver a range of 'Soft FM' services including internal & external cleaning, security, waste, consumables, service management, and co-ordination. (update based on outturn 2022/21)
- 3.10 This is a contract for Services with the main aim of finding savings and efficiencies for the council as reflected in the annual pricing structure in table below (table reflects contract years and not financial years). The council's FM

cleaning and security staff were TUPEd across to BWC (142 Full Time Equivalent (FTE) positions).

	Council Baseline 2020/21 Outturn	Year 1	Year 2	Year 3	Year 4
	£m	£m	£m	£m	£m
Annual Cost	6.0	5.8	5.5	5.3	5.2
Annual Efficiencies		0.2	0.3	0.2	0.1
Cumulative Efficiencies		0.2	0.5	0.7	0.8

The pricing structure is forecast on year one baseline figures which do not include inflation, inflationary increases will need to ensure that if the absolute value of BWC's annual pay increase exceeds the absolute value which BCC would have awarded the Cleaning and Security staff had they remained with BCC then BWC must absorb that difference

- 3.11 The 2023/24 budget for this service is £5.4 million and the council has made appropriate provision to fund the pay implications of TUPEd staff in line with pay awards negotiated by the union in 2022/23 and assumptions for 2023/24
- 3.12 FM arrangements included Third Party Income TPI received by the council. In operating a similar baseline as 2020/21, the TPI budget has been set at £0.6 million and will remain a fixed liability for BWC

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 £10 million (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 £10 million, an initial loan facility of £3.3 million 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 2021/22, £4 million was released back to the council and the final £2.7 million of this approved £10 million was set aside as potential development funding also linked to Pipeline 1. As part of budget 2022/23, £1.7 million of this was released back to Reserves so that only £1 million 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 £3.7 million remaining from the initial £10 million was re-directed in to a second £10 million 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 £10 million, a loan facility of £4 million for working capital was established during 2021/22 with a contractual repayment date (of principal plus interest) of March 2027. Drawdowns from this £4 million facility commenced in July 2022 with £1 million utilised as of December 2022 and a further £1 million forecasted for the rest of the year. The expected drawdown for 2023/24 is £2 million.
- 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 23/24, 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 Bristol Heat Network (BHN) was established in 2020/21 to manage the extension of the Old Market and Redcliffe heat networks and to own and operate the heat network. Following Cabinet approval on the 6 December, the council has signed an agreement with its City Leap Strategic Partner, Ameresco, to deliver on Bristol's decarbonisation ambition. As part of this arrangement, BHN has been transferred out of Bristol Holding Company to Vattenfall Heat UK Limited. Vattenfall are Ameresco's essential subcontract with responsibility for delivering the Heat Network elements of City Leap.
- 5.2 The council had previously approved repayable loan facilities of £12.7 million and £11.3 million (total £24 million) of capital sourced funding to BHN for heat network funding headroom (Cabinet 1 September 2020 and 12 July 2022 respectively). A further extension of £2.0 million was approved by Cabinet on 6 of December 2022 to fund working capital to the end of 2022/23 making the total loan facility £26.0 million.
- 5.3 All loan facilities have been repaid in full following acquisition of BHNL by Vattenfall Heat UK Ltd on 4 January 2023.

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.
- 6.2 Emerging risks
Regulatory changes introduced by the Environment Agency (EA) on Padded Residential Furniture (POPs- Persistent Organic Pollutants) is expected to increase the cost of disposing these items and poses a risk estimated at £0.5

million on cost of disposing bulky waste items (sofas and mattresses). The EA released the new POPs guidance on 19 December 2022, that will come into effect in January 2023 with a grace period of a year before enforcement. However, the waste market is already reacting to this new regulation and price increases are expected. This estimated cost has not been built into the budget for 2023/24. This risk lies with the council and BWC as per the Paymech process of risks and rewards.