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

1.3 The council is part of the following joint venture partnerships:

- City Leap Partnership Limited

1.4 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.

1.5 The maximum level of exposure of the council to loans / liabilities (including deferred capital receipts) in its subsidiaries is set out in the council's Capital Strategy approved by Full Council on 31 October 2023. The level is set at the lower 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 2024/25 business planning process.

1.6 The process for preparation of the companies' annual business plans allows for appropriate governance and scrutiny. These plans are in the process of being refreshed / developed and will reflect the funding parameters approved for 2024/25. 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 and Goram Homes 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). The ordinary shares relate to the legacy investment in Bristol Energy Limited which is dormant and in the process of being wound up, with the Council's investment being fully provided as set out in the Council's financial statements.

There are currently no loan agreements between Bristol City Council and Bristol Holding Company. The gross budget assumed for 2024/25 is £0.3 million and this is 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 staff costs consist of three roles, including a Chair, a part-time Executive Lead and a part time administrator. 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 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 a 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 the BWC contract with the council for its core (Teckal) service. The contract includes a payment mechanism (paymech) based on actual cost (and open book accounting, in order to achieve best value for the use of public funds) plus % approach. This is calculated annually according to unavoidable cost, market volatilities (for example for recyclates) and a mechanism for efficiencies and cost savings to be returned to the council under the contract. The cost plus approach allows for +14% overhead as set in 2022/23 Budget preparation with a 3 year review period.

3.2 This approach ensures the council pays appropriately for actual activity commissioned and eliminates variations in estimates in the business planning process due to financial and economic conditions which change over time coupled with over optimism at the outset.

3.3 The paymech represents a risk / reward arrangement between the council and BWC when dealing with Waste in-year contract variations only and is calculated as follows:

- The variance is defined as the difference between Teckal Waste (direct) cost + 14% mark-up and Teckal Waste revenue contract as outlined in paragraph 3.5 below.
- The paymech is stacked.

i. any variance within +/- £0.250 million will be 100% met by BWC

ii. variances of up to a further +/- £0.250 million – 100% the council
iii. any further variance above +/- £0.500million is shared between the council and BWC in the percentage split of council 30%:BWC 70%.

- Illustration based on £1.0million verified in year variance post open book reconciliation would equate to BWC £0.600million and council £0.400million.

3.4 A small reserve is held and movement +/- is applied to this fund during the paymech period to reset. An uplift of £1 million will be applied to this reserve in 2024/25 to be managed over the medium term.

3.5 The council's 2024/25 budget for its core waste services (Teckal activity) is £46.6 million. This includes a £2.1 million increase from 2023/24 budget in line with the council's assumed budget increase for inflation and £1.8 million budget increase to reflect the pressure in relation to increased municipal waste costs.

	2023/24 Budget £m	Inflation 2024/25 £m	Additional Funding £m	2024/25 Budget £m
Waste – Core Contract - Indexed	29.6	1.5		**31.1**
Waste – West of England- Indexed	13.1	0.6		**13.7**
Waste – Other Growth / Pressures			1.8	**1.8**
Total	**42.7**	**2.1**	**1.8**	**46.6**

3.6 Due to current levels of inflation and other economic pressures, in order to remain within the funding envelope set by the council above, BWC put forward proposals on savings and an increase in charges which came into effect from 2023/24; £0.7 million 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, the income position will be reconciled as part of the paymech process at the end of the year.

3.7 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 2024/25.

3.8 Of the £12 million for fleet vehicle replacement, £11.3 million has been borrowed. In line with contractual payment terms, £5.3 million (the principal) had been repaid at December 2023. This leaves £6.0 million to be repaid in full plus interest by November 2028.

3.9 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. Drawdowns from this facility commenced in January 2024 within an initial draw down of £1 million. The balance of £1.8 million is forecast to be drawn down in 2024/25. BWC indicates that the total cost for the Avonmouth site redevelopment will be £5.4 million with the balance over and above the £2.8 million to be funded from their cash reserves.

Facilities Management (FM)

3.10 The council entered a 4 year contract with BWC for Integrated Workplace & Facilities Management Services (Soft FM) for the council 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.

3.11 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 the table below (table reflects contract years and not financial years). The council's FM cleaning and security staff were TUPE'd across to BWC (142 Full Time Equivalent (FTE) positions).

	Council Baseline 2020/21 Outturn £m	Year 1 £m	Year 2 £m	Year 3 £m	Year 4 £m	Year 5 £m
Annual Cost	6.0	5.8	5.5	5.3	5.2	5.1
Annual Efficiencies		0.1	0.3	0.2	0.1	0.1
Cumulative Efficiencies		0.1	0.5	0.6	0.8	0.9

3.12 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 the council would have awarded the cleaning and security staff had they remained with the council, then BWC must absorb that difference.

3.13 The 2024/25 budget for this service is £5.4 million, which includes the provision made by the council to fund the pay implications of TUPE'd staff in line with pay awards negotiated by the union in 2023/24 and assumptions for 2024/25. The actual and projected pay awards are set out in the table below.

	Council Baseline 2020/21 Outturn £m	Year 1 £m	Year 2 £m	Year 3 £m	Year 4 £m	Year 5 £m
Annual Cost	6.0	5.8	5.5	5.3	5.2	5.1
Annual actual/projected pay awards		0.1	0.3	0.3	0.2	0.1
Total Annual Budget		5.9	5.9	5.7	5.4	5.2

3.14 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: One Lockleaze (formally known as Romney House) and Baltic Wharf, land transfer (with a deferred capital 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. Draw downs from this £3.3 million facility are £2.4 million as at January 2024. There are no draw downs forecast in 2023/24 or 2024/25. The balance of £921,000 is currently forecast for 2025/26.

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 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. Pipeline 2 developments include: Hengrove, Dovercourt Road and New Fosseway Road.

4.5 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 at January 2024, and a further £1 million forecast to be drawn down in 2023/24. The expected drawdown for 2024/25 is £1 million.

4.6 In addition to the above, in association with the Hengrove pipeline scheme, £10.1m of the West of England Combined Authority funding will transfer to Goram Homes via a ‘pass down, back-to-back funding agreement’ between the council and Goram Homes to support the development at Hengrove Park. It is expected that Goram Homes will manage the program of works and submit quarterly returns to enable the council to comply with its obligations under the terms of the Funding Offer. It is also expected that Goram Homes will ensure that the £5m repayable loan element due to be repaid over the 3 financial years 2027/28 to 2029/30 will be repaid to the council in line with the agreed profile.

4.7 The council has confirmed in its budget the anticipated release of profits to the shareholder, forecast as £6 million across 2025/26 and 2026/27, and will work with Goram to determine the appropriate and most cost effective mechanism to achieve this. In the interim, the council will make notional reductions to the Goram Homes pipeline reserves to reflect the intent and anticipated profile. This decision and forecast is on the basis of initial developments now coming to fruition and the company business projections.

4.8 The council’s strategic priority for housing delivery may result in further development opportunities and whilst no further funding has been earmarked in 2024/25, 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. Other Shareholdings

City Leap

5.1 City Leap Partnership Limited is a 50:50 joint venture company between the council and Ameresco Limited, formed following a successful procurement by the council to appoint a strategic partner to assist with the council’s aims to achieve its decarbonisation ambitions across its estate by 2030.

5.2 Funding of the Joint Venture Company (JV Co) is provided exclusively by Ameresco Limited, with no funding obligation on the council, noting that the primary role of the JV is project origination, with delivery responsibility sitting outside of JV Co with the wider City Leap Energy Partnership.

5.3 The effective date of the City Leap transaction was 4 January 2023. As at January 2024 £10 million of energy related grants have been secured by the council for projects being delivered by City Leap and £12 million of the council’s capital decarbonisation fund has been aligned.

5.4 The overall level of planned investment by the wider City Leap Energy Partnership over the initial five-year period in low carbon energy infrastructure amounts to nearly £500 million.

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.

Emerging risks

6.2 Regulatory changes introduced by the Environment Agency (EA) on Padded Residential Furniture (POPs- Persistent Organic Pollutants) is expected to continue to increase the cost of disposing these items. The EA is considering increasing the materials in scope, beyond sofas and mattresses. Therefore, this poses an increased risk estimated between £0.5 - £1 million on cost of disposing bulky waste items. This estimated cost has not been built into the budget for 2024/25. This risk lies with the council and BWC as per the Paymech process of risks and rewards.

6.3 Emissions Trading Scheme (ETS) is a new tax that will be applied to per tonne carbon emitted from burning fossil fuel waste burnt at Energy Recovery Facilities (incinerators). The cost of permits per tonne could be between £30 - £50 and over time could increase to £100. This is due to be introduced in 2027/28 and could potentially cost the council between £2-4 million per annum, dependant on tonnage fossil fuels burnt and the trading price for ETS permits per tonne.

6.4 The housing market is subject to fluctuating economic and market conditions which continues to be a risk to Goram's commercial return. Those specifically impacting commercial return are time, cost and revenue. This includes time taken to grant planning permission, find appropriate partners and deliver homes, the cost of developing new homes being greater than planned and the loss of demand for property sales or reduction in sales values. These risks are managed most simply before the LLP is formed, and within the control of the LLP once projects commence.

7. Future opportunities

Temple Quarter

7.1 The Temple Quarter Regeneration Programme is one of the largest re-development opportunities in the UK. The establishment of a Temple Quarter Joint Delivery Vehicle will formalise the long-standing collaborative working arrangements that are already in place under the Memorandum of Understanding signed in February 2021 between the council and its Temple Quarter delivery partners Homes England, West of England Combined Authority and Network Rail (BTQ Partners). The BTQ Partners intend to establish the JDV in 2024 and commence the procurement process to select the development partner shortly thereafter.

Supported Housing

7.2 The council is currently exploring ways to deliver the outcomes set out in the emerging Supported Housing Delivery Plan to meet the need for Temporary Accommodation and Supported Housing across the city. This may result in setting up a new not-for-profit housing company / registered provider to deliver exempt accommodation to address this demand, and / or appropriate ‘asset holding vehicle’. An Outline Business Case is currently being prepared to seek professional advice and consider potential options including the entity type and structure that will deliver the outcomes and achieve best value.