

**CABINET**  
**21 July 2016****WEST MERCIA ENERGY – GOVERNANCE ISSUES**

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**Relevant Cabinet Member**

Mr A Blagg

**Relevant Officers**

Chief Executive

Chief Financial Officer

**Recommendation**

**1. The Cabinet Member with Responsibility for Environment recommends that Cabinet:**

- (a) notes the discussions taking place between the member authorities of West Mercia Energy;**
- (b) agrees that the current governance arrangements for West Mercia Energy may be amended in line with the report; and**
- (c) authorises the Head of Legal and Democratic Services to finalise and execute amendments to the governance arrangements in consultation with the Chief Financial Officer.**

**Background**

**2.** Worcestershire County Council, Herefordshire, Shropshire and Telford & Wrekin Councils have for many years been constituent members of a Joint Committee undertaking procurement activity. This business was originally called West Mercia Supplies, but following the sale of the stationery supplies business it has been renamed West Mercia Energy (WME). Each authority has 2 votes on the WME joint committee.

**3.** There have been discussions between the constituent authorities regarding the future governance of the Joint Committee. It is proposed to update the main agreement for WME between the constituent authorities, together with the related financial regulations, contract standing orders and scheme of delegation.

**4.** Discussions are ongoing, and it is anticipated that the new governance arrangements be considered by the WME joint committee on 26 September 2016. September Cabinet will therefore be too late to consider matters, and the report is brought to the July meeting, acknowledging that some of the details may change between now and the WME meeting.

**5.** It is proposed that Shropshire Council continues as the lead authority to employ staff and hold property on behalf of the constituent authorities of WME. The lead

authority appoints the Secretary and Treasurer to the WME joint committee and it is proposed to clarify their specific responsibilities.

4. The main governance changes currently proposed to the main agreement are:

- to move from a fixed-term life (extendable by agreement) to an ongoing commitment, with a restricted ability for a constituent authority to terminate their participation and withdraw from WME
- greater clarity on access to information provisions to ensure the due circulation of reports and minutes. Meetings of the WME joint committee will be open to the public unless it moves into private session to deal with exempt material as permitted by the legislation
- the lead authority's Code of Conduct will apply in respect of declarations of interest at WME joint committee meetings
- the WME joint committee will adopt Strategic Policies necessary for the proper operation of WME
- decisions of the joint committee will be subject to scrutiny by the constituent authorities and its decisions can also be called-in within each constituent authority, using their own respective mechanisms. Any call-in must take be exercised by 5pm on the 5<sup>th</sup> working day after the decision is published, and can only be in relation to a decision or action affecting the constituent authority whose membership wishes to call it in. The call-in is then dealt with by the constituent authority following its own Scrutiny processes
- the constituent authorities may jointly and unanimously agree to discontinue WME and its assets shall be distributed fairly and reasonably between them
- no authority can withdraw from WME during the term of any Key Contract with a Utility Supplier
- otherwise, an authority can give at least 12 months' notice to withdraw but withdrawal will only take place on the expiry of any agreements with Utility Suppliers to which that authority is a party. The exiting authority will remain liable for an equal share of liabilities incurred up to the point of termination and will not receive a share of the WME assets.

6. WME have typically continued to delivered good levels of dividend following the sale of the stationery supplies business as securing low rates for utilities. Whilst the market for energy has changed significantly over the recent years and will continue to change in the future, appropriate business planning is undertaken to secure the organisations long term future as a going concern and this is been confirmed by its External Auditors. The County Council remains committed to its work alongside Partners and West Mercia Energy to continue to secure the best deal for the public sector with regard to procuring its energy. The tone of the changes is meant to confirm the confidence that Partners have in the West Mercia Energy Business and in each other.

6. No changes are required to the County Council's Financial Regulations as a result of this.

### **Legal, Financial and HR Implications**

7. The legal changes are addressed above. There are no further immediate financial implications as a result of these changes as the County Council will

continue to carry its share of any net financial liabilities at any point of exit from the existing arrangements.

### **Privacy Impact Assessment**

8. There are no Privacy implications from this report.

### **Equality and Diversity and Public Health Implications**

9. There are no implications.

### **Contact Points**

#### County Council Contact Points

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#### Specific Contact Points for this report

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### **Background Papers**

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.