



Committee and Date

Cabinet  
28th September 2016

Item

Public

## WEST MERCIA ENERGY – GOVERNANCE ISSUES

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### 1. Summary

This report sets out the amendments proposed by the constituent authorities comprising the West Mercia Energy (WME) Joint Committee to update and amend the Joint Agreement which governs the operation of the Joint Committee.

### 2. Recommendations

It is recommended that Cabinet:

- 2.1 Agrees that the current Joint Agreement between the WME Member Authorities is amended in line with the report and as attached at Appendix A to this report, and authorises the execution of a Deed of Variation to make such amendments;
- 2.2 Delegates authority to the Head of Finance, Governance and Assurance (s151 Officer) to agree with the other constituent authorities any further amendments to the Joint Agreement required prior to completion.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

There are no direct environmental, climate change, privacy, equality and diversity and Public Health implications from this report.

#### 4. Financial Implications

There are no immediate financial implications as a result of the changes to the governance arrangements set out in this report. WME provides a dividend to Shropshire Council as part owner, and this is built into the Council's base budget. The Council will continue to carry its share of any net financial liabilities at any point of exit from the existing arrangements.

#### 5. Background

- 5.1 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 of the four owning authorities has 2 votes each on the WME joint committee.
- 5.2 There have been discussions between the constituent authorities regarding the future governance arrangements of the Joint Committee and the need to update existing governance documents. These documents comprise the Joint Agreement between the constituent member authorities governing their participation in and the role of the Joint Committee, which needs to be agreed by all four constituent authorities, and the Joint Committee's own internal governance and operational procedures contained within their financial regulations, contract standing orders and scheme of delegation.
- 5.3 Discussions have been undertaken between the constituent authorities over the spring and summer period and it is proposed to all the Executives of the constituent authorities that the Joint Agreement is updated as set out in this report and the attached revised agreement.
- 5.4 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.
- 5.5 The key governance changes proposed to the main agreement are:
  - 5.5.1 To move from a fixed-term joint agreement (extendable at regular intervals) to an ongoing commitment, with a restricted ability for a constituent authority to terminate their participation and withdraw from WME

- 5.5.2 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
- 5.5.3 The lead authority's Code of Conduct will apply in respect of declarations of interest at WME joint committee meetings.
- 5.5.4 The WME joint committee will adopt Strategic Policies necessary for the proper operation of WME.
- 5.5.5 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 is dealt with by the constituent authority following its own Scrutiny processes
- 5.5.6 The constituent authorities may jointly and unanimously agree to discontinue WME and its assets shall be distributed fairly and reasonably between them
- 5.5.7 No authority can withdraw from WME during the term of any Key Contract with a Utility Supplier
- 5.5.8 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 would receive any net share of the WME assets once the assets and liabilities of WME had been assessed and allocated.
- 5.6 The amended Joint Agreement is attached at Appendix A, with deletions struck through and additions underlined.
- 5.7 The WME Joint Committee is expected to approve new internal governance documents at its meeting on 26 September, and Cabinet can be updated orally at the meeting of 28 September to this end.
- 5.8 WME have typically continued to deliver good levels of dividend as well as securing low cost energy supplies to the owning authorities. 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 organisation's long

term future as a going concern and this is confirmed by its External Auditors each year. The Council remains committed to its work alongside its partners and West Mercia Energy to continue to secure the best deal for the public sector with regard to procuring its energy needs. The spirit of the changes proposed are to confirm the confidence that partners have in West Mercia Energy and in continuing to work together.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

4<sup>th</sup> June 2014 – Cabinet Report – West Mercia Energy (WME) Joint Agreement

**Cabinet Member (Portfolio Holder)**

Councillor Michael Wood

**Local Member**

All

**Appendices**

Appendix A – revised West Mercia Energy Joint Agreement