

TELFORD & WREKIN COUNCIL
CABINET – 8 NOVEMBER 2012
WEST MERCIA ENERGY
REPORT OF THE ASSISTANT DIRECTOR: DEVELOPMENT, BUSINESS & HOUSING
LEAD CABINET MEMBER – CLLR BILL McCLEMENTS

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

1.1 For members to consider updated management arrangements for West Mercia Energy in the light of the sale of part of West Mercia Supplies earlier this financial year.

2. RECOMMENDATIONS

2.1 That the Cabinet authorises the Managing Director to:

2.1.1 Terminate the existing West Mercia Supplies Joint Agreement

2.1.2 Authorise the Assistant Director: Law, Democracy & Public Protection to agree and execute a new Joint Agreement under the terms of the Local Authority (Goods and Services) Act 1970 with the other three owning authorities to establish a Joint Committee of the executives of the four authorities to manage the activities of West Mercia Energy.

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	<i>The Council currently purchases its energy supplies from West Mercia Energy and secures good value for money by doing so</i>
	Will the proposals impact on specific groups of people?	
	No	
TARGET COMPLETION/DELIVERY DATE	<i>Agreement is required from all 4 participating authorities, Herefordshire Council, Worcestershire County Council, Shropshire Council and Telford & Wrekin Council. We would expect this agreement to be fully agreed and executed before the end of this calendar year.</i>	
FINANCIAL/VALUE FOR MONEY IMPACT	Yes/No	The Joint Agreement sets out the basis for the distribution of accumulated surpluses each year: member authorities will receive a proportionate share, the calculation of which is detailed in section 8 of the agreement. A target of £200,000 is already included in the budget strategy in relation to this dividend. Variations against this will be reported through financial monitoring as appropriate. The agreement also highlights that Member Authorities are jointly liable in

		equal shares for any liabilities of WME.
LEGAL ISSUES	Yes	The sale of the stationery side of West Mercia Supplies was realised earlier this financial year. This arrangement was covered by a Joint Agreement that now needs updating to reflect the actual position regarding West Mercia Energy.
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes/No	Any decisions about the future development of the West Mercia Energy business are determined by a Joint Committee upon which Telford & Wrekin Council are represented by Councillors B McClements and Cllr A England, acting upon advice from a management group comprising of senior officers.
IMPACT ON SPECIFIC WARDS	No	

PART B) – ADDITIONAL INFORMATION

4. INFORMATION

At its meeting on 26th July 2011 Cabinet authorised the sale of West Mercia Supplies.

The sale of the catalogue/warehouse division of West Mercia Supplies to The Consortium for Purchasing and Distribution Ltd for the sum of £6.74m (which, after deductions of selling expenses, was distributed equally between the four owning authorities) was completed on 18 April 2012.

It did not prove possible to sell the Utilities Division of West Mercia Supplies and this has been retained by the four owning authorities and continues to trade as West Mercia Energy.

West Mercia Energy has transferred to Shropshire Council premises in Shrewsbury and employs 11 staff (who are employees of Shropshire Council).

West Mercia Energy turnover in 2012/13 will be approximately £53m and the operating surplus is likely to be approximately £1.25m which will be distributed amongst the four owning authorities according to a formula which recognises the differing levels of turnover and contribution to that surplus made by the four owning authorities.

Customers of West Mercia Energy include, as well as the four owning authorities, Gloucestershire County Council, Swindon Borough Council, South Gloucestershire Council, Cheshire East Council, Cheshire West and Chester Council and a number of District Councils.

The existing Joint Agreement was developed to manage the activities of a warehousing and distribution operation for the purchase and supply of office and educational products and, as such, is no longer fit for purpose.

The new Joint Agreement will be appropriate for the ongoing activities of the re-structured business going forward.

The agreement will initially run until 31 March 2016 but may be extended by agreement between the four owning authorities. There are no provisions for withdrawal during the initial period.

Each of the four owning authorities will appoint two Members of the Joint Committee with the Secretary and Treasurer functions being fulfilled by Shropshire Council as the lead authority.

It is envisaged that the first meeting of the West Mercia Energy Joint Committee will take place during February 2013.

5. **PREVIOUS MINUTES**
Cabinet – 26/07/11

**Report prepared by Jonathan Eatough, AD: Law, Democracy & Public protection,
Telephone: 01952 383 200**