

TELFORD & WREKIN COUNCIL**CABINET 13 JULY 2017****VARIATION TO WEST MERCIA ENERGY JOINT AGREEMENT****REPORT OF ASSISTANT DIRECTOR OF FINANCE AND HUMAN RESOURCES****LEAD CABINET MEMBER – CLLR LEE CARTER****PART A) – SUMMARY REPORT****1. SUMMARY OF MAIN PROPOSALS**

It is proposed to vary the Joint Agreement for West Mercia Energy (WME) held by the constituent authorities to enable WME to supply utilities, alongside the supply of energy. Details of the changes are provided in Part B. This variation does not impact on the Council's Constitution.

2. RECOMMENDATION

- 2.1 That Cabinet agrees that the current Joint Agreement is varied to include the provision to be able to broker and supply utilities; and
- 2.2 authorise the Assistant Director of Finance and Human Resources to finalise and execute the variation in Consultation with the Assistant Director of Governance, Procurement and Commissioning.

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Co-Operative Council priority objective(s)?	
	Yes/No	The Council currently purchases energy from WME for schools, Colleges and own properties and secures good value for money. It is expected to provide a similar service for Utilities, namely water, at this time.
	Will the proposals impact on specific groups of people?	
	No	
TARGET COMPLETION/DELIVERY DATE	Agreement to the variation is required by all 4 owning Authorities and is envisaged to be executed and agreed by August 2017	

FINANCIAL/VALUE FOR MONEY IMPACT	Yes/No	<p>The Joint Agreement includes the provision that accumulated surpluses identified for distribution are allocated to Member Authorities each year partly based on the level of trading activity by each Member Authority and partly based on non-member trading activity. There are no proposals to change this methodology. The budgeted dividend in 2017/18 is £357,000 and while extending the agreement to include the provision of water services is not expected to have a significant impact on dividends or savings it will enhance the offer to customers and should help sustain current income levels for the Council.</p> <p>PH – 14/6/2017</p>
LEGAL ISSUES	Yes/No	<p>Governance and Committee Arrangements: The Cabinet has delegated day to day decision-making to the West Mercia Energy Joint Committee where Telford & Wrekin Council are currently represented by Cllrs L Carter and A England. However as the proposals are significant and extend the agreement and propose significant amendments to the current joint agreement it is appropriate that this delegation is approved by Cabinet</p> <p>Open Water Market Deregulation: From the 1st April 2017 larger organisations may decide to become a self- supply licensee the new open water market de-regulation also allows companies to become licensed suppliers of water and wastewater retail services to other businesses. The facilitating statute is the Water Act 2014 which will allow public sector customers to switch retail water supplier, hence pursuing opportunities for achieving better economies of scale in their purchasing activities. There is an opportunity to become a retailer of water; buying wholesale water services – the physical supply of water and the removal of wastewater from regional water companies. The retailer will package a series of water services and compete for customers in the market place. The water market is</p>

		<p>undergoing changes to effect more open competition and choice.</p> <p>Legal Formalities: The terms of the draft variation will be agreed by individual stakeholders. A draft variation document will be reviewed and risk assessed accordingly.</p>
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes/No	<p>Any decisions about the future development of the WME business are determined by a Joint Committee upon which Telford & Wrekin Council are represented by Cllr L Carter and Cllr A England, acting upon information from an advisory group comprising of senior officers.</p> <p>As mentioned in the report, there are business risks associated with the development of a new service however it is considered that the benefit of enhancing the WME offer, particularly to key customers, outweighs this. It should also be noted that the dividend the Council receives from WME is based on their performance and there is therefore a risk that this could reduce in future dependent on their trading position and financial outturn. Further, as a Member Authority the Council would be jointly liable for any costs and liabilities associated with WME if the Joint Committee was unable to meet its obligations, although it should be noted that there are comprehensive risk management arrangements in place to mitigate this</p>
IMPACT ON SPECIFIC WARDS	No	

PART B) – ADDITIONAL INFORMATION

4. INFORMATION

- 4.1 In 2012 Cabinet granted approval for the Council to enter into a Joint Agreement with Shropshire, Herefordshire and Worcestershire Councils to form West Mercia Energy (WME). WME now supplies energy on behalf of its owners to public sector organisations across the country.
- 4.2 From April 2017 the government opened up the non domestic water supply market to enable businesses, charities and public sector bodies, to be able to

choose their supplier rather than rely on a supplier within their region. This option has been available in Scotland since they deregulated their water in 2008. Government hope that competition will improve customer services, lower costs and encourage suppliers to be more innovated with the services they offer. It should be noted that only 6% of the retail market is available for competition so significant savings or dividends are not expected

- 4.3 WME has been working in collaboration with other public sector organisations, namely CCS, NEPO, YPO, ESPO, TEC and the MOD to establish a national Framework Agreement for the provision of water, waste water and ancillary services. Each member of the group view the provision of a water contract to its members/customers as a provision of service and not something where great savings in retail margins can be achieved, certainly not initially.
- 4.4 Whether to provide an offering for water to WME customers has been closely considered over recent months. Progressing with water services comes with business risks associated with the development of a new service (systems, management time focused on an initial low margin product rather than the core WME offering). From research conducted, not providing an offering for water is considered a greater business risk as some of our key large customers will be looking in the future to procure a joint gas, electricity and water contract from one provider and not being in this market space could lead to loss of business. As a consequence the recommendation is take the necessary steps to develop a customer offering for water.
- 4.5 To enable WME to be part of any framework there is a need to vary the Joint Agreement to add in the ability to supply utilities along side the supply of energy.
- 4.6 A copy of the proposed variation is included in background papers

5. **IMPACT ASSESSMENT – ADDITIONAL INFORMATION**

6. **PREVIOUS MINUTES**

7. **BACKGROUND PAPERS**

Appendix 1– Draft Variation



Deed of Variation -
May 17.docx