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Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: 18th September 2023

Committee:
West Mercia Energy Joint Committee

Date: **Tuesday, 26 September 2023**
Time: **10.30 am**
Venue: **Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND**

You are requested to attend the above meeting. The Agenda is attached

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click here to view the livestream of the meeting on the date and time stated on the agenda

The recording of the event will also be made available shortly after the meeting on the Shropshire Council Youtube Channel Here

Tim Collard
Assistant Director - Legal and Governance

Members of West Mercia Energy Joint Committee

Herefordshire Council	G Biggs, P Stoddart
Shropshire Council	G Butler, D Carroll
Telford & Wrekin Council	L Carter, N England
Worcestershire County Council	A Kent, A Hardman

Your Committee Officer is:

Emily Marshall Committee Officer
Tel: 01743 257717
Email: emily.marshall@shropshire.gov.uk

AGENDA

1 Apologies for Absence

To receive apologies for absence.

2 Minutes (Pages 1 - 4)

To receive the minutes of the Joint Committee meeting held on 21st March 2023.

3 Public Questions

To receive any question or petitions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 5.00 p.m. on Wednesday, 20th September 2023.

4 Disclosable Pecuniary Interests

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

5 Supplier Contracts

The Director of West Mercia Energy Joint Committee will provide a verbal update in line with the West Mercia Energy Joint Committee Standing Orders.

6 Statement of Accounts 2022/23 and Annual Governance Statement 2022/23 (Pages 5 - 60)

Report of Treasurer
Contact: James Walton (01743 258915)

7 External Audit - Audit Findings Report 2022/23 (Pages 61 - 74)

Report of the Director of West Mercia Energy.
Contact: Nigel Evans (0333 101 4424)

8 **Internal Audit - Annual Report 2022/23** (Pages 75 - 82)

Report of Internal Audit
Contract: Barry Hanson (07990 086409)

9 **Distribution of Surplus** (Pages 83 - 86)

Report of Treasurer
Contact: James Walton (01743 258915)

10 **Risk Management Update** (Pages 87 - 90)

Report of the Director of West Mercia Energy
Contact: Nigel Evans (0333 101 4353)

11 **Exclusion of Press and Public**

To consider a resolution under Section 100 (A) of the Local Government Act 1972 that the proceedings in relation to the following items shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the provisions of Schedule 12A of the Act.

12 **Exempt Minutes** (Pages 91 - 94)

To approve the exempt Minutes of the meeting held on 21st March 2023.

13 **Update on Business Plan and Trading Performance to Date 2023/24** (Pages 95 - 112)

Exempt Report of the Director of West Mercia Energy
Contact: Nigel Evans (0333 101 4353)

14 **Use Cleaner Use Less Update** (Pages 113 - 116)

Exempt Report of the Director of West Mercia Energy
Contact: Nigel Evans (0333 101 4353)

15 **Energy Governance, Accountability, Risk and Reporting Policy** (Pages 117 - 146)

Exempt Report of the Director of West Mercia Energy
Contact: Nigel Evans (0333 101 4353)

16 Date of Next Meeting

To discuss and agree the date of the next meeting.

Committee and Date
West Mercia Energy Joint Committee 26th September 2023

WEST MERCIA ENERGY JOINT COMMITTEE

Minutes of the meeting held on 21 March 2023
In the Wilfred Owen Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND
10.18 - 11.48 am

Responsible Officer: Shelley Davies
Email: emily.marshall@shropshire.gov.uk Tel: 01743 257717

Present
Councillor
Councillors Evans (Vice Chairman) and Hardman

34 **Election of Chairman**

RESOLVED:

That Councillor Rae Evans be elected Chairman for the duration of the meeting.

35 **Apologies for Absence**

Apologies for absence were received from Councillors Dean Carroll, Liz Harvey (subsititute: Councillor David Hitchiner) and Adam Kent.

Councillors Gwilym Butler, Gemma Davies and David Hitchiner joined the meeting remotely, taking no part in the voting on any of the items for consideration.

36 **Appointment of Vice-Chairman**

RESOLVED:

That Councillor Gwilym Butler be appointed Vice-Chairman for the duration of the meeting.

37 **Minutes**

RESOLVED:

That the Minutes of the West Mercia Energy Joint Committee held on 27th September 2022 be approved as a correct record and signed by the Chairman.

38 **Public Questions**

No public questions had been received.

39 **Disclosable Pecuniary Interests**

None declared.

40 **Supplier Contracts**

The Director confirmed that there were no entries to report.

41 **External Audit Plan 2022/23**

The Director introduced, John Fletcher (Partner) from W R Partners. John Fletcher provided an overview of the audit plan which set out the scope of the audit to be undertaken, identified risks and audit responses to these and outlined materiality levels. He added that there was a timetable in place with the main audit work to be conducted in July and WR Partners would bring their report to the September meeting.

In response to a question regarding the materiality level, John Fletcher confirmed that it was at an appropriate level at present but would be reassessed when the final accounts were audited.

RESOLVED:

1. That the draft audit plan for 2022/23 as presented by WR Partners be approved.
2. That the commissioning of WR Partners to undertake the audit in accordance with the audit plan be approved.

42 **Internal Audit Performance Reports to February 2023**

Katie Williams, Principal Auditor presented the report, which outlined the Internal Audit Performance reports to February 2023. She reported that the three pieces of planned audit work completed for 2022/23 had been given good assurance and added that in agreement with the Managing Director, the audit in respect of Procurement had been carried forward to 2023/24 pending completion of the tender process.

RESOLVED:

That the Committee consider and endorse, with appropriate comment, the performance to date against the 2022/23 Audit Plan as set out in the report.

43 **Internal Audit Strategic Plan 2023/24**

Katie Williams, Principal Auditor presented the report, which outlined the Internal Audit Strategic Plan 2023/24.

In response to a question, Katie Williams, Principal Auditor explained that the procurement exercise was ongoing and in agreement with the Managing Director has been carried forward to 2023/24. The Managing Director added that the tender process for the electric contract had not yet been completed and it was agreed that it would be better to delay the audit until this the tender had been finalised.

RESOLVED:

That the proposed programme of audits for 2023/24, be considered and endorsed with appropriate comment.

44 Anti-Slavery and Human Trafficking Statement 2022/23

The Director of West Mercia Energy presented the Anti-Slavery and Human Trafficking Statement Transparency Statement for 2022/23 for approval.

RESOLVED:

1. That the draft WME Transparency Statement for 2022/23 be approved.
2. That authority be delegated to the Director to finalise the WME Transparency Statement and publish it in accordance with section 54 of the Modern Slavery Act 2015.

45 Risk Management Update

The Director presented a report which provided a review of the WME Risk Management Strategy, including new risks and those upgraded, several of which were related to extreme and challenging market conditions and high prices currently being experienced.

RESOLVED:

1. That the WME Risk Management Strategy attached at Appendix A be approved.
2. That the position as set out in this report be accepted.

46 Exclusion of Press and Public

RESOLVED:

That under Section 100(A)(A4) of the Local Government Act 1972, the public be excluded during the consideration of the following items of business on the grounds that they might involve the likely disclosure of exempt information as defined in Schedule 12(A) of the Act.

47 Exempt Minutes

RESOLVED:

That the Exempt Minutes of the West Mercia Energy Joint Committee held on 27th September 2022 be approved as a correct record and signed by the Chairman.

48 Annual Business Plan and Budget 2023/24 including review of 2022/23

The Director presented an exempt report for approval.

RESOLVED:

That the recommendations contained within the exempt report be approved.

49 Energy Governance, Accountability, Risk and Reporting Policy

The Director presented an exempt report for approval.

RESOLVED:

That the recommendation contained within the exempt report be approved.

50 Date of Next Meeting

It was noted that the next meeting would take place on Tuesday, 26th September 2023 at 10.00 a.m. in the Shrewsbury Room, Shirehall, Shrewsbury.

Signed .... (Chairman)

Date: ....

Committee and Date	Item
West Mercia Energy Joint Committee 26th September 2023	6 Public

Statement of Accounts 2022/23
and Annual Governance Statement 2022/23

Responsible Officer James Walton - Treasurer
e-mail: james.walton@shropshire.gov.uk Tel: 01743 258915

1. Summary

1.1 The purpose of this report is to present to the Joint Committee the Letter of Representation, the Statement of Accounts 2022/23 and the Annual Governance Statement 2022/23.

2. Recommendations

2.1 The Joint Committee is asked;

a) To note the Letter of Representation to be signed by the Chairman and submitted by the Treasurer.

b) To consider the finalised Statement of Accounts 2022/23 to be signed by the Chairman and the Treasurer.

c) To consider the Annual Governance Statement 2022/23.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Details of the potential risks affecting the balances and financial health of WME are considered within the Statement of Accounts

4. Financial Implications

4.1 This report considers the overall financial position of WME in the form of the Statement of Accounts, the accounts consider the level of assets controlled by WME and the level of balances held.

5. Background

5.1 WME external auditors, WR Partners audited the accounts during July 2023.

5.2 WME is required to produce a Letter of Representation for the external auditors which provides assurance that the information submitted within the accounts is accurate and that all material information has been disclosed to the auditors. External audit will only sign off the accounts once this letter has been received. See Appendix 1

5.3 The Joint Committee is required to approve the annual Statement of Accounts by the 30th September after the findings of the audit are known. The Statement of Accounts are contained in Appendix 2.

5.4 The Statement of Accounts is accompanied by WME's Annual Governance Statement 2022/23, which details processes and procedures in place to enable WME to carry out its' functions effectively. See Appendix 3.

6 Publication of Accounts

6.1 Once signed, the annual Statement of Accounts 2022/23 will be available via the WME website.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) CIPFA Code of Practice (CODE) on Local Authority Accounting CIPFA/SOLACE guidance on the Annual Governance Statement Joint Committee 28th September 2015 – Local Audit and Accountability Act
Member Councillor G Butler of Shropshire Council (Vice-chair of the Joint Committee)
Appendices 1 - The Letter of Representation 2 - Statement of Accounts 2022/23 3 - Annual Governance Statement 2022/23

Members of the Joint Committee
West Mercia Energy
Chapter House South
Abbey Foregate
Shrewsbury SY2 5DE

WR Partners
Chartered Accountants
Belmont House
Shrewsbury Business Park
Shrewsbury
SY2 6LG

West Mercia Energy Joint Committee
Financial Statements for the Year Ended 31 March 2023

Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the joint committee's financial statements for the year ended 31st March 2023. These enquiries have included inspection of supporting documentation where appropriate. All representations are made to the best of our knowledge and belief.

GENERAL

1. We have fulfilled our responsibilities as directors, as set out in the terms of your engagement letter dated 23rd January 2023, for preparing financial statements in accordance with applicable law and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), for being satisfied that they give a true and fair view and for making accurate representations to you.
2. All the transactions undertaken by the joint committee have been properly reflected and recorded in the accounting records.
3. All the accounting records have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the joint committee, and with all other records and related information requested, including minutes of all management and shareholder meetings.
4. The financial statements including the agreed adjustments in the sum of £510,000 (relating to restriction of the Defined Benefit Pension Surplus) are free of material misstatements, including omissions.

INTERNAL CONTROL AND FRAUD

5. We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.
6. We have disclosed to you all instances of known or suspected fraud affecting the entity involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.

7. We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the entity's financial statements communicated by current or former employees, analysts, regulators or others.

ASSETS AND LIABILITIES

8. The joint committee has satisfactory title to all assets and there are no liens or encumbrances on the joint committee's assets, except for those that are disclosed in the notes to the financial statements.
9. All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
10. We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.
11. We have disclosed a pension surplus on the basis that reduced contributions are due to the plan and confirm the assumptions used at 31 March 2023 are considered reasonable and in line with actuarial advice. The pension surplus position stated within the year end accounts is equal to expected reduced contributions for the three year period to 2025/26.

ACCOUNTING ESTIMATES

12. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

LOANS AND ARRANGEMENTS

13. The joint committee has not granted any advances or credits to, or made guarantees on behalf of, directors other than those disclosed in the financial statements.

LEGAL CLAIMS

14. We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

LAWS AND REGULATIONS

15. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

RELATED PARTIES

16. Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements of joint committee law or accounting standards.

SUBSEQUENT EVENTS

17. All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

GOING CONCERN

18. We believe that the joint committee's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the joint committee's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the joint committee's ability to continue as a going concern need to be made in the financial statements.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

Each director has taken all the steps that they ought to have taken as a director in order to make themself aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Name……………………………

Position………………………….

Date……………………………

Name……………………………

Position………………………….

Date……………………………

Signed on behalf of the Joint Committee

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WEST MERCIA ENERGY
JOINT COMMITTEE

STATEMENT OF ACCOUNTS
FOR THE YEAR
ENDED 31ST MARCH 2023

WEST MERCIA ENERGY JOINT COMMITTEE

CONTENTS

WEST MERCIA ENERGY JOINT COMMITTEE

FINANCIAL SUMMARY
FOR THE YEAR 2022/23

Introduction

This document is the Statement of Accounts for West Mercia Energy Joint Committee. It covers the financial year 1 April 2022 to 31 March 2023 and shows the organisation's financial position at the year end together with the trading income and expenditure figures that have been produced throughout the period.

The Statements

Narrative Report
This provides an effective guide to the most significant matters reported in the accounts, including an explanation of the financial position and details the performance during the financial year.

Statement of Responsibilities and Joint Committee Approval
This section deals with the financial responsibilities of the Joint Committee and the Treasurer to the Joint Committee and confirms the date when the Joint Committee approved the accounts.

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the Joint Committee.

Comprehensive Income and Expenditure Statement
This account summarises the annual income and expenditure of the trading operations to show the organisation's net surplus for the year.

Balance Sheet
This sets out the financial position of the Joint Committee as at the year end 31 March 2023.

The Cash Flow Statement
This summarises the inflows and outflows of cash arising from the day to day transactions of the organisation.

Narrative report 2022/23

Organisational Overview

West Mercia Energy Joint Committee is a purchasing consortium established as a Joint Committee under s.101 of the Local Government Act 1972 and comprises of four Member Authorities:

- Herefordshire Council
- Shropshire Council
- Telford & Wrekin Council
- Worcestershire County Council

Each Member Authority appoints two of their Elected Members to serve on the Joint Committee, each with voting rights. The Joint Committee is delegated with the operation and management of the organisation and is responsible for the discharge of the functions of the Member Authorities.

Governance

Certain professional services are provided for Joint Committee including:

- Financial Advice
  The Member Authorities have appointed Shropshire Council as Treasurer.
- Legal Advice
  The Member Authorities have appointed Shropshire Council as Secretary.

The Treasurer and the Secretary liaise with officers of Member Authorities so that they comply with their responsibilities under s.5 of the Local Government and Housing Act 1989 and s.151 of the Local Government Act 1972.

The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the officers within the organisation who have responsibility for the development and maintenance of the internal control environment. On the basis of the work undertaken and management responses received the Head of Audit at Shropshire Council was able to deliver a substantial year end opinion on West Mercia Energy's internal control environment for 2022/23 confirming that the organisation's governance, risk management and internal control processes were sound and working effectively.

No significant governance issues were highlighted during 2022/23.

Risks and Opportunities

The WME Risk Management Strategy is approved annually by the Joint Committee and a detailed risk register is maintained. The risk register is kept under constant review and all risks which have been classified as medium or high are reported to the Joint Committee at each meeting. With energy market prices reaching further unprecedented levels within the year, the rank of a number of risks which had been raised the previous year, were maintained at the increased levels. These risks included those associated with operating the trading strategy within the extraordinary market conditions experienced and the impact of generally high prices. Controls are in place to mitigate these risks as far as possible to ensure the longevity of the business.

Performance and Outlook

Markets:

In this year that followed the Russian invasion of Ukraine the market reached unprecedented peaks amid huge volatility. For example at the end of August gas commodity prices rose to over 700p/therm, 14 times the historic average rate of 50p and on the power side, Jan 23 contract rates ranged between £198/MWh and £1,015/MWh (historic averages circa £50/MWh).

Gas and electricity prices had risen to unprecedented levels prior to Russia's invasion, partly due to the threat of this happening. In the immediate aftermath of the invasion, prices soared in the expectation of ramifications in the form of the curtailment of Russian gas supplies to Europe. As supplies remained largely unaffected, prices corrected back to pre-invasion levels by mid-March.

Commodity rates then rose substantially to the end of August on the back of some LNG restrictions in US supply, concerns around reduced gas flows to Europe through Nord Stream 1 and general fears around supply ahead of the winter season with the risk of potential blackouts.

At the end of August the EU announced plans to intervene in the markets in order to reduce energy costs and offer protection to consumers. Whilst details at the time were sketchy it signalled to the markets that prices would no longer be allowed to increase unchecked. As a result, there was a dramatic downward correction in prices, with the Winter 23 gas contract falling 183p/therm on 31st August from its previous close of 723p. By market close on Friday 2nd September the Winter 23 contract had lost 43% of its value within a week.

With relatively mild weather reducing demand for gas and electricity, a continuation of a high supply of LNG, good levels of wind generation and healthy European gas storage levels, energy prices have softened greatly from the start of December and into 2023.

With such extremities seen in the market it makes it all the more pleasing that we secured rates for our customers significantly below the market as well as the government support scheme that was put in place from 1st October 2022.

Operational:

Away from the energy markets, one of the key successes of the year has been a number of new, key partnerships the most significant of which being the approval of our flexible frameworks by the Department for Education. This will be a valuable tool over the coming year to aid our customer retention, but also as a way of contracting with new schools and Trusts as well providing additional credibility when liaising with other public sector bodies.

Customer retention has continued to be excellent with all large external contracts retained and retention rates above 99% for a second year on the Main Portfolio category.

During the year we launched our "Use Cleaner, Use Less" campaign to support customers to use less energy, become more energy efficient and to use cleaner energy. The vast majority of our customers have continued to select REGO (renewable energy guarantees of origin) backed electricity products and we have continued to assist customers with generation offsetting arrangements. Supporting our customers in this area will remain a key focus over the coming year mindful of the increase in costs for certificated green energy.

Financial:

In 22/23 we saw billed levels near on double compared to the prior year due to the conversion of key procurement only customers to our fully managed service (which includes a payment service) and also due to the rising energy rates. Despite this increase in billed levels we have continued to keep close control of our debt management with only relatively small increases in longer term customer debt.

This increase in turnover combined with the timing of supplier payments has resulted in higher bank balances held than at the previous year end date as well as higher short term debtor and creditor balances. Furthermore with the positive result for the year together with the pension balance moving from a liability of £0.264m to an asset of £0.283m, the overall net asset position of the business has risen from £1.605m on 31st March 2022 to £3.530m on 31st March 2023.

Overall the effective trading result (before pension/IAS 19 adjustments) for the year is a net profit of £2.4m which compares favourably against both the budgeted level for the year as well as the prior year result. This is an excellent result for the business whilst at the same time providing outstanding rates to our customers through the year.

The organisation has been considered as a going concern with a strong Business Plan in place for 2023/24, continued positive cash positions held with both supplier and customer contracts in place beyond March 2024.

Further Information

For further information about the Joint Committee’s Statement of Accounts, please contact:

James Walton, S151 Officer
Shropshire Council
Shirehall
Abbey Foregate
Shrewsbury
Shropshire
SY2 6ND
Tel 0345 678 9000

STATEMENT OF RESPONSIBILITIES AND JOINT COMMITTEE APPROVAL

Responsibilities of West Mercia Energy Joint Committee

West Mercia Energy Joint Committee is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this organisation, that officer is the Treasurer to the Joint Committee. Day to day financial management is the responsibility of the Director. The Director is also responsible for:

  i. keeping proper accounting records, which are up to date.

  ii. taking reasonable steps for the prevention and detection of fraud and other irregularities.

- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.

- to approve the Statement of Accounts.

Responsibilities of the Treasurer to the Joint Committee

The Treasurer to the Joint Committee, with support from the Director, is responsible for the preparation of West Mercia Energy Joint Committee Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to provide a true and fair view of the financial position of the organisation at the accounting date and its income and expenditure for the year ended 31 March 2023.

In preparing this Statement of Accounts the Treasurer to the Joint Committee has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code;

- applied the concept of 'going concern' by assuming that Joint Committee's services will continue to operate for the foreseeable future.

The Treasurer to the Joint Committee has also to:

- ensure proper accounting records are kept, which are up to date;

- take reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE STATEMENT OF ACCOUNTS

Treasurer to the Joint Committee

I certify that the Committee's Statement of Accounts provides a true and fair view of the financial position of the West Mercia Energy Joint Committee at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

James Walton
Executive Director of Resources for Shropshire Council
Treasurer to West Mercia Energy Joint Committee

Joint Committee Approval

I certify that the West Mercia Energy Joint Committee approved the Statement of Accounts for the year ended 31 March 2023.

Cllr
Chairman of the
West Mercia Energy Joint Committee

Date:

MOVEMENT IN RESERVES STATEMENT
AS AT 31 MARCH 2023

This statement shows the movement in the year on the different reserves held by the Joint Committee. The gain or (loss) for the year shows the true economic cost of the Joint Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	General fund	Pensions reserve	Joint Committee capital adjustment account	Total reserves
		Note 20	Note 21	
	£000	£000	£000	£000
Balance at 31 March 2022	**1,862**	**-264**	**7**	**1,605**
Total comprehensive income & expenditure	1,925	-	-	1,925
Transfer to/from Reserves	-548	547	1	0
Increase/decrease in year	1,377	547	1	1,925
Balance at 31 March 2023	**3,239**	**283**	**8**	**3,530**

Pensions Reserve
The Pensions Reserve represents the difference between the actuarially calculated value of the pension fund assets and the present value of the scheme liabilities.

Joint Committee Capital Adjustment Account
The Joint Committee Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets as if in accordance with statutory provisions.

The notes to the Core Financial Statements are on Pages 13 onwards.

WEST MERCIA ENERGY

MOVEMENT IN RESERVES STATEMENT (CONTINUED)
AS AT 31 MARCH 2022

	General fund	Pensions reserve	Joint Committee capital adjustment account	Total reserves
		Note 20	Note 21	
	£000	£000	£000	£000
Balance at 31 March 2021	**1,470**	**-331**	**14**	**1,153**
Total comprehensive income & expenditure	452	-	-	**452**
Transfer to/from Reserves	-60	67	-7	**0**
Increase/decrease in year	392	67	-7	452
Balance at 31 March 2022	**1,862**	**-264**	**7**	**1,605**

The notes to the Core Financial Statements are on Pages 13 onwards.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2023

This Statement shows the accounting income and cost in the year of providing services in accordance with generally accepted accounting practice.

	Notes	2022/23	2021/22
		£000	**£000**
INCOME			
Turnover	**6**	-134,946	-67,604
Less cost of goods sold		132,378	67,089
Gross profit		-2,568	-515
Other trading operation income		-683	-717
Gross Profit		**-3,251**	**-1,232**
OPERATING EXPENSES			
Employees	**8**	763	609
Pension impact (IAS19)	**18**	232	205
Premises		35	34
Supplies & services		78	117
Central departmental & technical support		72	81
Provision for bad debts		37	5
Depreciation		6	8
Total Operating Expenses		**1,223**	**1,059**
SURPLUS OF SERVICES		**-2,028**	**-173**
Financing and investment income and expenditure	**7**	-85	0
NET OPERATING SURPLUS		**-2,113**	**-173**
Distribution to Member Authorities		972	0
NET PROFIT FOR THE YEAR		**-1,141**	**-173**
OTHER COMPREHENSIVE INCOME & EXPENDITURE			
Remeasurements (Liabilities & Assets)	**18**	-1,294	-279
Restriction of pension surplus recognised	**18**	510	0
Other Comprehensive Income & Expenditure		**-784**	**-279**
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		**-1,925**	**-452**

The notes to the Core Financial Statements are on Pages 13 onwards.

BALANCE SHEET
AS AT 31 MARCH 2023

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held by the Joint Committee.

31 March 2022 £000		31 March 2023 £000	Notes
7	Plant & equipment	8	**12**
7	**Long term assets**	**8**	
10,797	Short term debtors	23,804	**15**
3,306	Cash and cash equivalents	15,525	**16**
14,103	**Current assets**	**39,329**	
-12,241	Short term creditors	-36,090	**17**
-12,241	**Current liabilities**	**-36,090**	
1,862	**Net current assets**	**3,239**	
-264	Defined benefit pension - surplus/(deficit)	283	**18**
-264	**Defined benefit pension asset/(liability)**	**283**	
1,605	**Net Assets**	**3,530**	
	Financed by:		
1,862	General fund	3,239	
-264	Pensions reserve	283	
7	Joint committee capital adjustment account	8	
1,605	**Total Reserves**	**3,530**	**19**

The notes to the Core Financial Statements are on Pages 13 onwards.

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2023

The Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Joint Committee's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Joint Committee.

2021/22		2022/23		
£000		**£000**	**£000**	**Notes**
	Operating activities			
	Cash outflows			
595	Cash paid to and on behalf of employees	819		
237	Other operating costs	222		
65,619	Cost of goods sold	108,473		
66,451			109,514	
	Cash inflows			
-66,870	Turnover	-121,939		
-717	Other trading operation income	-683		
-67,587			-122,622	
-1,136	**Net cash inflow from operating activities**		-13,108	**22.1**
-6	**Investing activities**		-83	**22.2**
0	**Financing activities**		972	**22.3**
-1,142	**Net decrease (increase) in cash and cash equivalents**		**-12,219**	**22.4**
2,164	Cash and cash equivalents at 1st April		3,306	
3,306	**Cash and cash equivalents at 31st March**		**15,525**	**22.4**

The notes to the Core Financial Statements are on Pages 13 onwards.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 General Principles

This Statement of Accounts for 2022/23 summarises the Joint Committee's transactions for the 2022/23 financial year and its position at 31 March 2023. The accounts have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code Board, as far as it is practicable and applicable to the Joint Committee, supported by International Financial Reporting Standards (IFRS). The nature of the Joint Committee as a purchasing consortium means that full compliance is not always possible. The only departure relates to the the Comprehensive Income and Expenditure Statement layout which shows the income first and then all the expenditure grouped by type of expense. This differs from Local Authority Accounting, but this layout does allow a reader to interpret the statement in relation to the industry the Joint Committee operates in.

1.2 Concepts

The Statement of Accounts have been prepared in accordance with all prevailing concepts of accrual and going concern together with relevance, reliability and comparability. The going concern concept assumes that the organisation will continue in operational existence for a minimum of 12 months from the date of the approval of the financial statements. The management of WME are of this view due to the Joint Agreement that is in place and both supplier and customer contracts are in place beyond 30th September 2024.

1.3 Legislation

Where specific legislative requirements regarding accounting treatment conflict with the Joint Committee's own accounting policies, legislative requirements shall apply.

1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the changes provide more reliable or relevant information about the effect of transactions, other events and conditions on the Organisations' financial position or financial performance.

Where a change is made it is made retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparable amounts for the prior period.

1.5 <u>Accruals of Expenditure and Income</u>

Revenue and capital transactions are accounted for on an accruals basis in accordance with proper accounting practices. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract

Sums owed to the Joint Committee as at 31 March are included as debtors. Sums still owed by the Joint Committee at 31 March are included as creditors.

1.6 <u>Plant and Equipment and Motor Vehicles</u>

Under s102 of the local Government Act 1972, a Joint Committee does not have sufficient corporate status to acquire assets. However, given that the Joint Committee both accrues the economic benefits from and assumes liabilities for its Building assets, the “substance over form” policy justifies the inclusion of the assets in the Organisation’s accounts.

Plant and equipment and motor vehicles are tangible assets (ie assets with physical substance) that are held for use in the production or supply of goods and services, or for administrative purposes, and are expected to be used during more than one period.

Recognition
The cost of an item of plant and equipment and motor vehicles is recognised (and hence capitalised) as an asset on the Balance Sheet if:

- it is probable that the future economic benefits or service potential associated with the item will flow to the organisation;
- the cost of the item can be measured reliably; and
- has a value in excess of £500.

Costs that meet the recognition principle include initial costs of acquisition and construction, and costs incurred subsequently to enhance, replace part of, or service the asset. Subsequent costs arising from day-to-day servicing of an asset (ie labour costs and consumables), commonly referred to as ‘repairs and maintenance’, are not capitalised if they do not meet the recognition principle because the expenditure does not add to the future economic benefits or service potential of the asset and is charged to revenue, when it is incurred.

Initial Measurement
Expenditure on the acquisition, creation and enhancement of plant and equipment, with a value in excess of £500, that qualifies for recognition is capitalised on an accruals basis in the accounts. To be capitalised, the expenditure must be for assets yielding benefits to the Joint Committee for a period of greater than one year.

Measurement After Recognition
Plant and equipment are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Plant and equipment are classified into the groupings required by the Local Authority Code and are included in the Balance Sheet net of depreciation.

Derecognition
The carrying amount of an item of plant and equipment shall be derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an asset shall be the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from derecognition of an asset shall be included in the Surplus or Deficit on the Provision of Services when the item is derecognised.

If the asset derecognised was carried at a revalued amount an additional entry is required; the balance of the Revaluation Reserve in respect of asset derecognised is written off to the Joint Committee Capital Adjustment Account and reported in the Movement in Reserves Statement.

Depreciation
Depreciation is provided on tangible fixed assets calculated by using the straight-line method where appropriate.

Depreciation and amortisation are charged over the finite useful life of each asset, based on their value, these lives, and methods of valuation, being as follows:

Asset and Method of Valuation	Depreciation/Amortisation Period
Computer Equipment (Historical Cost)	3 years
Office Equipment (Historical Cost)	3 years
Fixtures & Fittings (Historical Cost)	3 years
Motor Vehicles (Historical Cost)	3 years

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Impairment

At the end of each reporting period an assessment takes place as to whether there is any indication that an asset may be impaired. Examples of events and changes in circumstances that indicate an impairment may have incurred include:

- a significant decline (ie more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period, that is specific to the asset;
- evidence of obsolescence or physical damage of an asset;
- a commitment by the organisation to undertake a significant reorganisation; or
- a significant adverse change in the statutory or other regulatory environment in which the organisation operates.

1.7 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value. The Joint Committee holds no cash equivalents.

1.8 Debtors and Creditors

Revenue and capital transactions are accounted for on an accruals basis and where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the obligations in the contract or transfer of economic benefits.

1.9 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at;

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Joint Committee's business model is to hold investments to collect contractual cash flows ie payments of interest and principal. Most of the Joint Committee's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest ie where the cash flows do not take the form of a basic debt instrument.

Financial Assets Measured at Fair Value through Profit and Loss

These are financial assets in the form of loans and receivables. These are assets that have fixed or determinable payments but are not quoted in an active market. The loans and receivables are initially measured at fair value and carried at their amortised cost.

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Joint Committee becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:
Instruments with quoted market prices – the market price
Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:
Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Joint Committee recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Joint Committee.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses

1.10 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

1.11 Reserves

General Fund Balance
The Balance Sheet includes a sum for the General Fund Balance. This shows the total unused accumulated net surplus for the Joint Committee carried forward to 2023/24.

Pensions Reserve
The Pensions Reserve represents the difference between the value of the pension fund assets and the present value of the actuarially calculated scheme liabilities.

Joint Committee Capital Adjustment Account
This represents the difference between the costs of fixed assets consumed and the financing set aside to pay for them.

1.12 Employee Benefits

The accounting policy relating to the treatment of benefits payable during employment and post-employment benefits is consistent with IAS 19 Employee Benefits.

Benefits Payable During Employment
Where the accumulating short-term absences (eg annual leave and flexi time earned by employees but not taken at 31st March) are not material, these are not accrued for in the accounts.

Post-Employment Benefits
As part of the terms and conditions of employment of its employees, the Joint Committee offers retirement benefits. These benefits will not be payable until retirement but the Joint Committee has a commitment to make payments that need to be disclosed at the time that the employees earn their future entitlement.

The Joint Committee participates in the Shropshire County Pension Fund, which is a funded Defined Benefit scheme.

The liabilities of the Pension Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the project unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of projected warnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.7% (2021/22: 2.7%) based on the indicative rate of return on high quality corporate bonds of appropriate duration.

The assets of Shropshire County Pension Fund attributable to the Joint Committee are included in the Balance Sheet at their fair value:

quoted securities – current bid price
unquoted securities – professional estimate
unitised securities – current bid price
property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service expenditure
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on Services in the Comprehensive Income and Expenditure Statement
  - net interest on the net defined benefit liability (asset), ie net interest expense for West Mercia Energy Joint Committee – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the Shropshire County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, the General Fund Balance is to be charged with the amount payable by the Joint Committee to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Pension Surplus (net Pension Asset)

Pension surplus is the fair value of plan assets less the fair value of the defined benefit obligation, less any associated costs. Where there is a net pension asset in the balance sheet the organisation could have an unconditional right either to a reduction in future contributions or a refund assuming the gradual settlement of the schemes liabilities over its life. The surplus is on the basis the pensions scheme continues until final payment is made to the final member in the scheme and is restricted to the reduction in future contribution or refund receivable.

1.13 Interest

Interest receivable from investments is recognised in the financial statements during the period in which it became due to the Joint Committee.

Interest payable to Member Authorities is recognised in the financial statements during the period in which it became due by Joint Committee.

1.14 Foreign Currency

Foreign currency transactions are converted to sterling at the exchange rate applicable on the date of the transaction. There were no foreign currency transactions during the year.

1.15 Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.16 Provisions

Provisions are made where an event has taken place that gives the Joint Committee a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate line in the Comprehensive Income and Expenditure Statement in the year that the Joint Committee becomes aware of the obligation, and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation. When payments are made they are charged to the provision carried in the Balance Sheet.

Expected credit loss is accounted for as a general provision for all debts over 12 months old plus any specific debts which are less than 12 months old.

1.17 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.18 Distribution of Surplus to Member Authorities

The Joint Agreement requires the Joint Committee to determine the level of accumulated surplus that shall be retained for various reserve purposes. In practice the Joint Committee typically takes its decision in October. The decision is taken in the light of known accumulated surplus, a view at that point of the amount to be retained for contingency, future investment or other reserve purposes, including a consideration of performance, risks and development proposals at that time. The distribution made to Member Authorities is then charged to the Comprehensive Income and Expenditure Statement in the year that it is agreed by the Joint Committee.

2. Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2023/24 Code:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020

These changes are not expected to have a material impact on the accounts

3. Critical judgements in applying accounting policies

We've generally complied with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In instances where code is not relevant, we would make a critical judgement.

In applying the accounting policies set out in Note 1, the Joint Committee has had to consider certain judgements about complex transactions or those involving uncertainty about future events.

There are no other critical judgements made in the Statement of Accounts.

4. Expenditure and funding analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2022/23	As Reported to Management	Adjustment to arrive at the net amount chargeable to the General Fund	Net Expenditure in the Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund Balance
	£'000	£'000	£'000	£'000	£'000
Energy	2,261	159	2,420	-	2,420
Services/Support services	-53	-254	-307	-541	-848
Net cost of Services	2,208	-95	2,113	-541	1,572
Other Income and Expenditure			784		784
Distribution of Surplus to Member Authorities			-972		-972
Surplus or (Deficit)			1,925	-541	1,384
Opening General Fund					1,862
Capital Purchases funded from General Fund					-7
Add surplus on General Fund					1,384
Closing General Fund					**3,239**

2021/22	As Reported to Management	Adjustment to arrive at the net amount chargeable to the General Fund	Net Expenditure in the Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund Balance
	£'000	£'000	£'000	£'000	£'000
Energy	62	439	501	-	501
Services/Support services	-119	-209	-328	-59	-387
Net cost of Services	-57	230	173	-59	114
Other Income and Expenditure			279		279
Distribution of Surplus to Member Authorities			-		-
Surplus or (Deficit)			452	-59	393
Opening General Fund					1,470
Capital Purchases funded from General Fund					-1
Add surplus on General Fund					393
Closing General Fund					**1,862**

4a. Note to the expenditure and funding analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2022/23	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Net Cost of Services	6	-547		-541
Other income and expenditure from the Expenditure and Funding Analysis		784		784
Capital Purchases funded from General Fund	-7			-7
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	-1	237	-	236

2021/22	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Net Cost of Services	8	-67		-59
Other income and expenditure from the Expenditure and Funding Analysis		279		279
Capital Purchases funded from General Fund	-1			-1
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	7	212	-	219

4b. Analysis of income and expenditure by nature

Income received on a segmental basis is analysed below:

	2022/23 Income from Services	2021/22 Income from Services
	£000	£000
Energy Sales	134,536	67,319
Other Income	410	285
Total income analysed on a segmental basis	134,946	67,604

An analysis of Expenditure is shown on the face of the Comprehensive Income and Expenditure Statement

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures based on assumptions made by the Joint Committee. Estimates are made taking into account historical experience, current trends and other relevant factors. There is, however, a risk that actual results could be materially different from the assumptions and estimates.

There are no items in the Joint Committee's Balance Sheet at 31 March 2023 for which there is a risk of material adjustment in the forthcoming year.

6. Turnover and other income

Turnover is the VAT exclusive total of invoiced sales for energy and related income.

7. Financing and Investment Income and Expenditure

Interest and Investment Income

The Joint Committee's daily bank balances are invested with Shropshire Council balances. Interest is debited or credited to the Joint Committee because of the level of daily bank balances invested.

	2022/23	2021/22
	£000	£000
Net interest on pension scheme assets and liabilities	5	7
Interest receivable and similar income	-90	-7
Total	**-85**	**-**

8. Staff Remuneration

In 2022/23 the number of employees who received remuneration in excess of £50,000 fell into the following bands:

Band	Number of Employees 2022/23	2021/22
£ 55,000 to £ 59,999	1	-
£ 95,000 to £ 99,999	1	-
£ 100,000 to £ 104,999	-	1

Remuneration for these purposes includes all sums paid to an employee by way of salary, expenses, profit related pay and the money value of any other benefits received other than cash.

There are no staff members receiving remuneration between £50,000 and £54,999 or between £60,000 and £94,999, so the staff remuneration table above has been adjusted accordingly.

Disclosure of Remuneration for Senior Employees

2022/23

Post Title	**Salary** (inc fees & allowances) £	**Bonuses** (PRP) £	**Pension Contributions** £	**Total Remuneration** (inc pension contribution) £
Director	93,105	3,295	0	96,400
	93,105	**3,295**	**0**	**96,400**

2021/22

Post Title	**Salary** (inc fees & allowances) £	**Bonuses** (PRP) £	**Pension Contributions** £	**Total Remuneration** (inc pension contribution) £
Director	97,345	5,064	0	102,409
	97,345	**5,064**	**0**	**102,409**

There are no compulsory redundancies or staff members receiving exit packages in 2022/23 or 2021/22.

9. Audit Costs

During 2022/23 the Joint Committee incurred the following fees in respect of external audit and inspection.

	2022/23 £000	2021/22 £000
Fees payable to External Auditors with regard to external audit services	14	13

10. Related Party Transactions

The Joint Committee is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Joint Committee or to be controlled or influenced by the Joint Committee. Disclosure of these transactions allows readers to assess the extent to which the Organisation might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Organisation.

Members and Officers

Members of the Joint Committee have direct control over the Joint Committee's financial and operating policies. Certain senior officers may also be in a position to influence policies, particularly those who form the Organisation's management team. All members and senior officers have been written to, advising them of their obligations and asking for any declarations of related party transactions to be disclosed.

The Joint Committee Members are also members of other local organisations (for example county councils). No personal or prejudicial interest in the material transactions of the Joint Committee has been disclosed by any of the Joint Committee Members or by any of the senior management. The Joint Committee is owned by four Member Authorities. Membership entitles the authorities to a share of any surplus generated by the Joint Committee. For clarity, the turnover with each Member Authority was:

	2022/23	2021/22
	£000	£000
Herefordshire Council	2,220	1,908
Shropshire Council	4,466	3,624
Telford & Wrekin Council	4,115	2,931
Worcestershire County Council	3,311	4,707

Included within Central Departmental Costs are the following amounts for services provided by Shropshire Council during the year:

	2022/23	2021/22
	£000	£000
Human Resources Support Services	3	1
Payroll Services	1	1
Treasury Services	5	5
Committee Services	6	6
Financial Advice	15	15
Internal Audit	8	9
ICT support	9	8
Legal Services	1	5
Procurement	7	7

11. Net Surplus Adjustment for PRP/ Distribution Purposes

The Comprehensive Income and Expenditure Statement shows the net surplus for the year.

For internal memorandum purposes, this figure requires adjustment to provide a net surplus that is used to calculate profit related pay and member authority distributions.

First, the employee's expenses line in the Income and Expenditure Statement accrues for the profit related pay due to employees. Second, adjustment is made for the distribution of retained surplus that has been charged to the Income and Expenditure Statement.

Additionally, the effects of IAS19 pension adjustments (See Note 18) have to be neutralised by adjusting for the Earmarked Pension Reserve movement.

The calculation is shown in the table below:

	2022/23 £000	2021/22 £000
Net Profit for the Year – Per Comprehensive Income and Expenditure Statement	-1,141	-173
Profit Related Pay	-75	-19
Distribution of Surplus to Member Authorities	-972	-
Pensions Movement included in Operating Expenses	-237	-212
Net Surplus for PRP/Distribution Purposes	**-2,425**	**-404**

The employees are set an annual surplus target level which is compared to the final result to determine the level of PRP.

2022/23 includes both the distribution from the General Fund to Member Authorities of £576k which was deferred from October 2021 to June 2022 (distributing part of the General Fund brought forward at the end of 2020/21), and the distribution of £396k paid in October 2022 (distributing part of the General Fund brought forward at the end of 2021/22).

12. Plant & Equipment

	Plant, Equipment and Motor Vehicles 2022/23 £000	Plant, Equipment and Motor Vehicles 2021/22 £000
Cost / Valuation		
As at 1 April	79	78
Additions	7	1
Disposals	-	-
As at 31 March	86	79
Accumulated Depreciation		
As at 1 April	72	64
Charge	6	8
Relating to disposals	-	-
As at 31 March	78	72
Net Book Value		
As at 31 March	**8**	**7**

All plant and equipment are valued at cost depreciated over their anticipated useful life, commencing in the year of acquisition.

13. Contractual Commitments

West Mercia Energy has a lease agreement on the business premises, at a value not material to the accounts.

There were no capital commitments for the year ended 31st March 2023.

14. Financial Instruments

Categories of Financial Instruments

The Joint Committee has the following categories of financial instruments carried in the Balance Sheet. These categories are all classified as having insignificant risk.

Financial Assets

	Long Term				Current				Total	
	Investments		Debtors		Investments		Debtors			
	31-3-23	31-3-22	31-3-23	31-3-22	31-3-23	31-3-22	31-3-23	31-3-22	31-3-23	31-3-22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through profit or loss										
Long term Equity Instruments	-	-	-	-	-	-	-	-	-	-
Amortised Cost										
Debtors	-	-	-	-	-	-	23,804	10,727	23,804	10,727
Cash & Cash Equivalents	-	-	-	-	-	-	15,525	3,306	15,525	3,306
Total Financial Assets	-	-	-	-	-	-	39,329	14,033	39,329	14,033
Non- Financial Assets	-	-	-	-	-	-	-	70	-	70
Total	-	-	-	-	-	-	39,329	14,103	39,329	14,103

Financial Liabilities

	Long Term				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31-3-23 £'000	31-3-22 £'000	31-3-23 £'000	31-3-22 £'000	31-3-23 £'000	31-3-22 £'000	31-3-23 £'000	31-3-22 £'000	31-3-23 £'000	31-3-22 £'000
Amortised Cost										
Principal	-	-	-	-	-	-	35,830	12,241	35,830	12,241
Loans Accrued interest	-	-	-	-	-	-	-	-	-	-
Bank Overdraft	-	-	-	-	-	-	-	-	-	-
Total Financial Liabilities							35,830	12,241	35,830	12,241
Non- Financial Liabilities	-	-	-	-	-	-	260	-	260	-
Total	-	-	-	-	-	-	36,090	12,241	36,090	12,241

Income, Expense, Gains and Losses

	2022/23					2021/22				
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000
Interest expense	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-
Interest income	-	90	-	-	90	-	7	-	-	7
Total income in Surplus or Deficit on the Provision of Services	-	90	-	-	90	-	7	-	-	7
Gains/losses on revaluation	-	-	-	-	-	-	-	-	-	-
Net gain for the year	-	90	-	-	90	-	7	-	-	7

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount;
- The fair value of Creditors is taken to be the invoiced or billed amount.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Nature and Extent of Risks Arising from Financial Instruments

The organisation's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Joint Committee.
- Liquidity risk – the possibility that the Joint Committee might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial losses might arise from changes in such measures as interest rates.

Credit Risk

Credit risks arise from deposits with banks and from credit exposures to the organisation's customers. Deposits are made managed by Shropshire Council and are made with banks which satisfy criteria as outlined in Shropshire Council's creditworthiness policy.
Customer debt is managed in accordance with the Joint Committee Credit Management Policy.
The level of debt written off each financial year in previous years is negligible, with the net position of write offs over the last three financial years being less 0.03% of turnover.

The Joint Committee generally allows its customers 28 days credit. Of the £23.804m outstanding (2021/22 - £10.797) from customers, £0.502m (2021/22 - £0.283m) is past its due date for payment. The amount past due date is analysed by age as follows:

	2022/23 £'000	2021/22 £'000
Less than 3 months overdue	475	305
3 to 6 months overdue	40	-1
6 months to 1 year overdue	20	-6
More than 1 year overdue	-33	-15
Total	**502**	**283**

Older credit balances represent credit notes or payments on account which arise in the normal course of business and may be offset by outstanding debt in the less than 3 months overdue category.

Liquidity Risk

In order to support seasonal trade variations, the Joint Committee has a treasury arrangement with Shropshire Council that provides ready access to liquid funds for short-term borrowing at market interest rates.

Market Risk

The Joint Committee is exposed to interest rate risk in terms of its exposure to rate movements on its bank deposits and short-term borrowings. The impact on the Income and Expenditure Statement for rate changes on interest receivable and payable on such transactions is nominal in relation to the Joint Committee's turnover.

15. Short Term Debtors

	31 March 2023 £000	31 March 2022 £000
Member Authorities	1,915	2,020
Other Local Authorities	21,035	8,700
Bodies external to general government	854	77
	23,804	**10,797**

The amounts due from "Member Authorities" referred to in the above table also include the amounts due from related parties, as follows:

	31 March 2023 £000	31 March 2022 £000
Herefordshire Council	287	219
Shropshire Council	682	529
Telford & Wrekin Council	506	314
Worcestershire County Council	440	958
	1,915	**2,020**

16. Cash and Cash Equivalents

	Opening Balance 1st April 2022	Movement During the Year	Closing Balance 31st March 2023
	£000	£000	£000
Bank current accounts	**3,306**	**12,219**	**15,525**

17. Short Term Creditors

	31 March 2023 £000	31 March 2022 £000
Member Authorities	198	83
Other Local Authorities	6,003	1,452
Bodies external to general government	29,889	10,706
	36,090	**12,241**

18. Defined Benefits Pension Scheme

As part of the terms and conditions of employment of its employees, the Joint Committee offers retirement benefits. These benefits will not be payable until retirement but the Joint Committee has a commitment to make payments that need to be disclosed at the time that the employees earn their future entitlement.

The Joint Committee participates in the Shropshire County Pension Fund, which is a funded Defined Benefit scheme. This means that retirement benefits are determined independently of the investments of the fund and the Joint Committee has an obligation to make contributions where assets are insufficient to meet employee benefits. The Joint Committee and its employees pay contributions into the fund which is calculated at a level intended to balance pension liabilities with investment assets. The Joint Committee recognises the cost of retirement benefits in the cost of employees when they are earned rather than when the benefits are paid as pensions.

The principal risks to the Joint Committee of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during 2022/23.

Comprehensive Income & Expenditure Statement	**2022/23 £000**	**2021/22 £000**
Operating Expense (Employees):		
• Current Service Cost	227	202
• Past Service Cost	-	-
• Administration Expenses	5	3
• Employers Contributions	-	-
• Settlements and Transfer	-	-
Pension Impact (IAS19)	232	205
Financing and Investment Income and Expenditure:		
• Net Interest Cost	5	7
Total Post-employment benefits contained within Net Operating Surplus	**237**	**212**
Other Comprehensive Income & Expenditure:		
Remeasurement of the net defined benefit liability comprising;		
Return on plan assets (excluding the amount included in the net interest expense)	-99	-107
Actuarial (gains) and losses arising on changes in Financial assumptions	-1,195	-172
Restriction in recognition of surplus	510	0
Total Post-employment Benefits contained within the Other Comprehensive Income and Expenditure	**-784**	**-279**
Net charge to Comprehensive Income & Expenditure Statement	**-547**	**-67**

As part of the terms and conditions of employment of its employees, the Joint Committee offers retirement benefits. These benefits will not be payable until retirement but the Joint Committee has a commitment to make payments that need to be disclosed at the time that the employees earn their future entitlement.

Movement in Reserves Statement:	**2022/23 £000**	**2021/22 £000**
Reversal of net charges made for retirement benefits in accordance with IAS19	-237	-212
Actual Amount Charged against the General Fund Balance for Pensions in the Year:		
• Employers contributions payable to the Scheme	-	-
Remeasurement of the net defined liabilities	1,294	279
Restriction in recognition of surplus	-510	0
Movement on Pensions Reserve	**547**	**67**

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Joint Committee's obligation in respect of its defined benefit plans is as follows;

	2022/23 £000	2021/22 £000
Present Value of the defined benefit obligation	1,787	2,644
Fair Value of plan assets	-2,580	-2,380
Restriction in recognition of surplus	510	0
Net liability (asset) arising from defined benefit obligation	**-283**	**264**

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets:

	2022/23 £000	2021/22 £000
Opening fair value of scheme assets	-2,380	-2,191
Interest income	-65	-49
Remeasurement gain		
The return on Plan assets	-99	-107
Employer contributions	-	-
Contributions by scheme participants	-41	-36
Benefits paid	-	-
Administration Expenses	5	3
Settlements	-	-
Transfer to another employer	-	-
At 31 March	**-2,580**	**-2,380**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	Funded	Liabilities
	2022/23	2021/22
	£000	£000
At 1 April	2,644	2,522
Current Service Cost	227	202
Interest cost	70	56
Contributions by scheme participants	41	36
Past service Cost (gain)	-	-
Remeasurement (Liabilities)		
• Experience (gain)/Loss	380	7
• Actuarial (gains)/losses on financial assumptions	-1,547	-161
• (Gain)/Loss on demographic assumptions	-28	-18
Benefits paid	-	-
Lump sum deficit repayment	-	-
At 31 March	**1,787**	**2,644**

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Pension Scheme Assets

	Fair value of Scheme Assets	
	2022/23	**2021/22**
	£000	**£000**
Cash & Cash Equivalents		
• Cash Accounts	12	40
Cash Total	**12**	**40**
Equity Instruments		
• UK Quoted	0	115
• Global quoted	1,322	1,089
Equity Instruments Total	**1,322**	**1204**
Bonds		
• Overseas – Global Fixed Income	157	156
• Overseas – Global Dynamic	173	151
• Other Class 2 – Absolute return bonds	153	144
Bonds Total	**483**	**451**
Property		
• Property Funds	86	89
Property Total	**86**	**89**
Private Equity	230	199
Private Equity Total	**230**	**199**
Other Investment Funds		
• Infrastructure	165	81
• Hedge Funds	170	147
• BMO – LDI manager	0	82
• Property debt	36	50
• Private Debt	37	3
• Insurance Linked Securities	39	34
Other Total	**447**	**397**
Total assets	**2,580**	**2,380**

All scheme assets have quoted prices in active markets

Basis for Estimating Assets and Liabilities

The liabilities of the scheme have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions including mortality rates and salary levels.

The Pension Fund liabilities/assets have been assessed by Mercer Limited who are independent actuaries.

The significant assumptions used by the actuary have been:

Mortality assumptions:	2022/23	2021/22
Longevity at 65 for current pensioners (years):		
Men	22.2	22.9
Women	24.5	25.1
Longevity at 65 for future pensioners (years):		
Men	23.5	24.1
Women	26.3	26.7
Rate of CPI Inflation	2.7%	3%
Rate of Increase in Salaries	3.95%	4.25%
Rate of Increase in Pensions	2.8%	3.1%
Rate for Discounting Scheme Liabilities	4.7%	2.7%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme* Increase in assumption £000
Longevity (increase in 1 year)	1,819
Rate of inflation (increase by 0.25%)	1,915
Rate of increase in salaries (increase by 0.25%)	1,832
Rate of increase in pensions (increase by 0.25%)	1,915
Rate for discounting scheme liabilities (increase by 0.5%)	1,564

*The current Defined Benefit Obligation as at 31st March 2023 is £1.787 million

Techniques Employed to Manage Risk

The Shropshire County Pension Fund does not hold an Asset & Liability Matching Strategy however does use other techniques to manage risks within the Fund. The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e promised benefits to pay members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price, currency and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Impact on the Joint Committee's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Lead Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. A triennial valuation was completed as at 31 March 2022. Revised contribution rates from the 2022 actuarial valuation took effect on 1st April 2023

The Joint Committee anticipates to pay £nil expected contributions to the scheme in 2023/2024

The weighted average duration of the defined benefit obligation for scheme members is 28 years, 2022/2023 (30 years 2021/2022).

19. Reserves

An analysis of the reserves is shown below:

	Opening Balance 1st April 2022 £000	Contributions To £000	Contributions From £000	Closing Balance 31st March 2023 £000
General Fund	1,862	2,355	-978	3,239
Pensions reserve	-264	1,359	-812	283
Joint Committee capital adjustment account	7	7	-6	8
Total reserves	**1,605**	**3,721**	**-1,796**	**3,530**

Comparative Analysis in 2021/22

	Opening Balance 1st April 2021 £000	Contributions To £000	Contributions From £000	Closing Balance 31st March 2022 £000
General Fund	1,470	452	-60	1,862
Pensions reserve	-331	328	-261	-264
Joint Committee capital adjustment account	14	1	-8	7
Total reserves	**1,153**	**781**	**-329**	**1,605**

20. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits as if in accordance with statutory provisions. The Joint Committee accounts for post employment benefits in the Comprehensive Income & Expenditure Statement as the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements, however, require benefits earned to be financed as the Joint Committee makes employer's contributions to pension funds or pays any pension for which it is directly responsible.

The 2022/23 balance on the Pensions Reserve shows a surplus, which could result in a right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. The Joint Committee, in the ordinary course of business has no right to unilaterally wind up, or otherwise augment the benefits due to members, of the scheme.

	2022/23 £000	2021/22 £000
Opening Balance at 1 April	-264	-331
Remeasurement (Liabilities & Assets)	1,294	279
Restriction in recognition of surplus	-510	0
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	-237	-212
Closing Balance at 31 March	**283**	**-264**

21. Joint Committee Capital Adjustment Account

The Joint Committee Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets as if under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The Account is credited with the amounts set aside by the Joint Committee as finance for the costs of acquisition, construction and enhancement.

	31 March 2023 £000	31 March 2022 £000
Opening balance at 1 April	7	14
Fixed assets purchased from revenue resources	7	1
Depreciation of fixed assets	-6	-8
Closing Balance at 31 March	**8**	**7**

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22. Note to the Cash Flow Statement

22.1 Reconciliation of Income and Expenditure Statement to Net Cashflow

2021/22 £000		2022/23 £000
173	**Net Operating Surplus on Comprehensive I&E Statement**	2,113
	Adjust net surplus on the provision of services for non cash movements	
8	Depreciation	6
212	Movements on Pension	237
-734	(Increase) / decrease in debtors	-13,007
1,484	Increase / (decrease) in creditors	23,849
	Adjust for items included in the net surplus on the provision of services	
-7	Interest and investment income	-90
1,136	**Net cash inflow from operating activities**	**13,108**

22.2 Cash Flow Statement – Investing Activities

	31 March 2023 £000	31 March 2022 £000
Interest and investment income	-90	-7
Purchase of plant and equipment	7	1
TOTAL	**-83**	**-6**

22.3 Cash Flow Statement – Financing Activities

	31 March 2023 £000	31 March 2022 £000
Distribution to Member Authorities	972	-
TOTAL	**972**	**-**

22.4 Movement in Cash and Cash Equivalents

	Balance 31/03/22 £000	Balance 31/03/23 £000	Movement In Year £000
Cash in hand	3,306	15,525	12,219

23. Purchase of Non-current Assets

Non-current assets to the value of £7,000 relating to computer and office equipment and motor vehicles were financed from the General Fund Balance in 2022/23 (£1,000 2021/22).

As the purchase of assets is a charge to the General Fund Balance, the expenditure did not constitute a cash outflow from the Income and Expenditure Statement.

WEST MERCIA ENERGY

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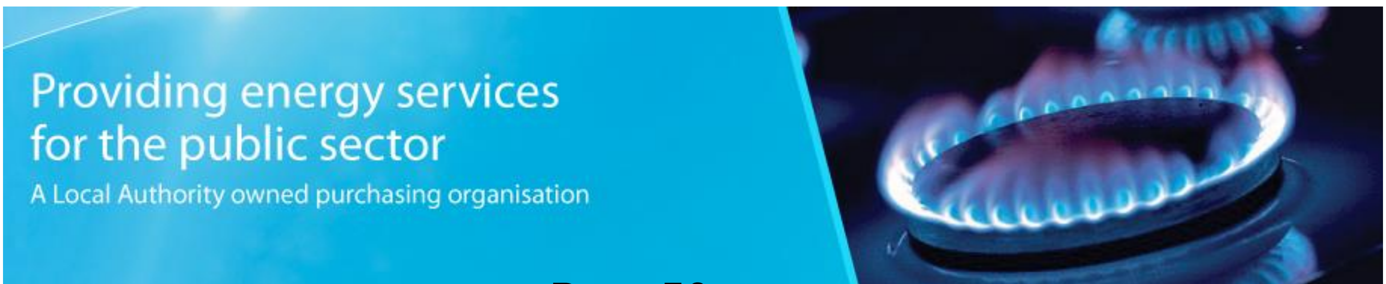

WEST MERCIA ENERGY JOINT COMMITTEE

ANNUAL GOVERNANCE STATEMENT 2022/23

Scope of Responsibility

West Mercia Energy Joint Committee (Joint Committee) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Joint Committee also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness

In discharging this overall responsibility, the Joint Committee is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the organisation's functions and which includes arrangements for the management of risk.

The Joint Committee has an interlocking set of documents, protocols and procedures that provide assurance in corporate governance matters which are consistent with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework and guidance notes (2016), and CIPFA, The Role of the Chief Financial Officer in Local Government (2015) and meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture values, by which the Joint Committee is directed and controlled and reviews how its activities contribute to the strategic objectives of the Member Authorities. It enables the Joint Committee to monitor the achievement of its own strategic objectives and to consider whether those objectives have led to the delivery of the intended outcomes as set out in the Business Plan.

The system of internal control is designed to manage risk to a reasonable level and is not intended to eliminate all risk of failure to achieve policies, aims and objectives completely. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is designed to identify and prioritise the risks to the achievement of the Joint Committee policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

It is kept under continual review and changes are made to accommodate a changing risk profile when and where necessary. The Joint Committee seeks to maintain sound systems to protect against risks and mitigate their impact upon the organisation. The systems are constantly being reviewed and updated. Risks in this policy relate to the whole organisation and not just trading risks which inevitably form the largest sector of risk.

The Governance Framework

The business is operated under the authority of a Joint Committee formed under the Local Government Act 1972, the Member Authorities being Shropshire Council, Herefordshire Council, Worcestershire County Council and Telford & Wrekin Council. A Joint Agreement between those Member Authorities determines the governance arrangements.

The Joint Committee is the elected Member body responsible for the discharge of the functions of the Member Authorities. The Joint Agreement determines a number of strategic policies that shall be maintained and provides Financial Regulations for the business. It operates under a system of Standing Orders, an annual business plan (including budget) and strategic policies. Many of the strategic policies are modelled on those adopted by Shropshire Council. All delegation and authority levels relating to the business are outlined in the West Mercia Energy Scheme of Delegation.

Shropshire Council acts as the Lead Authority and employs staff and holds property employed on behalf of the Member Authorities. A Secretary and a Treasurer to the Joint Committee are appointed from the Officers of the Member Authorities. A Director, appointed by the Joint Committee, operates and manages the business on a day to day basis.

From June 2013 to reflect the size of the organisation and simplify the governance arrangements appropriate to risk, the duties of the Audit Committee transferred to the Joint Committee. These duties include review of the financial and performance reporting of the organisation, the adequacy of the internal control, governance and risk management framework and considering any issues arising from the auditing of the organisation either by Internal or External Audit.

Objectives, targets and performance measures are set in an Annual Business Plan which reflects the outcome of external and customer consultation, analysis of current and future needs and consideration of current performance.

Members, officers and staff behaviours are governed by Codes of Conduct, which include a requirement for declarations of interest to be completed by Members and senior officers annually. Registers of interests of Members are maintained by their own councils.

Key decisions are made by the Joint Committee based on written reports which may include assessments of legal and financial implications, consideration of risks and how these will be managed. Other day to day decisions are made by officers, which were referred to the Director as appropriate.

Risk Management procedures are formalised within the Risk Management Strategy, which is reviewed on an annual basis. The Business Continuity Plan is reviewed on an annual basis.

Review of Effectiveness

The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the officers within the organisation who have responsibility for the development and maintenance of the internal control environment.

Internal Audit

2022/23 Audit programme

Four audits were performed during the year covering finance, debtors, corporate governance including risk management and IT. Good assurance opinions were given for all four audits. A total of five recommendations have been made over the four audit areas reviewed in the year. There are no fundamental or significant recommendations demonstrating a strong internal control environment. An action plan is in place to address recommendations within an agreed timeframe.

Based on the work undertaken and management responses received; the organisation's governance, risk management and internal control processes are sound and working effectively and the Chief Audit Executive can deliver a substantial year end opinion on West Mercia Energy's internal control environment for 2022/23.

Significant Governance Issues

No significant governance issues were highlighted during 2022/23.

Key Risks

Management review the risk profile of the business on a continual basis and reports highlighting all risks rated medium and high are presented to the Joint Committee at each meeting.

Despite the extremely volatile conditions within the energy markets over the last year, only one high risk was identified, being the breach of trading risk levels due to the significant "in year" supplier reforecasting of volumes. WME will continue to closely monitor volumes in order to attempt to mitigate this risk.

Certification

To the best of our knowledge, the governance arrangements as defined above have been operating effectively during the year. Steps will be taken over the coming year to resolve the governance arrangements as highlighted above. Any improvements implemented shall be monitored as part of the next annual review.

Treasurer: ………………………………………….
(James Walton)

Chair of the
West Mercia Energy Joint Committee: ..…………………………………………
( )

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Committee and Date	Item
West Mercia Energy Joint Committee 26th September 2023	 Public

EXTERNAL AUDIT – AUDIT FINDINGS REPORT 2022/23

Responsible Officer Nigel Evans
e-mail: nevans@westmerciaenergy.co.uk Tel: 0333101 4353

1. Summary

1.1 WR Partners, the Joint Committee's external auditors, have completed their audit work regarding the financial statements of the Joint Committee for the year ended 31st March 2023 and this report enables them to present their audit findings to the Joint Committee.

2. Recommendations

2.1 The Joint Committee are asked to consider and endorse, with appropriate comment, the contents of the audit findings report presented by WR Partners.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

3.2 There are no direct environmental, equalities or climate change consequences arising from this report.

3.3 WR Partners' audit work was conducted in accordance with the International Standard on Auditing (UK).

4. Financial Implications

4.1 There are no direct financial implications arising from this report.

5. Background

5.1 At the Joint Committee of 28 September 2015, it was highlighted that from 1st April 2015 implementation of the Local Audit and Accountability Act 2014 meant that joint committees are no longer required to have their accounts separately prepared and audited. At this Joint Committee it was agreed to continue with an annual external audit in order to provide the Joint Committee with the necessary continued assurance regarding stewardship of funds.

5.2 WR Partners presented their audit plan for 2022/23 to the March Joint Committee which was considered and approved.

5.3 WR Partners have completed their audit work of the WME financial statements and they anticipate issuing an unqualified audit opinion following this Joint Committee meeting.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Joint Committee 21st March 2023 – External Audit Plan 2022/23 Joint Committee 28th September 2015 – Local Audit and Accountability Act
Member Councillor G Butler of Shropshire Council (vice-chair of the Joint Committee)
Appendices WR Partners, Audit Close Memorandum for Year Ended 31 March 2023

WR Partners

Audit Findings Memorandum

Year ended 31 March 2023

West Mercia Energy

26 September 2023

Service Team

John Fletcher
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Alex Riley
Audit Manager
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WEST MERCIA ENERGY

Contents

The purpose of this memorandum is to highlight the key issues affecting the financial statements of West Mercia Energy for the year ended 31 March 2023. It is also used to report to management and those charged with governance in order to meet the mandatory requirements of International Standard on Auditing (UK) 260.

The matters raised in this and other reports that will flow from the audit are only those which will have come to our attention arising from, or relevant to, our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and in particular we cannot be held responsible for reporting all risks in your business or all internal control weaknesses.

This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

Acknowledgements

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during the course of our audit.

1. Overview

1.1 Overview of audit scope

We have performed our work in accordance with the requirements of the International Standards on Auditing ("ISAs") (UK), for those entities as set out in our Service Plan.

1.2 Overview of approach

Our audit approach is risk based; emphasis placed on the audit areas considered to be of higher risk. In completing our work, we have not had to alter or change our approach to that we communicated to you at the start of the audit within the Service Plan.

We have updated our knowledge of your systems and controls, and tested those controls upon which we intended to place audit reliance. We have supplemented our testing of controls with substantive tests of detail and/or substantive analytical review procedures.

1.3 Status of the audit

Our audit of the financial statements is substantially complete and subject to resolution of the outstanding queries set out on page 4 we anticipate our audit opinion to be unmodified.

1.4 Completion timetable

The timetable to completion has been agreed as follows:

	Date
Audit close meeting	2 August 2023
Joint Committee meeting to approve financial statements	26 September 2023
Audit report approval	26 September 2023

Materiality

The concept of materiality applies to the preparation of the financial statements and the audit process and applies to monetary misstatements, disclosure requirements, adherence to acceptable accounting practice and applicable law.

Misstatements, including omissions, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We have determined the financial statement materiality based on the factors noted in the table below.

Our assessment of materiality has been revised from that considered at the planning stage on receipt of the draft financial statements. There has been no changes to materiality levels previously considered.

We also design our procedures to detect errors in specific accounts at a lower level of precision. Accordingly, related party transactions and key management personnel remuneration materiality has been reduced to £1,000 due to it being material by nature.

Benchmark	Overall Materiality	Trivial
1% of the 3-year turnover average	£835,000	£42,000

2. Status of the audit and audit opinion

Our work is substantially complete and there are currently no matters of which we are aware that would require modification to our audit opinion, subject to the satisfactory completion of the matters detailed below:

	Receipt and audit of outstanding information: • No further information is outstanding
	Completion of audit testing: • No further audit work to be performed
	Final subsequent review
	Final review of the draft statutory accounts
	Receipt of the signed management representation letter

Impact

Not considered likely to result in material adjustment or change to disclosures within the financial statements

Potential to result in material adjustment or change to disclosures within the financial statements

Likely to result in material adjustment or change to disclosures within the financial statements

Anticipated audit opinion

We anticipate our audit opinion to be unmodified.

WR Partners

3.1 Significant and elevated audit risks

Risk Area Identified	Risk Level	Risk and audit findings	Assessment	
Fraud – management override of controls	Significant	Under ISA 240 (UK) there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have not identified any matters in relation to management override of controls	
Fraud – Income recognition	Significant	Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	We have not identified any matters relating to improper revenue recognition	
Going Concern	Elevated	Due to the current volatility of the energy sector, going concern was identified as an elevated risk at the planning stage of the audit. Management has produced a going concern review to speak to the going concern basis of account preparation. See page six for further detail regarding the managements assessment.	We have not identified any issues relating to the going concern status of the entity	

WR Partners

3.2 Going concern

We are required to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the Going Concern basis of accounts preparation.

Assessment of Going Concern	Commentary
Managements assessment Management have undertaken the following to assess the appropriateness of the going basis of accounts preparation: • Produced budgets and forecasts, including cash flow forecasts, for the period up to September 24 • Produced a long-term business plan • Prepared and assessed monthly management accounts	Management have concluded that West Mercia Energy is a going concern and have prepared the financial statements on that basis. Management have provided us with a copy of the 2023/24 business plan which include forward looking projections for the period to 2025/26.
Audit work performed We have considered if there are any factor or events which may indicate that the going concern basis may not be appropriate. We have reviewed managements supporting documentation, including assumptions to determine if these are reasonable	Key points arsing from our review of management's going concern assessment are: Key factors and assumptions taken into account by management are as follows: ▪ Customer retention and new wins ▪ Ongoing energy reductions from the current customer base ▪ Trading with the energy market and trading conditions ▪ Gas volume reforecasts ▪ Weather conditions ▪ Bad debts

Audit assessment	We are satisfied that the preparation of the financial statements on the going concern basis is reasonable.

WR Partners

3.3 Other matters for discussion

Matters identified for discussion following our audit fieldwork are listed as below:

Matter	Commentary (update for management close meeting)
Amounts due to external utility customers	Amounts due to external utility customers has increased from £1.3m in 2022 to £5.1m in 2023. To confirm understanding of amounts owed back to external customers and expected timing of the payment being realised. We discussed with management the nature of this balance and how it has arisen. We confirmed correct treatment to hold these balances as creditors within the year end accounts.
Pension Asset Recognition	The pension scheme has moved from a net deficit of £264k at the start of the year to a surplus of £793k as per the actuary valuation. This has been mostly driven by the change in actuarial assumptions which have reduced the liabilities by £857k but increased the assets by £200k. This is driven by an increase in the discount rate by 2% to 4.7%, a reduction is future salary and pension increases and a reduction in the inflation assumption to 0.3%. The draft accounts currently recognise the pension scheme asset. Under the CIPFA code the asset can only be recognised to the extent that the asset can be recovered either through reduced future contributions or refunds from the plan. Reduced contributions over the next 3 years are as follows: (Obtained from 2022 Actuarial Valuation Contribution Projections) • 2023/24 £90,200 • 2024/25 £94,100 • 2025/26 £98,200 Therefore total expected future benefit totals £283,000 and therefore asset ceiling of £510,000 should be recognised. The final accounts have now been adjusted to recognise the restriction on the surplus position. Final surplus position is £283,000.

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WR Partners

3.4 Summary of corrected and uncorrected misstatements

We set out below details of the :

- Adjustments noted and made to the accounts during the course of the audit following discussion and agreement with you; and
- Details of potential adjustments identified during the course of our audit work.

Management should consider the misstatements identified during the course of our audit work in conjunction with the above findings.

Corrected misstatements

The following adjustments have been identified and processed during the course of the audit:

	2023 £
Total comprehensive Income per draft accounts	2,435
Pension Scheme Adjustment	(510)
Total comprehensive Income per audited accounts	**1,925**

Uncorrected misstatements

Uncorrected misstatements which have not been adjusted have been identified below:

There is no uncorrected misstatements which have been identified during the course of the audit.

WR Partners

3.5 Other audit and accounting areas

We set out below the other matters which auditing standards require us to communicate to you:

Area	Commentary	Assessment
Accounting estimates	In addition to the identified key accounting estimates and judgement, we have considered the other accounting estimates and have no matters to bring to your attention.	●
Accounting policies	We have not noted any accounting policy changes or policies which do not comply with Financial reporting standards.	●
Related parties	We are not aware of any related parties or related party transactions which have not been disclosed.	●
Laws and Regulations	You have not made us aware of any significant incidences of non-compliance with laws and regulations and we have not identified any matters from our audit work.	●
Matters in relation to fraud	We have previously discussed the risk of fraud and documented this in our service plan. Our work performed to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, is included within our draft audit opinion. No matters have been identified from our audit work and we have not been made aware on any matters by management or the board.	●
Accounts disclosures	Our review found no material omissions in the financial statements.	●
Other information	We are required to consider and give an opinion (within our audit report) on whether other information published together with the with audited financial statements (including the narrative report) is materially inconsistent with the financial statements or our knowledge obtained during the audit or is materially misstated. No material inconsistencies have been identified and we plan to issue an unmodified audit opinion in this regard.	●

WR Partners

3.5 Other audit and accounting areas

Area	Commentary	Assessment
Audit evidence and explanations/significant difficulties	All information and explanations requested from management have been provided.	
Subsequent events	Under International Standards on Auditing 560, we are required to confirm whether there have been any subsequent events since the year end impacting the financial statements as drafted. There have been none brought to our attention or disclosed within the financial statements.	
Independence and ethics	We can confirm that we have re-evaluated our firm's independence in connection with the audit and we are not aware of any factors affecting our independence or objectivity and thus our ability to continue to act as auditors. The self review and management threats arising from our assistance in the provision of non-audit services, have been sufficiently addressed by appropriate safeguards including independent internal reviews, the existence of informed management, and the involvement of other relevant individuals who are required to approve all adjustments impacting the financial statements. Informed Management: Nigel Evans (Managing Director)	

Design and operating effectiveness of controls	There have been no control recommendations identified in the course of the audit.

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Committee and Date	Item
West Mercia Energy Joint Committee 26th September 2023	Public

WEST MERCIA ENERGY

INTERNAL AUDIT ANNUAL REPORT 2022/23

Responsible Officer Barry Hanson
e-mail: barry.hanson@shropshire.gov.uk Telephone: 07990 086409

1. Synopsis

1.1 This report provides a summary of Internal Audit's work for 2022/23. Based on the controls evidenced across all areas examined, the Chief Audit Executive's year end opinion on the Company's internal control environment is substantial.

2. Executive Summary

2.1 This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2023. It reports on progress against the annual audit plan and provides the Chief Audit Executive's opinion on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes when considering the Public Sector Internal Audit Standards or Guidance, as required by the Accounts and Audit Regulations 2015.

2.2 Final performance has been good with 87% of the plan being delivered. The Audit of Procurement has been carried forward to 2023/24 at the request of management. The work has been undertaken on a remote basis and we thank the staff of West Mercia Energy for their assistance in ensuring all work could be delivered as planned.

2.3 Four good assurance opinions were given in 2022/23 in respect of the finance, debtors, IT, corporate governance and risk management systems. A total of five recommendations have been made over the four audit areas reviewed in the year. There are no significant or fundamental recommendations to bring to the Committee's attention. A management action plan is in place to address the recommendations within an agreed timeframe.

2.4 ***Based on the work undertaken and management responses received; the Company's governance, risk management and internal control processes***

are sound and working effectively and the Chief Audit Executive can deliver a substantial year end opinion on West Mercia Energy's internal control environment for 2022/23.

3. Recommendations

The Committee are asked to consider and endorse, with appropriate comment.

a) Performance against the Audit Plan for the year ended 31 March 2023.

b) That the system of governance, risk management and internal control is operating effectively and can be relied upon when considering the Annual Governance Statement for 2022/23.

c) The Chief Audit Executive's substantial year end opinion on West Mercia Energy's governance, risk management and internal control environment for 2022/23 based on the work undertaken and management responses received.

REPORT

4. Risk Assessment and Opportunities Appraisal

4.1 The delivery of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the Company's financial, governance and risk management systems and procedures and is closely aligned to the Company's risk register. The plan is delivered in an effective manner; where Internal Audit independently and objectively examines, evaluates and reports on the adequacy of its customers control environments as a contribution to the proper, economic, efficient and effective use of resources. Failure to maintain robust internal controls create an environment where poor performance, fraud, irregularity and inefficiency can go undetected leading to financial loss and reputational damage.

4.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015.

4.3 There are no direct environmental or equalities consequences of this proposal.

4.4 Internal Audit customers are consulted on the service that they receive, feedback from which is included in this report and continues to be positive.

5. Financial Implications

5.1 The Internal Audit plan is delivered within approved budgets; the work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the Company.

6. Climate Change Appraisal

6.1 This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

7. Background

7.1 This report is the culmination of the work of the Internal Audit team during 2022/ 23 and seeks to:

- Provide an opinion on the adequacy of the risk management, control and governance arrangements.

- Inform the annual review of the effectiveness of its system of internal control that informs the Annual Governance Statement by commenting on the nature and extent of significant risks.

- Inform the review of an effective Internal Audit by providing performance data against the plan.

- Confirm to the Joint Committee that the Audit service has been delivered free from interference throughout the year.

7.2 The requirement for Internal Audit derives from local government legislation, including section 151 of the Local Government Act 1972 which requires the Authority to plan for the proper administration of its financial affairs. Proper administration includes Internal Audit. More specific requirements are detailed in the Accounts and Audit Regulations 2015, in that “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance”.

7.3 The Public Sector Internal Audit Standards (PSIAS) define the scope of the annual report on internal audit activity. The annual report must incorporate an annual internal audit opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and internal control. In February 2022, a report to Shropshire Council Audit Committee confirmed that following an external review by Chartered Institute of Public Finance Accountants (CIPFA), it was concluded that Shropshire Council Internal Audit Services fully conforms to the requirements of the PSIAS. In addition to the external review, in July 2023 an annual paper will be presented to Shropshire Council’s Audit Committee which provides assurance on the effectiveness of the Internal Audit service, against the PSIAS. West Mercia Energy can take assurance from both reports.

7.4 Internal Audit operates a strategic risk-based plan. The plan is reviewed each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk, this results in a comprehensive range of audits undertaken in the year, to support the overall opinion on the control environment. The plan contains a small contingency provision for any unforeseen work demands that may arise and any special investigations, are delivered in addition to the planned work in agreement with the Director.

Annual Internal Audit Opinion from Internal Audit Work undertaken during 2022/23

7.5 It is the responsibility of West Mercia Energy to develop and maintain the internal control framework. In undertaking its work, Internal Audit has a responsibility under the Public Sector Internal Audit Standards to deliver an annual internal audit opinion and report. This opinion plays a key part in informing West Mercia Energy's Annual Governance Statement.

7.6 The results of individual audits, when combined, form the basis for the overall opinion on the adequacy of the Company's internal control systems. No system of internal control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that absolute assurance. The work of Internal Audit is intended only to provide reasonable assurance on controls based on the work undertaken. In assessing the level of assurance to be given, I have considered:

- The work undertaken on the fundamental financial systems.

- IT audit work undertaken during the year.

Whilst there are a small number of weakness and areas identified for improvement, none that could result in material misstatement in the Company's accounts and reliance can be placed upon the control environment. Plans have been adopted to manage outstanding concerns.

7.7 These assurances are provided on the basis that management carry out the actions they have agreed in respect of the recommendations made to address any weakness identified and improvements suggested.

Based on the work undertaken and management responses received; the company's governance, risk management and internal control processes are sound and working effectively and the Chief Audit Executive can deliver a substantial year end opinion on West Mercia Energy's internal control environment for 2022/23.

Key Assurances provided during 2022/23

7.8 Audit assurance opinions are awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.

Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non- compliance with
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the organisation to high risks

7.9 Audit recommendations are also an indicator of the effectiveness of the Company's internal control environment and are rated according to their priority:

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

7.10 Recommendations are rated in relation to the audit area rather than the company's control environment, for example, a control weakness deemed serious in one area which results in a significant or fundamental recommendation may not affect the overall control environment. Similarly, a few significant recommendations in a small number of areas would not result in a limited opinion if most of the areas examined were sound.

Audit assurance opinions and recommendations delivered in 2022/23

Audit Area		**No. of Recommendations made**				
	Assurance level	**Best Practice**	**Requires Attention**	**Significant**	**Fundamental**	**Total**
Debtors System	**Good**	0	1	0	0	1
Finance System	**Good**	0	1	0	0	1
Corporate Governance and Risk Management	**Good**	0	1	0	0	1
IT	**Good**	0	2	0	0	2
Procurement[1]						
Total to date		**0**	**5**	**0**	**0**	**5**

[1] Audit carried forward to 2023/24

Audit Area		No. of Recommendations made				
	Assurance level	Best Practice	Requires Attention	Significant	Fundamental	Total
• numbers						
• percentage		0%	100%	0%	0%	100 %

7.11 The Internal Audit team has achieved 87% of the plan which is slightly below target. The procurement audit has been carried forward to 2023/24 at the request of management. Four good assurance levels were issued during the financial year. No recommendations have been rejected in the year by management.

Audit Performance

7.12 Audit Performance is demonstrated by measuring achievement against the plan, ensuring compliance against the Public Sector Internal Audit Standards, and evaluating improvements made over the last twelve months. The effectiveness of Internal Audit is further reviewed through the Joint Committee's delivery of its responsibilities and direct from customers as they provided responses to surveys sent out after each audit.

Reporting

7.13 All Internal Audit work is reviewed by a senior auditor to ensure it complies with Internal Audit's standards and that the recommendations made are supported by the work undertaken before any audit reports are issued. This is a fundamental part of ensuring audit quality and that clients receive reports which are both informative, useful and add value to their work processes and procedures.

7.14 All audit assignments are subject to formal feedback to management. Draft reports are issued to the managers responsible for the area under review for agreement to the factual accuracy of findings and recommendations. After agreement, a formal implementation plan containing management's agreed actions and comments is issued to relevant officers. Follow up reviews capture evidence of implementation of recommendations.

Quality Assurance/Customer Feedback Survey

7.15 A customer feedback survey form is sent out with all audits completed. These provide key responses on the quality of audit service in relation to the following areas:

- Pre-auditing arrangements;
- Post audit briefings;
- Audit coverage/scope of the audit;
- Timeliness of production of report;
- Accuracy and clarity of the report;
- Practicality of recommendations;
- Professionalism of approach;

- o Communication skills and
- o Timeliness of audit to your business.

7.16 The surveys are a key part of ensuring the work meets our client expectations and that the quality of audit work is maintained. The results have been analysed over the last year and the percentage of responses are identified in the table below:

Customer Feedback Survey Forms - percentage of excellent and good responses

Item Being Scored	2022/23 (%)
Pre-audit arrangements	100%
Post-audit briefing	100%
Audit coverage/scope of the audit	100%
Timeliness of production of report	100%
Accuracy and clarity of report	100%
Practicality of recommendations	100%
Professionalism of approach	100%
Communication skills	100%
Timeliness of audit to your business	100%
Number of forms returned	4

7.17 In all cases customers considered audit to be a positive support. Overall, the results are pleasing, showing services delivered consistently at a high level. There remains an open communication between Management and the Internal Audit Team so that feedback and comments can be provided at any time. The information is used both to improve techniques overall within the team and at annual performance appraisals to identify future development focus relating to individual skills or competences.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) • 2022/23 Internal Audit Plan - Joint Committee on 15th March 2022. • Public Sector Internal Audit Standards. • Accounts and Audit Regulations 2015.
Member Councillor Gwilym Butler of Shropshire Council (Vice-chair of the Joint Committee)
Appendices: None

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WEST MERCIA ENERGY

Committee and Date	Item
West Mercia Energy Joint Committee 26th September 2023	 Public

Distribution of Surplus

Responsible Officer James Walton - Treasurer
e-mail: james.walton@shropshire.gov.uk Tel: 01743 258915

1. Summary

1.1 The purpose of this report is to recommend the level of retentions to be held and the amount to be distributed to the Member Authorities from the accumulated surplus held on 31 March 2023.

2. Recommendations

2.1 It is recommended that the Joint Committee;

a) Approve the retention of accumulated surplus of £1.806 million

b) Approve the distribution of accumulated surplus of £1.433 million, in accordance with the provisions of the Joint Agreement.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 There is a risk to the Member Authorities and the business of WME if a distribution is made to the Member Authorities without retaining sufficient funds for the proper operation of the business, to maintain a contingency fund and general reserves or provide for future investment. This risk is mitigated as the amount recommended for retention has been calculated taking into account future capital commitments and energy trading reserves (Capital at Risk for gas and electricity).

3.2 There are no direct environmental, equalities or climate change consequences arising from this report.

4. Financial Implications

4.1 The effect of the amount recommended for distribution as surplus on WME's General Fund is detailed below;

Table 1: General Fund balance

	(£'000)
General Fund Balances as at 1 April 2023	3,239
Recommended Surplus distribution	1,433
General Fund balance after distribution	1,806

5 Background

5.1 Following on from the completion of the Statement of Accounts 2022/23 and the External Auditor's finalised Audit Findings Report 2022/23, it is appropriate to consider distribution to the Member Authorities of the surplus held at the year end as described in the Joint Agreement;

Paragraph 7.3.

a) The Joint Committee shall determine the level of accumulated surplus that shall be retained for contingency, for future investment or for other reserve purposes, having considered the recommendations of the Treasurer and Director and

b) The whole or any part of any remaining accumulated surplus balance (not otherwise retained for contingency, future investment or reserve purposes) shall be distributed to the Member Authorities in the manner described in clause 8 hereto.'

5.2 The Joint Agreement outlines the distribution formula as follows:

The amount of the accumulated surplus to be distributed to each Member Authority in a Financial Year shall be calculated in accordance with the following formula:

DA = A + B – C (+ or –) D (+ or -) E

Where:

- DA is the distribution amount from the accumulated surplus to be paid to an individual Member Authority in a Financial Year;

- A is the gross profit contribution generated by that Member Authority's transactions with WME during the previous Financial Year;

- B is 25% of the gross profit generated by non-Member Authority customers during the previous Financial Year;

- C is 25% of the expenditure incurred by WME during the previous Financial Year;

- D is 25% of the amount allocated in WME's accounts for movement in the retention sum during the previous Financial Year, which may be a positive or negative figure;

- E is 25% of the amount allocated in WME's accounts for other movements in WME's General Fund during the previous Financial Year, which may be a positive or negative figure.

6 Retention of Surplus

6.1 The following amounts are recommended by the Treasurer and Director for retention;

Table 2: Retention 2023

	£'000's
Capital at Risk (gas and electricity)	1,706
General	100
	1,806

7 Distribution of Surplus

7.1 The accumulated surplus at 31 March 2023 was £3.239 million. Should the Joint Committee agree with the recommendation in this report as to the amount to be retained as surplus, consequentially £1.433 million is available for distribution to the Member Authorities.

7.2 If the amount for the distribution of surplus is agreed the amounts to be distributed to each Member Authority are:

Table 3: Owners element of distribution

	£
Herefordshire	303,847
Shropshire	384,409
Telford & Wrekin	389,438
Worcestershire	355,635

7.3 If approved it is proposed to pay these amounts in October 2023.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Statement of Accounts 2022/23
Member Councillor G Butler of Shropshire Council (Vice-chair of the Joint Committee)
Appendices None

Committee and Date	Item
West Mercia Energy Joint Committee 26th September 2023	 Public

WEST MERCIA ENERGY

RISK MANAGEMENT UPDATE

Responsible Officer Nigel Evans
e-mail: nevans@westmerciaenergy.co.uk Tel: 0333101 4353

1. Summary

1.1 The purpose of this report is for the Joint Committee to receive details of all medium and high risks in accordance with the WME Risk Management Strategy.

2. Recommendations

2.1 The Joint Committee are asked to consider and endorse, with appropriate comment the medium and high risks presented.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

3.2 There are no direct environmental, equalities or climate change consequences arising from this report.

3.3 Given the subject matter of this report, the assessment of risk forms a fundamental part of the risk strategy.

4. Financial Implications

4.1 The financial implications of each risk are considered when the impact of the risk is assessed.

5. Background

5.1 The WME Risk Management Strategy is reviewed and presented to the Joint Committee on an annual basis. This was presented and endorsed by the Joint Committee in March. WME Risk Management Strategy states that the Joint Committee are to receive details of all medium and high risks at each meeting.

5.2 The risk register is kept under constant review and is formally reviewed by the management of WME twice a year. The current risk register comprises of eighty-three highlighted risks.

5.3 The majority of the risks within the risk register are operational with controls in place which mitigate the impact of the risks to an acceptable risk level.

5.4 The table below identifies the eight current high and medium risks.

Ref	Risk	Risk Owner	L	I	Rank	Rank Change
Current High and Medium Risks						
1	Market conditions pre-pricing leading to less competitive prices / high year on year price rises	Julie Wassall	4	3	Medium	No Change
2	Breach of trading risk levels due to significant "in year" supplier reforecasting of volumes	Julie Wassall	2	5	High	No Change
3	Central government policy or Regulative initiative	Nigel Evans	1	5	Medium	No Change
4	Poor performance by a key supplier leading to customer service issues including a) billing issues, b) information - pricing/budgets,	Julie Wassall	5	2	Medium	Increased from Low
5	Unexpected consequences of a change of supplier e.g. diminishing levels of service, transfer delays and/or potential financial implications	Julie Wassall	3	4	Medium	Increased from Low
6	Loss of key staff	Nigel Evans	2	4	Medium	No Change
7	Bad debts / delayed payment	Jo Pugh	3	4	Medium	No Change
8	Dealing with suppliers whose ownership, structure, investments or general business activities are not deemed satisfactory by customers.	Nigel Evans	5	2	Medium	No Change

L – likelihood of the risk
I – impact of the risk

5.5 With still relatively high volatility remaining in the market, Risk Ref 1 and 2 remain at a medium and high rank respectively. Risk Ref 3 remains at a medium level to cover any central government policy or initiative which would adversely affect our business.

5.6 We have experienced some deterioration in service levels from our key energy supplier and as such Risk Ref 4 has been increased to a medium level. Regular communications are in place between ourselves and the supplier. Whilst we have seen some improvements in service delivery recently, further improvements are required.

5.7 With a new electricity supply contract in place from 1st April 2024 with a different supplier, the risks associated with a change of supplier has been elevated (Risk Ref 5). There is a detailed transition plan in place to mitigate the risks here but as we haven't had a major move in supplier since 2016 the likelihood level as obviously risen.

5.8 Whilst four new staff have been recruited within the last year to help mitigate the risk relating to the loss of key staff, the risk (Ref 6) remains at the medium level. This recruitment does build in greater resilience and strengthens the business for further growth but it will take a little time for these new staff to develop and grow into their new roles.

5.9 Risk Ref 7 relates to the concerns around delayed or non-payment of bills by WME customers. For the financial year to date, our cash and debt management continues to be excellent but with the increasing financial pressures experienced by our customers, this risk remains at the medium level.

5.10 Risk Ref 8 remains at a medium level.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Joint Committee 15th March 2023 – Risk Management Update
Member Councillor G Butler of Shropshire Council (Vice-chair of the Joint Committee)
Appendices None

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 12

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Agenda Item 15

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