



Shropshire Council
Legal and Democratic Services
Guildhall,
Frankwell Quay,
Shrewsbury
SY3 8HQ

Date: 18th September 2025

Committee:
West Mercia Energy Joint Committee

Date: Friday, 26 September 2025

Time: 2.30 pm

Venue: The Council Chamber, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ

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
Service Director, Legal and Governance

Members of West Mercia Energy Joint Committee

Herefordshire Council	Councillors Graham Biggs & Peter Stoddart (Chairman)
Shropshire Council	Councillors Roger Evans & Rob Wilson
Telford & Wrekin Council	Councillors Zona Hannington & Ollie Vickers
Worcestershire County Council	Councillors Ian Cresswell & Rob Wharton

Your Committee Officer is:

Shelley Davies Committee Officer

Tel: 01743 257718

Email: shelley.davies@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 14th March 2025.

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 12.00 noon on Monday 22nd September 2025.

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 2024/25 and Annual Governance Statement 2024/25 (Pages 5 - 58)

Report of Treasurer

Contact: James Walton

7 External Audit - Audit findings report 2024/25 (Pages 59 - 72)

Report of the Head of Finance & Billing, West Mercia Energy

Contact: Jo Pugh

8 Internal Audit Annual Report 2024/25 (Pages 73 - 80)

Report of Internal Audit

Contact: Barry Hanson

9 Distribution of surplus (Pages 81 - 84)

Report of Treasurer

Contact: James Walton

10 Risk management update (Pages 85 - 88)

Report of the Director of West Mercia Energy

Contact: Nigel Evans

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 89 - 92)

To approve the exempt Minutes of the meeting held on 14th March 2025.

13 Update on Business Plan and Trading Performance to Date 2025/26 (Pages 93 - 112)

Exempt Report of the Director of West Mercia Energy

Contact: Nigel Evans

14 Date of Next Meeting

The next meeting of the West Mercia Energy Joint Committee will be held on Friday 27th March 2026 at 10.00 a.m. in the Council Chamber, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ.

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Committee and Date

West Mercia Energy Joint
Committee

26 September 2025

WEST MERCIA ENERGY JOINT COMMITTEE

Minutes of the meeting held on 14 March 2025

**In the Council Chamber, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ
10.00 - 11.24 am**

Responsible Officer: Shelley Davies

Email: shelley.davies@shropshire.gov.uk Tel: 01743 257718

Present:

Councillors Gwilym Butler, Zona Hannington, Ollie Vickers and Peter Stoddart

1 Election of Chairman

RESOLVED: That Councillor Peter Stoddart be elected Chairman for the ensuing year.

2 Apologies for Absence

Apologies for absence were received from Councillors Graham Biggs, Adam Kent and David Ross.

3 Appointment of Vice-Chairman

RESOLVED: That Councillor Zona Hannington be appointed Vice-Chairman for the ensuing year.

4 Minutes

RESOLVED: That the Minutes of the West Mercia Energy Joint Committee held on 20th September 2024 be approved as a correct record.

5 Public Questions

No public questions had been received.

6 Disclosable Pecuniary Interests

None declared.

7 Supplier contracts

The Director confirmed that there were no entries to report.

8 External Audit Plan 2024/25

Jo Pugh, Head of Finance and Billing introduced the report which set out the proposed external audit plan for 2024/25.

Alex Riley, External Auditor provided an overview of the audit plan noting the scope of the audit to be undertaken, the identified risks and audit responses to these and outlined materiality levels.

In response to a question regarding potential penalties if WME was unable to supply energy due to global issues, the Director explained that he would need to check specific contract details but it was typical for clauses to be included for matters such as this and therefore penalties would not apply if the inability to supply was due to widespread issues beyond their control.

RESOLVED:

That the Joint Committee

1. approve the draft audit plan for 2024/25 as presented by WR Partners attached at Appendix 1.
2. approve the commissioning of WR Partners to undertake the audit in accordance with the audit plan.

9 Internal Audit Performance Reports to March 2025

Adam Williams, Principal Auditor presented the report, which outlined the Internal Audit Performance reports to March 2025. He reported that all planned audit work for 2024/25 had been completed and that all reviews had received a 'Good' assurance opinion, which was the highest assurance level offered.

RESOLVED: That the Committee endorse the performance to date against the 2024/25 Audit Plan as set out in the report.

10 Internal Audit Strategic Plan 2025/26

Adam Williams, Principal Auditor presented the report, which outlined the Internal Audit Strategic Plan 2025/26.

RESOLVED: That the Committee endorse the proposed programme of audits for 2025/26.

11 Anti-Slavery and Human Trafficking Statement 2024/25

The Director presented the Anti-Slavery and Human Trafficking Statement Transparency Statement for 2024/25 for approval.

RESOLVED: That the Joint Committee:

- a) approve the draft WME Transparency Statement for 2024/25
- b) delegate authority to the Director to finalise the WME Transparency Statement and publish it in accordance with section 54 of the Modern Slavery Act 2015.

12 Risk Management Update

The Director presented a report which provided a review of the WME Risk Management Strategy. It was explained that the risk register was formally reviewed twice a year and there were currently 71 risks identified which were mostly operational and mitigated by controls in place. The Director noted that 2 risks remained at a medium level and 2 had been downgraded from medium to low.

A question was raised in relation to Local Government Devolution and the potential impact on member authorities and whether this should be included on the risk register. In response the Director advised that the impact of devolution had been covered in the business plan. The Treasurer added that the joint agreement in place between the four owning authorities would need to be reviewed to accommodate any changes in membership due to devolution.

RESOLVED: That the Joint Committee

- a) approve the WME Risk Management Strategy attached at Appendix A
- b) accept the position as set out in the report.

13 Exclusion of Public and Press

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.

14 Exempt Minutes

RESOLVED: That the Exempt Minutes of the West Mercia Energy Joint Committee held on 20th September 2024 be approved as a correct record.

15 Annual Business Plan and Budget 2025/26 including review of 2024/25

The Director presented an exempt report for approval.

RESOLVED: That the recommendations contained within the exempt report be approved.

16 Date of Next Meeting

The next meeting would take place in September 2025. Date to be confirmed.

Signed (Chairman)

Date:



<u>Committee and Date</u>	<u>Item</u>
West Mercia Energy Joint Committee 26 th September 2025	6 <u>Public</u>

Statement of Accounts 2024/25 and Annual Governance Statement 2024/25

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 Statement of Accounts 2024/25 and the Annual Governance Statement 2024/25.
2. Recommendations
 - 2.1 The Joint Committee is asked;
 - a) To consider with appropriate comment the finalised Statement of Accounts 2024/25 to be signed by the Chair and the Treasurer of the Joint Committee.
 - b) To consider with appropriate comment the Annual Governance Statement 2024/25.

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 2025.

5.2 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 1.

5.3 The Statement of Accounts is accompanied by WME's Annual Governance Statement 2024/25, which details processes and procedures in place to enable WME to carry out its' functions effectively. See Appendix 2.

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 P Stoddart of Herefordshire Council (Chair of the Joint Committee)

Appendices

1 - Statement of Accounts 2024/25

2 - Annual Governance Statement 2024/25

WEST MERCIA ENERGY
JOINT COMMITTEE

STATEMENT OF ACCOUNTS
FOR THE YEAR
ENDED 31ST MARCH 2025

WEST MERCIA ENERGY JOINT COMMITTEE

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WEST MERCIA ENERGY JOINT COMMITTEE

FINANCIAL SUMMARY FOR THE YEAR 2024/25

Introduction

This document is the Statement of Accounts for West Mercia Energy Joint Committee. It covers the financial year 1 April 2024 to 31 March 2025 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 2025.

The Cash Flow Statement

This summarises the inflows and outflows of cash arising from the day to day transactions of the organisation.

Narrative report 2024/25

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 Policy & Governance at Shropshire Council was able to deliver a substantial year end opinion on West Mercia Energy's internal control environment for 2024/25 confirming that the organisation's governance, risk management and internal control processes were sound and working effectively.

No significant governance issues were highlighted during 2024/25.

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.

Performance and Outlook

With regards the prevailing energy market conditions, at the beginning of the financial year commodity market prices were approximately 35% lower than they had been at the start of the previous year. However, over the course of the 24/25 financial year, prices increased by approximately 25% by the year end. Market prices continued to be influenced by fundamental factors such as general supply and demand dynamics, weather conditions, gas storage levels, and liquefied natural gas supply. The geopolitical landscape has become a more significant factor influencing the markets due to the ongoing conflict in Ukraine, escalating tensions in the Middle East, and the recent change in leadership and political direction within the United States.

The WME trading strategy has once again succeeded in securing reduced commodity prices for the 24/25 period, and has achieved similar results for the 25/26 financial year.

Overall volumes increased by around 11% year on year due to new business acquired and temperatures being closer to seasonal normal levels compared to the previous year, which predominantly affects gas usage as much of it relates to heating. Nevertheless, turnover decreased by 4.1%, which is a positive outcome as it indicates the lower sales rates achieved for customers, especially regarding gas. Looking forward to 25/26 pleasingly lower rates have again been secured which will help support WME customers as they face increasing financial challenges.

Customer retention has remained strong with all significant external contracts retained throughout the year. Retention rates for smaller contracts have also continued to be exceptionally high. In addition sustained growth has been achieved within the education sector, notably with several Multi-Academy Trusts joining the WME portfolio.

The WME electricity portfolio successfully transferred to a new supplier on 1st April 2024 and the experience of working with this new supplier over the first year of the new contract has generally been very positive.

Within the year a new Social Value Strategy has been effectively launched, supporting £50k worth of projects, workshops within schools and community volunteering initiatives. In addition our education decarbonisation partner framework was launched and this will be expanded upon during 25/26.

While the net profit of £2.2 million (before pension/IAS 19 adjustments) is slightly below the result for 23/24, it compares favourably against the budgeted level for the year. Overall, this represents an excellent outcome for the business while continuing to offer competitive rates to customers.

With regards the levels of short term debtors and creditors held at the year end, these have fallen broadly in line with the turnover levels. Positive bank balances have been held through the financial year which reflects the excellent financial stewardship within the business. Through this effective cash management coupled with increased bank interest rates, the bank interest receivable for the year has increased compared to the prior year which has supported the positive trading result for the year.

The organisation has been considered as a going concern with a strong Business Plan in place for 2025/26, continued positive cash positions held with both supplier and customer contracts in place beyond March 2026.

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 2025.

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 2025 and its income and expenditure for the year ended 31 March 2025.

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 2025.

Cllr
Chairman of the
West Mercia Energy Joint Committee

Date:

MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2025

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 2024	4,243	192	5	4,440
Total comprehensive income & expenditure	-452	-	-	-452
Transfer to/from Reserves	94	-94	-	-
Increase/decrease in year	-358	-94	0	-452
Balance at 31 March 2025	3,885	98	5	3,988

Pensions Reserve

The Pensions Reserve represents the difference between the actuarially calculated value of the pension fund 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.

MOVEMENT IN RESERVES STATEMENT (CONTINUED)

AS AT 31 MARCH 2024

	General fund	Pensions reserve	Joint Committee capital adjustment account	Total reserves
		Note 20	Note 21	
	£000	£000	£000	£000
Balance at 31 March 2023	3,239	283	8	3,530
Total comprehensive income & expenditure	910	-	-	910
Transfer to/from Reserves	94	-91	-3	-
Increase/decrease in year	1,004	-91	-3	910
Balance at 31 March 2024	4,243	192	5	4,440

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2025

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

	Notes	2024/25 £000	2023/24 £000
INCOME			
Turnover	6	-178,261	-186,048
Less cost of goods sold		<u>176,366</u>	<u>183,992</u>
Gross profit		-1,895	-2,056
Other trading operation income		<u>-815</u>	<u>-912</u>
Gross Profit		<u>-2,710</u>	<u>-2,968</u>
OPERATING EXPENSES			
Employees	8	917	844
Pension impact (IAS19)	18	120	119
Premises		38	37
Supplies & services		139	81
Central departmental & technical support		102	93
Provision for bad debts		140	35
Depreciation		<u>4</u>	<u>5</u>
Total Operating Expenses		<u>1,460</u>	<u>1,214</u>
SURPLUS OF SERVICES		<u>-1,250</u>	<u>-1,754</u>
Financing and investment income and expenditure	7	<u>-719</u>	<u>-574</u>
NET OPERATING SURPLUS		<u>-1,969</u>	<u>-2,328</u>
Distribution to Member Authorities		2,438	1,433
NET LOSS / (PROFIT) FOR THE YEAR		<u>469</u>	<u>-895</u>
OTHER COMPREHENSIVE INCOME & EXPENDITURE			
Remeasurements (Liabilities & Assets)	18	-483	-353
Restriction of pension surplus recognised	18	466	338
Other Comprehensive Income & Expenditure		<u>-17</u>	<u>-15</u>
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		452	-910

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

BALANCE SHEET

AS AT 31 MARCH 2025

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 2024		31 March 2025	Notes
£000		£000	
5	Plant & equipment	5	12
<u>5</u>	Long term assets	<u>5</u>	
38,220	Short term debtors	36,245	15
17,963	Cash and cash equivalents	16,520	16
<u>56,183</u>	Current assets	<u>52,765</u>	
-51,940	Short term creditors	-48,880	17
<u>-51,940</u>	Current liabilities	<u>-48,880</u>	
<u>4,243</u>	Net current assets	<u>3,885</u>	
192	Defined benefit pension surplus	98	18
<u>192</u>	Defined benefit pension asset	<u>98</u>	
4,440	Net Assets	3,988	
 <u>Financed by:</u>			
4,243	General fund	3,885	
192	Pensions reserve	98	
5	Joint committee capital adjustment account	5	
4,440	Total Reserves	3,988	19

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2025

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.

2023/24	2024/25	
£000	£000	£000 Notes
Operating activities		
<u>Cash outflows</u>		
861 Cash paid to and on behalf of employees	930	
246 Other operating costs	419	
168,125 Cost of goods sold	179,413	
169,232		180,762
<u>Cash inflows</u>		
-171,632 Turnover	-180,236	
-912 Other trading operation income	-815	
-172,544		-181,051
-3,312 Net cash inflow from operating activities		-289 22.1
-559 Investing activities		-706 22.2
1,433 Financing activities		2,438 22.3
-2,438 Net increase in cash and cash equivalents	1,443	22.4
15,525 Cash and cash equivalents at 1st April	17,963	
17,963 Cash and cash equivalents at 31st March	16,520	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 2024/25 summarises the Joint Committee's transactions for the 2024/25 financial year and its position at 31 March 2025. 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 2026.

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 i.e. 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 Accruals of Expenditure and Income

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 Plant and Equipment and Motor Vehicles

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

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 (i.e. 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 i.e. 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 2025/26.

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 (e.g. 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 5.9% (2023/24: 4.9%) 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), i.e. 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 from 2024/25 is accounted for as a provision on debt at the year end. Prior to 2024/25, the credit loss was accounted for as a provision for all debts over 12 months old plus any debts which were 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. The standards introduced by the 2025/26 Code where disclosures are required in the 2024/25 financial statements, are:

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy.

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.

2024/25					
	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	1,602	72	1,674	-	1,674
Services/Support services	487	-192	295	98	393
Net cost of Services	2,089	-120	1,969	98	2,067
Other Income and Expenditure			17		17
Distribution of Surplus to Member Authorities			-2,438		-2,438
Surplus			-452	98	-354
Opening General Fund					4,243
Capital Purchases funded from General Fund					-4
Add surplus on General Fund					-354
Closing General Fund					3,885

2023/24					
	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	1,745	161	1,906	-	1,906
Services/Support services	603	-181	422	96	518
Net cost of Services	2,348	-20	2,328	96	2,424
Other Income and Expenditure			15		15
Distribution of Surplus to Member Authorities			-1,433		-1,433
Surplus or (Deficit)			910	96	1,006
Opening General Fund					3,239
Capital Purchases funded from General Fund					-2
Add surplus on General Fund					1,006
Closing General Fund					4,243

4a. Note to the expenditure and funding analysis

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

2024/25				
	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Difference s	Total Adjustments
	£000	£000	£000	£000
Net Cost of Services	4	94		98
Other income and expenditure from the Expenditure and Funding Analysis		17		17
Capital Purchases funded from General Fund	-4			-4
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	-	111	-	111

2023/24				
	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Net Cost of Services	5	91		96
Other income and expenditure from the Expenditure and Funding Analysis		15		15
Capital Purchases funded from General Fund	-2			-2
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	3	106	-	109

4b. Analysis of income and expenditure by nature

Income received on a segmental basis is analysed below:

	2024/25	2023/24
	Income from Services	Income from Services
	£000	£000
Energy Sales	177,762	185,618
Other Income	499	430
Total income analysed on a segmental basis	178,261	186,048

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 2025 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.

	2024/25	2023/24
	£000	£000
Net interest on pension scheme assets and liabilities	-9	-13
Interest receivable and similar income	-710	-561
Total	-719	-574

8. Staff Remuneration

In 2024/25 the number of employees who received remuneration in excess of £50,000 fell into the following bands:

Band	Number of Employees	
	2024/25	2023/24
£ 50,000 to £ 54,999	-	2
£ 60,000 to £ 64,999	1	2
£ 65,000 to £ 69,999	2	1
£ 70,000 to £ 74,999	1	-
£ 105,000 to £ 109,999	1	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 £55,000 and £59,999 or £75,000 to £104,999, so the staff remuneration table above has been adjusted accordingly.

Disclosure of Remuneration for Senior Employees

2024/25

Post Title	Salary (inc fees & allowances)	Bonuses (PRP)	Pension Contributions	Total Remuneration (inc pension contribution)
	£	£	£	£
Director	97,673	11,980	-	109,653
	97,673	11,980	-	109,653

2023/24

Post Title	Salary (inc fees & allowances)	Bonuses (PRP)	Pension Contributions	Total Remuneration (inc pension contribution)
	£	£	£	£
Director	95,841	11,638	0	107,479
	95,841	11,638	0	107,479

9. Audit Costs

During 2024/25 the Joint Committee incurred the following fees in respect of external audit and inspection.

	2024/25 £000	2023/24 £000
Fees payable to External Auditors with regard to external audit services	16	15

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 other 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:

	2024/25 £000	2023/24 £000
Herefordshire Council	3,207	3,169
Shropshire Council	6,118	6,520
Telford & Wrekin Council	5,712	5,786
Worcestershire County Council	4,276	4,588

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

	2024/25	2023/24
	£000	£000
Human Resources Support Services	3	3
Payroll Services	2	1
Treasury Services	5	5
Committee Services	8	7
Financial Advice	18	16
Internal Audit	8	10
ICT support	26	26
Procurement	8	8

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:

	2024/25	2023/24
	£000	£000
Net Loss / (Profit) for the Year – Per Comprehensive Income and Expenditure Statement	469	-895
Profit Related Pay	-105	-92
Distribution of Surplus to Member Authorities	-2,438	-1,433
Pensions Movement included in Operating Expenses	-111	-106
Net Surplus for PRP/Distribution Purposes	-2,185	-2,526

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

These statements include the distribution from the General Fund to Member Authorities of £2.438million. This payment distributes part of the General Fund brought forward at the end of 2023/24 between Member Authorities.

12. Plant & Equipment

	Plant, Equipment and Motor Vehicles 2024/25	Plant, Equipment and Motor Vehicles 2023/24
	£000	£000
Cost / Valuation		
As at 1 April	88	86
Additions	4	2
Disposals	-	-
As at 31 March	92	88
Accumulated Depreciation		
As at 1 April	83	78
Charge	4	5
Relating to disposals		-
As at 31 March	87	83
Net Book Value		
As at 31 March	5	5

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 2025.

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		31-3-25	31-3-24
	31-3-25	31-3-24	31-3-25	31-3-24	31-3-25	31-3-24	31-3-25	31-3-24		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through profit or loss										
Long term Equity Instruments	-	-	-	-	-	-	-	-	-	-
Amortised Cost										
Debtors	-	-	-	-	-	-	35,989	38,073	35,989	38,073
Cash & Cash Equivalents	-	-	-	-	-	-	16,520	17,963	16,520	17,963
Total Financial Assets	-	-	-	-	-	-	52,509	56,036	52,509	56,036
Non- Financial Assets	-	-	-	-	-	-	256	147	256	147
Total	-	-	-	-	-	-	52,765	56,183	52,765	56,183

Financial Liabilities

	Long Term				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31-3-25 £'000	31-3-24 £'000	31-3-25 £'000	31-3-24 £'000	31-3-25 £'000	31-3-24 £'000	31-3-25 £'000	31-3-24 £'000	31-3-25 £'000	31-3-24 £'000
Amortised Cost										
Principal	-	-	-	-	-	-	48,880	51,940	48,880	51,940
Loans Accrued interest	-	-	-	-	-	-	-	-	-	-
Bank Overdraft	-	-	-	-	-	-	-	-	-	-
Total Financial Liabilities							48,880	51,940	48,880	51,940
Non- Financial Liabilities	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	48,880	51,940	48,880	51,940

Income, Expense, Gains and Losses

	2024/25					2023/24				
	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	-	710	-	-	710	-	561	-	-	561
Total income in Surplus or Deficit on the Provision of Services	-	710	-	-	710	-	561	-	-	561
Gains/losses on revaluation	-	-	-	-	-	-	-	-	-	-
Net gain for the year	-	710	-	-	710	-	561	-	-	561

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 £36.245m outstanding (2023/24 - £38.220m) from customers, £0.585m (2023/24 - £1.670m) is past its due date for payment. The amount past due date is analysed by age as follows:

	2024/25	2023/24
	£'000	£'000
Less than 3 months overdue	709	1,714
3 to 6 months overdue	26	22
6 months to 1 year overdue	-52	-29
More than 1 year overdue	-98	-37
Total	585	1,670

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 2025 £000	31 March 2024 £000
Member Authorities	4,095	3,451
Other Local Authorities	31,849	34,614
Bodies external to general government	301	155
	36,245	38,220

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

	31 March 2025 £000	31 March 2024 £000
Herefordshire Council	394	395
Shropshire Council	1,975	1,960
Telford & Wrekin Council	626	641
Worcestershire County Council	1,100	455
	4,095	3,451

16. Cash and Cash Equivalents

	Opening Balance 1 st April 2024	Movement During the Year	Closing Balance 31 st March 2025
	£000	£000	£000
Bank current accounts	17,963	-1,443	16,520

17. Short Term Creditors

	31 March 2025 £000	31 March 2024 £000
Member Authorities	1,017	143
Other Local Authorities	6,808	8,872
Bodies external to general government	41,055	42,925
	48,880	51,940

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

	31 March 2025 £000	31 March 2024 £000
Herefordshire Council	234	7
Shropshire Council	447	115
Telford & Wrekin Council	17	12
Worcestershire County Council	319	9
	1,017	143

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 2024/25.

	2024/25 £000	2023/24 £000
Comprehensive Income & Expenditure Statement		
Operating Expense (Employees):		
• Current Service Cost	114	114
• Past Service Cost	-	-
• Administration Expenses	6	5
• Employers Contributions	-	-
• Settlements and Transfer	-	-
Pension Impact (IAS19)	120	119
Financing and Investment Income and Expenditure:		
• Net Interest Cost	-9	-13
Total Post-employment benefits contained within Net Operating Surplus	111	106
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)	-10	-188
Actuarial (gains) and losses arising on changes in Financial assumptions	-473	-165
	466	338
Total Post-employment Benefits contained within the Other Comprehensive Income and Expenditure	-17	-15
Net charge to Comprehensive Income & Expenditure Statement	94	91

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.

	2024/25 £000	2023/24 £000
Movement in Reserves Statement:		
Reversal of net charges made for retirement benefits in accordance with IAS19	-111	-106
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	483	353
Restriction in recognition of surplus	-466	-338
Movement on Pensions Reserve	-94	-91

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;

	2024/25 £000	2023/24 £000
Present Value of the defined benefit obligation	1,649	1,867
Fair Value of plan assets	-3,128	-2,931
Restriction in recognition of surplus	1,381	872
Net liability (asset) arising from defined benefit obligation	-98	-192

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

	2024/25	2023/24
	£000	£000
Opening fair value of scheme assets	-2,931	-2,580
Interest income	-145	-122
Remeasurement gain		
The return on Plan assets	-10	-188
Employer contributions	-	-
Contributions by scheme participants	-56	-46
Benefits paid	8	-
Administration Expenses	6	5
Settlements	-	-
Transfer to another employer	-	-
At 31 March	-3,128	-2,931

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

	Funded	Liabilities
	2024/25	2023/24
	£000	£000
At 1 April	1,867	1,787
Current Service Cost	114	114
Interest cost	93	85
Contributions by scheme participants	56	46
Past service Cost (gain)	-	-
Remeasurement (Liabilities)		
• Experience (gain)/Loss	-	6
• Actuarial (gains)/losses on financial assumptions	-467	-152
• (Gain)/Loss on demographic assumptions	-6	-19
Benefits paid	-8	-
Lump sum deficit repayment	-	-
At 31 March	1,649	1,867

Pension Scheme Assets

	Fair value of Scheme Assets	
	2024/25	2023/24
	£000	£000
Cash & Cash Equivalents		
• Cash Accounts	<u>21</u>	<u>41</u>
Cash Total	21	41
Equity Instruments		
• UK Quoted	-	-
• Global quoted	<u>1,844</u>	<u>1,657</u>
Equity Instruments Total	1,844	1,657
Bonds		
• Overseas – Global active investment grade	309	306
• Overseas – Global Fixed Income	-	-
• Overseas – Global Dynamic	112	122
• Other Class 2 – Absolute return bonds	<u>-</u>	<u>-</u>
Bonds Total	421	428
Property		
• Property Funds	<u>137</u>	<u>103</u>
Property Total	137	103
Private Equity	<u>236</u>	<u>241</u>
Private Equity Total	236	241
Other Investment Funds		
• Infrastructure	184	183
• Hedge Funds	132	123
• BMO – LDI manager	-	-
• Property debt	13	30
• Private Debt	90	77
• Insurance Linked Securities	<u>51</u>	<u>48</u>
Other Total	470	461
Total assets	3,128	2,931

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:

	2024/25	2023/24
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	21.8	21.8
Women	24.3	24.2
Longevity at 65 for future pensioners (years):		
Men	23.1	23.1
Women	26.0	26.0
Rate of CPI Inflation	2.6%	2.6%
Rate of Increase in Salaries	3.85%	3.85%
Rate of Increase in Pensions	2.7%	2.7%
Rate for Discounting Scheme Liabilities	5.9%	4.9%

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)	1,676
Rate of inflation (increase by 0.25%)	1,749
Rate of increase in salaries (increase by 0.25%)	1,689
Rate of increase in pensions (increase by 0.25%)	1,749
Rate for discounting scheme liabilities (increase by 0.5%)	1,466

*The current Defined Benefit Obligation as at 31st March 2025 is £1.649 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 2025/26.

The weighted average duration of the defined benefit obligation for scheme members is 28 years, 2024/2025 (28 years 2023/2024).

19. Reserves

An analysis of the reserves is shown below:

	Opening Balance	Contributions		Closing Balance
	1 st April 2024 £000	To £000	From £000	31 st March 2025 £000
General Fund	4,243	2,081	-2,439	3,885
Pensions reserve	192	628	-722	98
Joint Committee capital adjustment account	5	4	-4	5
Total reserves	4,440	2,568	-3,020	3,988

Comparative Analysis in 2023/24

	Opening Balance	Contributions		Closing Balance
	1 st April 2023 £000	To £000	From £000	31 st March 2024 £000
General Fund	3,239	2,777	-1,773	4,243
Pensions reserve	283	475	-566	192
Joint Committee capital adjustment account	8	2	-5	5
Total reserves	3,530	3,254	-2,344	4,440

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 2024/25 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.

	2024/25 £000	2023/24 £000
Opening Balance at 1 April	192	283
Remeasurement (Liabilities & Assets)	483	353
Restriction in recognition of surplus	-466	-338
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	-111	-106
Closing Balance at 31 March	98	192

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 2025 £000	31 March 2024 £000
Opening balance at 1 April	5	8
Fixed assets purchased from revenue resources	4	2
Depreciation of fixed assets	-4	-5
Closing Balance at 31 March	5	5

22. Note to the Cash Flow Statement

22.1 Reconciliation of Income and Expenditure Statement to Net Cashflow

2023/24 £000	2024/25 £000
2,328 Net Operating Surplus on Comprehensive I&E Statement	1,969
Adjust net surplus on the provision of services for non cash movements	
5 Depreciation	4
106 Movements on Pension	111
-14,416 Increase in debtors	1,975
15,850 Increase in creditors	-3,060
Adjust for items included in the net surplus on the provision of services	
-561 Interest and investment income	-710
3,312 Net cash inflow from operating activities	289

22.2 Cash Flow Statement – Investing Activities

	31 March 2025 £000	31 March 2024 £000
Interest and investment income	-710	-561
Purchase of plant and equipment	4	2
TOTAL	-706	-559

22.3 Cash Flow Statement – Financing Activities

	31 March 2025 £000	31 March 2024 £000
Distribution to Member Authorities	2,438	1,433
TOTAL	2,438	1,433

22.4 Movement in Cash and Cash Equivalents

	Balance 31/03/24 £000	Balance 31/03/25 £000	Movement In Year £000
Cash in hand	17,963	16,520	-1,443

23. Purchase of Non-current Assets

Non-current assets to the value of £4,000 relating to computer and office equipment and motor vehicles were financed from the General Fund Balance in 2024/25 (£2,000 2023/24).

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.

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WEST MERCIA ENERGY JOINT COMMITTEE

ANNUAL GOVERNANCE STATEMENT 2024/25

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

2024/25 Audit programme

Five audits were performed during the year covering finance, debtors, corporate governance including risk management, procurement and IT. The reviews of all five areas resulted in “Good” assurance opinions. A total of four recommendations have been made over the five audit areas reviewed in the year all of which require attention with no significant or fundamental 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 Head of Policy & Governance of Shropshire Council can deliver a substantial year end opinion on West Mercia Energy’s internal control environment for 2024/25.

Significant Governance Issues

No significant governance issues were highlighted during 2024/25.

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. No high risks were identified within the year. As part of the 2024/25 Internal Audit plan, an independent review of WME’s Corporate Governance and Risk Management arrangements was undertaken which attracted a “Good” level of assurance.

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 of the Joint Committee:

James Walton

Chair of the Joint Committee:

Cllr P Stoddart



Committee and Date

West Mercia Energy Joint
Committee

26th September 2025

Item

7

Public

EXTERNAL AUDIT – AUDIT FINDINGS REPORT 2024/25

Responsible Officer Jo Pugh

e-mail: jpugh@westmerciaenergy.co.uk

Tel: 0333101 4356

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 2025 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 2024/25 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 14th March 2025 – External Audit Plan 2024/25

Joint Committee 28th September 2015 – Local Audit and Accountability Act

Member

Councillor P Stoddart of Herefordshire Council (Chair of the Joint Committee)

Appendices

WR Partners, Audit Findings Memorandum for Year Ended 31 March 2025

Audit Findings Memorandum

Year ended 31 March 2025

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West Mercia Energy

26 September 2025



Service Team

Alex Riley
Responsible Individual
E: ariley@wrpartners.co.uk

George Thomas
Audit In-Charge
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Other Matters

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The purpose of this memorandum is to highlight the key issues affecting the financial statements of West Mercia Energy for the year ended 31st March 2025. 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.

1.1 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	6 August 2025
Joint Committee meeting to approve financial statements	26 September 2025
Audit report approval	26 September 2025

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.

We also design our procedures to detect errors in specific accounts at a lower level of precision. These are identified below.

Final Materiality Levels			
Financial statement area	Benchmark	Overall materiality	Clearly trivial
	1% of 3-year average turnover.		
Financial Statements	Capped at £1.1m to not exceed profit for the year (based on budgeted profit)	£1,100,000	£55,000
Expenditure	50% of overall materiality	£550,000	£27,500
Related Party Transactions	Material by nature	£1,000	N/A

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 required

● Final subsequent review

● Final review of the draft statutory accounts

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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.

3. Summary of key audit findings

3.1 Significant and elevated audit risks

Risk Area Identified	Risk Level	Risk Description	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 volatility of the energy sector in recent years, going concern was identified as an elevated risk at the planning stage of the audit.	Going Concern basis of preparation appears reasonable. See page six for further detail regarding the management’s assessment.	●

3. Summary of key audit findings

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 accounting.

Assessment of Going Concern	Commentary
Management's 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 25 • 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 2025/26 business plan which include forward looking projections for the period to 2027/28.
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 arising from our review of management's going concern assessment are: Key factors and assumptions taken into account by management are as follows: ▪ Customer retention (See contracts ending below) ○ Birmingham Council (Ending 31 March 2026) ○ Gloucestershire County Council (Ending 30 September 2026) ○ South Gloucestershire Council (Ending 31 March 2026) ▪ New contract 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. 

3. Summary of key audit findings



3.3 Other matters for discussion

Matters identified during out audit for discussion with you are shown below:

Matter	Commentary
Pension Asset Recognition	The pension scheme valuation performed by the actuary shows a surplus position of £1,479k prior to asset ceiling consideration. The increase in the surplus position continues to be driven by the increase in the discount rate to 5.9% whilst increases to salaries and pensions have remained steady , as has expected movement in inflation. In 2023 financial year, WME recognised the surplus only to the extent that future contributions to the fund were expected to decrease due to the surplus position. The previous reported surplus position has decrease by £96k based on the saving recognised in the 2025 year end being accounted. The remaining asset position recognised is £98k which is the total of expected reduced contributions for the last confirmed period of Nil contributions: (Obtained from 2022 Actuarial Valuation Contribution Projections) • 2025/26 £98,200 Therefore total expected future benefit totals £98k and therefore a restriction in the surplus has been recognised.

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3. Summary of key audit findings

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 adjustments identified during the course of the audit and reflected in the accounts following discussion with you are set out below.

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

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.

4. Other matters

4.1 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 directors 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.	●

4. Other matters

5.2 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)	●

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Design and operating effectiveness of controls	We have not identified any deficiencies in controls from our testing. As a result we do not have any recommendations for improvements in systems or controls that were identified during the course of our audit work.
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Committee and Date

West Mercia Energy Joint
Committee

26th September 2025

Item

8

Public

WEST MERCIA ENERGY INTERNAL AUDIT ANNUAL REPORT 2024/25

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 2024/25. 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 2025. 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 (PSIAS) or Guidance, as required by the Accounts and Audit Regulations 2015. (Note, from 1 April 2025, the Public Sector Internal Audit Standards will be replaced with the Global Internal Audit Standards (GIAS) in the UK Public Sector, this will therefore be the last audit opinion reported under the Public Sector Internal Audit Standards).
- 2.2 Final performance has been good with 100% of the plan being delivered. 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 Five good assurance opinions were given in 2024/25 in respect of the finance, debtors, procurement, corporate governance and risk management systems and IT – Utilities System Administration. A total of four recommendations have been made over the five audit areas reviewed in the year. 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 2024/25.***

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 2025.
- 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 2024/25.
- c) The Chief Audit Executive's substantial year end opinion on West Mercia Energy's governance, risk management and internal control environment for 2024/25 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 2024/25 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, an annual paper is presented in July each year 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 2024/25

- 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 2024/25.

Key Assurances provided during 2024/25

- 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 2024/25

Audit Area		No. of Recommendations made				
		Best Practice	Requires Attention	Significant	Fundamental	Total
Debtors System	Good	0	1	0	0	1
Finance System	Good	0	0	0	0	0
Corporate Governance and Risk Management	Good	0	1	0	0	1
Procurement	Good	0	0	0	0	0
IT - Utilities System Administration	Good	0	2	0	0	2
Total for the period		0	4	0	0	4

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

7.11 The Internal Audit team has achieved 100% of the plan. Five 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 principal 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;
- Communication skills and
- 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	2024/25 (%)
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	3

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) • Internal Audit Performance Report to March 2025 – Joint Committee on 14th March 2025 • 2024/25 Internal Audit Plan - Joint Committee on 22nd March 2024. • Public Sector Internal Audit Standards / Global Internal Standards • Accounts and Audit Regulations 2015.
Member Councillor Peter Stoddart of Herefordshire Council
Appendices: None

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<u>Committee and Date</u>	<u>Item</u>
West Mercia Energy Joint Committee 26 th September 2025	9 <u>Public</u>

Distribution of Surplus

Responsible Officer James Walton – Treasurer
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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 2025.
2. Recommendations
 - 2.1 It is recommended that the Joint Committee;
 - a) Approve the retention of accumulated surplus of £1.703 million
 - b) Approve the distribution of accumulated surplus of £2.182 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

	£'000s
General Fund Balances as at 1 April 2025	3,885
Recommended Surplus distribution	<u>2,182</u>
General Fund balance after distribution	<u>1,703</u>

5 Background

- 5.1 Following on from the completion of the Statement of Accounts 2024/25 and the External Auditor's finalised Audit Findings Report 2024/25, 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:

$$DA = A + B - C (+ \text{ or } -) D (+ \text{ or } -) E$$

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 2025

	£'000s
Capital at Risk (gas and electricity)	1,603
General	<u>100</u>
	<u>1,703</u>

The Capital at Risk retention is held to support within year trading activity.

7 Distribution of Surplus

7.1 The accumulated surplus at 31 March 2025 was £3.885 million. Should the Joint Committee agree with the recommendation in this report as to the amount to be retained as surplus, consequentially £2.182 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	501,733
Shropshire	571,548
Telford & Wrekin	560,618
Worcestershire	<u>548,609</u>
	<u>2,182,508</u>

7.3 If approved it is proposed to pay these amounts in October 2025.

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

Statement of Accounts 2024/25

Member

Councillor P Stoddart of Herefordshire Council (Chair of the Joint Committee)

Appendices None

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<u>Committee and Date</u>	<u>Item</u>
West Mercia Energy Joint Committee 26 th September 2025	10 <u>Public</u>

RISK MANAGEMENT UPDATE

Responsible Officer Nigel Evans

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1. Summary

- 1.1 In accordance with the WME Risk Management Strategy, the purpose of this report is for the Joint Committee to receive details of any medium and high risks that have been identified by WME.

2. Recommendations

- 2.1 The Joint Committee are asked to consider and endorse, with appropriate comment the medium risks presented (no high risks identified).

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 seventy-one 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 presents the two medium risks that have been identified.

Ref	Risk	Risk Owner	L	I	Rank	Rank Change
Current Medium Risks						
1	Breach of Capital at Risk levels above 10% of Review Point level (as a result of market spike)	Julie Wassall	1	5	Medium	No change
2	Loss of business due to central government initiative or regulatory change e.g. DfE supported energy for schools program	Nigel Evans	3	4	Medium	No change

L – likelihood of the risk

I – impact of the risk

- 5.5 Risk Ref 1 continues to be evaluated as a medium with the likelihood remaining at one, which means in our view the breach of the risk levels within the year may only occur in exceptional circumstances but should it occur the impact could be major.
- 5.6 Risk Ref 2 remains as a medium ranked risk but it should be noted that the likelihood rating having been increased from 2 to 3. This is as a result of further promotion of an energy for schools arrangement by the Department of Education over recent months with Crown Commercial Service (CCS), and the recommendations made within the NHS and Blue Light sectors for bodies to also utilise CCS. Whilst we believe that our offering is preferable to that being offered there is the risk that some customers may consider these promoted offerings.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Joint Committee 14th March 2025 – Risk Management Update
Member Councillor P Stoddart of Herefordshire Council (Chair of the Joint Committee)
Appendices None

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