



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

Date: 19th March 2026

Committee: West Mercia Energy Joint Committee

Date: Friday, 27 March 2026

Time: 10.00 am

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 (Please note that while we strive to live stream meetings, technical issues may occasionally occur. In the event of a technical disruption, the meeting will be paused to try to resolve the issue. Should it not be possible to resume the live stream, the meeting will proceed as scheduled, and a backup recording will be made available after the meeting. Any disruption to the live stream does not affect the legality of the meeting)

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, Governance and Planning

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 approve the minutes of the meeting held on 26th September 2025. [Minutes Attached]

Contact: Shelley Davies

3 **Public Questions**

To receive any questions from members of the public of which notice has been given. The deadline for this meeting is 12.00 p.m. on Monday 23rd March 2026.

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 **External Audit - Audit Findings Report 2025/26** (Pages 5 - 18)

Report of the Head of Finance & Billing, West Mercia Energy. [Report Attached]

Contact: Jo Pugh.

7 **Internal Audit Annual Report 2025/26** (Pages 19 - 30)

Report of the Head of Policy and Governance [Report Attached]

Contact: Barry Hanson

8 **Internal Audit Strategic Plan 2026/27** (Pages 31 - 34)

Report of the Head of Policy and Governance [Report Attached]

Contact: Barry Hanson

9 Anti-Slavery and Human Trafficking Statement 2025/26 (Pages 35 - 38)

Report of the Director of West Mercia Energy. [Report Attached]

Contact: Nigel Evans

10 Risk Management Update (Pages 39 - 50)

Report of the Director of West Mercia Energy. [Report Attached]

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 51 - 54)

To approve the exempt Minutes of the meeting held on 26th September 2025. [Minutes Attached]

Contact: Shelley Davies

13 Annual Business Plan and Budget 2026/27 including review of 2025/26
(Pages 55 - 88)

Report of the Director of West Mercia Energy. [Report Attached]

Contact: Nigel Evans

14 Energy Governance, Accountability, Risk and Reporting Policy (Pages 89 - 140)

Report of the Director of West Mercia Energy. [Report Attached]

Contact: Nigel Evans

15 Date of Next Meeting

The next meeting of the West Mercia Energy Joint Committee will be held on Friday 25th September 2026 10.30 a.m. in the Council Chamber, The Guildhall, Shrewsbury.

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Committee and Date

West Mercia Energy Joint
Committee

27th March 2026

WEST MERCIA ENERGY JOINT COMMITTEE

Minutes of the meeting held on 26 September 2025

In The Council Chamber, The Guildhall, Frankwell Quay, Shrewsbury, SY3 8HQ

2.30 - 3.46 pm

Responsible Officer: Shelley Davies

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

Present

Councillor Peter Stoddart (Chairman)

Councillors Paul Davis (substitute for Ollie Vickers), Roger Evans, Zona Hannington (Vice Chairman), Rob Wharton and Rob Wilson

17 Apologies for Absence

Apologies for absence were received from Councillors Graham Biggs, Ian Cresswell and Ollie Vickers (Substitute: Councillor Paul Davis).

18 Minutes

RESOLVED:

That the Minutes of the West Mercia Energy Joint Committee held on 14th March 2025 be approved as a correct record.

19 Public Questions

No public questions had been received.

20 Disclosable Pecuniary Interests

None declared.

21 Supplier Contracts

The Director confirmed that there were no entries to report.

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

James Walton, Treasurer (WME) presented the Statement of Accounts 2024/25 and the Annual Governance Statement 2024/25 highlighting that overall profitability was strong, and customer retention was good. It was added that the Annual Governance Statement showed robust governance and no significant control weaknesses.

In response to a question the Treasurer explained that the distribution to member authorities was higher than the net surplus due to timing differences - the net surplus was calculated at year-end, a retention was held, and the distribution payment was made in the following financial year, causing a mismatch between the distribution and the surplus shown in the accounts.

RESOLVED:

1. That the finalised Statement of Accounts 2024/25 to be signed by the Chairman and the Treasurer.
2. That the Annual Governance Statement 2024/25 be noted.

23 External Audit - Audit findings report 2024/25

Jo Pugh, Head of Finance and Billing, WME introduced the report which set out the External Audit Findings for 2024/25.

Alex Riley, External Auditor, W R Partners highlighted the key areas of the Audit Findings Memorandum confirming a timely and efficient audit process, with no changes to the planned approach. He explained that materiality was set at £1.1 million, consistent with prior communications and the audit was complete, with an expected unmodified (clean) opinion and no outstanding work.

RESOLVED:

That the contents of the audit findings report presented by WR Partners be considered and endorsed.

24 Internal Audit Annual Report 2024/25

Adam Williams, Principal Auditor presented the report which provided a summary of Internal Audit's work for 2024/25. He reported a 'good' opinion for 2024/25, the highest level offered which reflected effective governance, risk management, and internal controls at WME. It was added that none of the five audits completed had received an adverse opinion and that internal audit had received positive performance feedback from the three surveys during the year.

In response to a query from a member, the Principal Auditor confirmed that for all audits, action plans were agreed with management after review and testing. The recommendations had been accepted and would be followed up as part of the upcoming audit work for the current year.

RESOLVED:

1. That the performance against the Audit Plan for the year ended 31 March 2025 be considered and endorsed.

2. That it be noted that the system of governance, risk management and internal control operating effectively and can be relied upon when considering the Annual Governance Statement for 2024/25.
3. That 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 be endorsed.

25 Distribution of surplus

The Treasurer presented the report which recommended the level of distribution of surplus held on 31 March 2025 to the Member Authorities and explained that the distribution formula gives each owning authority a share based on their direct business, with remaining profits split equally.

Members expressed appreciation for the surplus distribution, noting it was a significant and well-received benefit.

RESOLVED:

1. That the retention of accumulated surplus of £1.703 million be approved.
2. That the distribution of accumulated surplus of £2.182 million, in accordance with the provisions of the Joint Agreement be approved.

26 Risk management update

Nigel Evans, Director WME, presented the report which provided an update on risk management. The report indicated that most risks had been mitigated, with two risks relating to trading and potential loss of business due to central government initiatives remaining classified as medium.

In response to a question from a member, Nigel Evans explained that the risk register was formally reviewed twice a year, but risk management was embedded in daily business operations.

RESOLVED:

That the medium risks presented be considered and endorsed.

27 Exclusion of Press and Public

RESOLVED:

That under Section 100(A)(A4) of the Local Government Act 1972, the public be excluded during the consideration of the following items of business on the grounds

that they might involve the likely disclosure of exempt information as defined in Schedule 12(A) of the Act.

28 Exempt Minutes

RESOLVED:

That the exempt minutes of the meeting held on 14th March 2025 be approved as a correct record.

29 Update on Business Plan and Trading Performance to Date 2025/26

Nigel Evans, Director, WME presented an exempt report, providing an update on the Business Plan and Trading Performance to date 2025/26.

RESOLVED:

That the recommendations contained within the exempt report be approved.

30 Date of Next Meeting

It was noted that 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.

Signed (Chairman)

Date:

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

4. Financial Implications

4.1 The fee for the 2025/26 audit is £15,950, a £450 (3%) rise against the fee for 2024/25 of £15,500.

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.

5.3 WR Partners will conduct their main audit work on the WME accounts for 2025/26 in July and will bring their report to the September Joint Committee.

5.4 The attached WR Partners Service Plan sets out the scope of the audit to be undertaken, identifies risks and audit responses to these and outlines materiality levels.

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

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

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

Appendices

Appendix 1 – WR Partners Audit Service Plan for West Mercia Energy (year ended 31 March 2026)



Accountants, Tax & Business Advisors

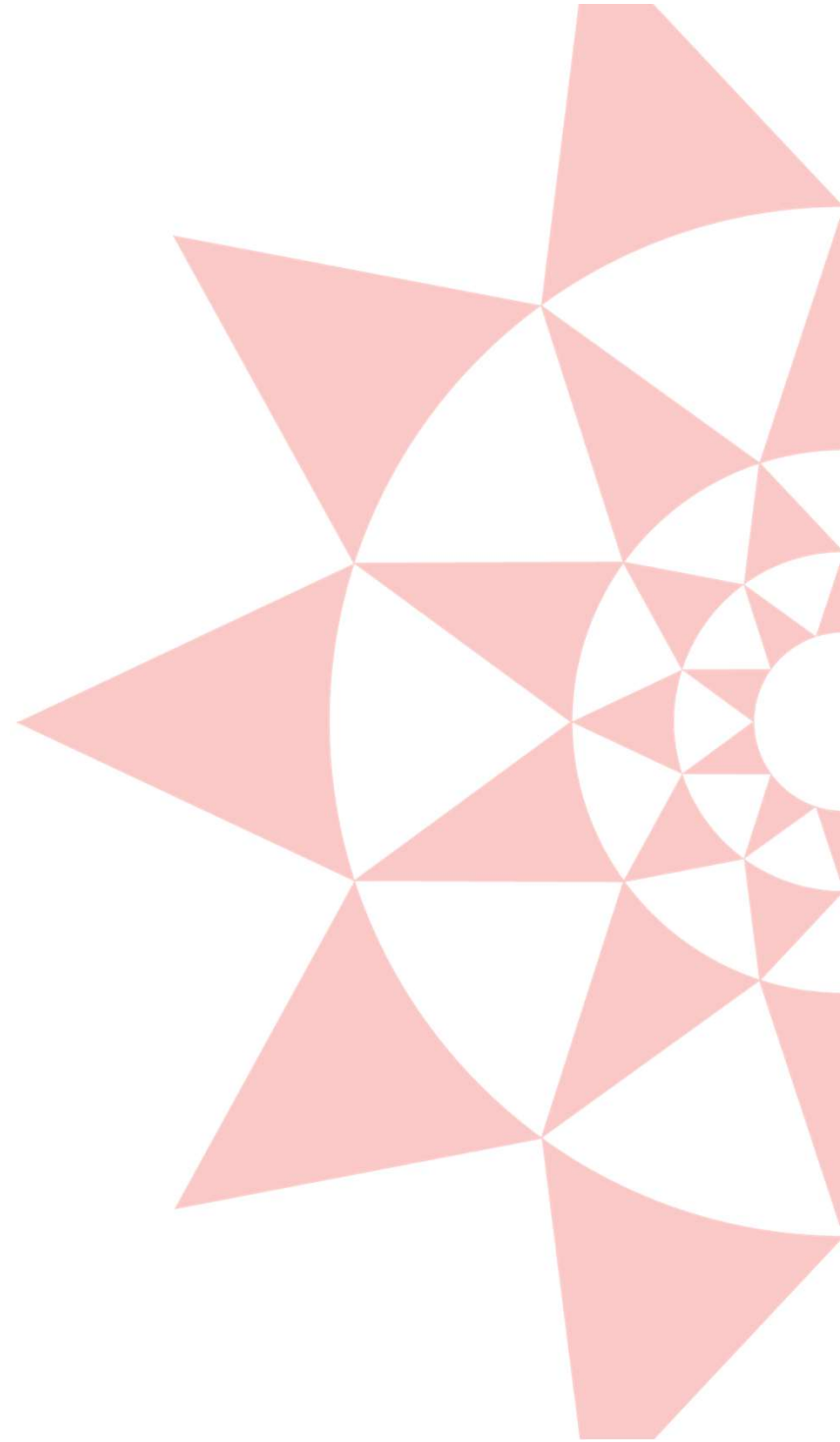
Audit Service Plan

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West Mercia Energy
Year ending 31 March 2026

Service Team

Alex Riley
Engagement Partner
E: ariley@wrpartners.co.uk

George Thomas
Audit Executive
E: gthomas@wrpartners.co.uk



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2. Identified risks and our audit responses	4
3. Other considerations	6
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Appendix A – Related parties



To the Joint Committee Members of West Mercia Energy,

The purpose of this document is to communicate to you our proposed audit and service strategy for the current year, to confirm the scope of our work, and to document the issues we consider, at present, to have the most significant audit impact.

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.

WR Partners



1. Overview of scope & approach

1.1 Scope of our work

We have been engaged to provide the following services:

- Perform an audit, in compliance with International Standards on Auditing (“ISAs”) (UK), of those year end statutory financial statements;
- Prepare a report to management which incorporates a review of internal control and accounting issues arising from our work.

Our respective audit responsibilities and the objectives, procedures and limitations of the audit have been set out in our engagement letter and agreed with management.

1.2 Audit approach

Our audit approach will be risk based. This means that emphasis will be placed on the audit areas considered to be of higher risk. We have highlighted these in section 2.

We will update our knowledge of your systems and controls, and we shall test those controls upon which we intend to place audit reliance. This will be supplemented by substantive tests of detail and/or substantive analytical review procedures.

The benefits of our approach to you are:

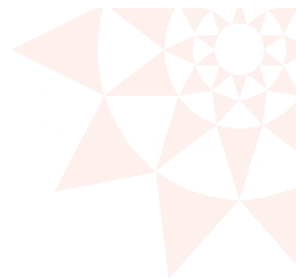
- Feedback and assurance in relation to your controls and processes;
- Early identification of issues to avoid “late surprises” in the audit; and
- Suggestions for improvement in the systems and controls where issues are identified.

1.3 Independence

WR Partners has policies and procedures in place which are reviewed on an annual basis to ensure compliance with the FRC Ethical Standard. Where ethical issues are identified, we are required to communicate these to you.

We have not identified any ethical threats arising for the current year audit engagement to identify to you at this stage.

We confirm that, for the purposes of the audit, we are independent from West Mercia Energy.



1. Overview of scope & approach

1.4 Materiality

The concept of 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.

Materiality at the planning stage of the audit

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

We also design our procedures to detect errors in specific accounts at a lower level of precision as follows:

Related Party Transactions

Related Party Transactions including Directors' remuneration and key management personnel remuneration materiality has been reduced to £1,000 due to it being material by nature (with the exception noted below).

Related Party Transactions materiality does not include transactions with member authorities where the transactions are in the usual course of business.

Expenditure

Expenditure has been assigned a reduced level of materiality (£750k) to reflect the size and structure of the organisation which is considered to be more reasonable rather than using the benchmark based on the top line income levels generated through trading activities.

Materiality during the course of the audit

We revise the materiality levels determined at the planning stage of the audit if, during the course of the audit, we become aware of facts or circumstances that would have caused us to make a different determination of materiality at the planning stage.

Matters we will report to those charged with governance

Our audit procedures are designed to identify misstatements which are material to the financial statements as a whole but we will report to those charged with governance unadjusted misstatements of lesser amounts unless they are deemed 'clearly trivial'. The determination of amounts under which matters are considered to be 'clearly trivial' to the financial statements is disclosed in the below table.

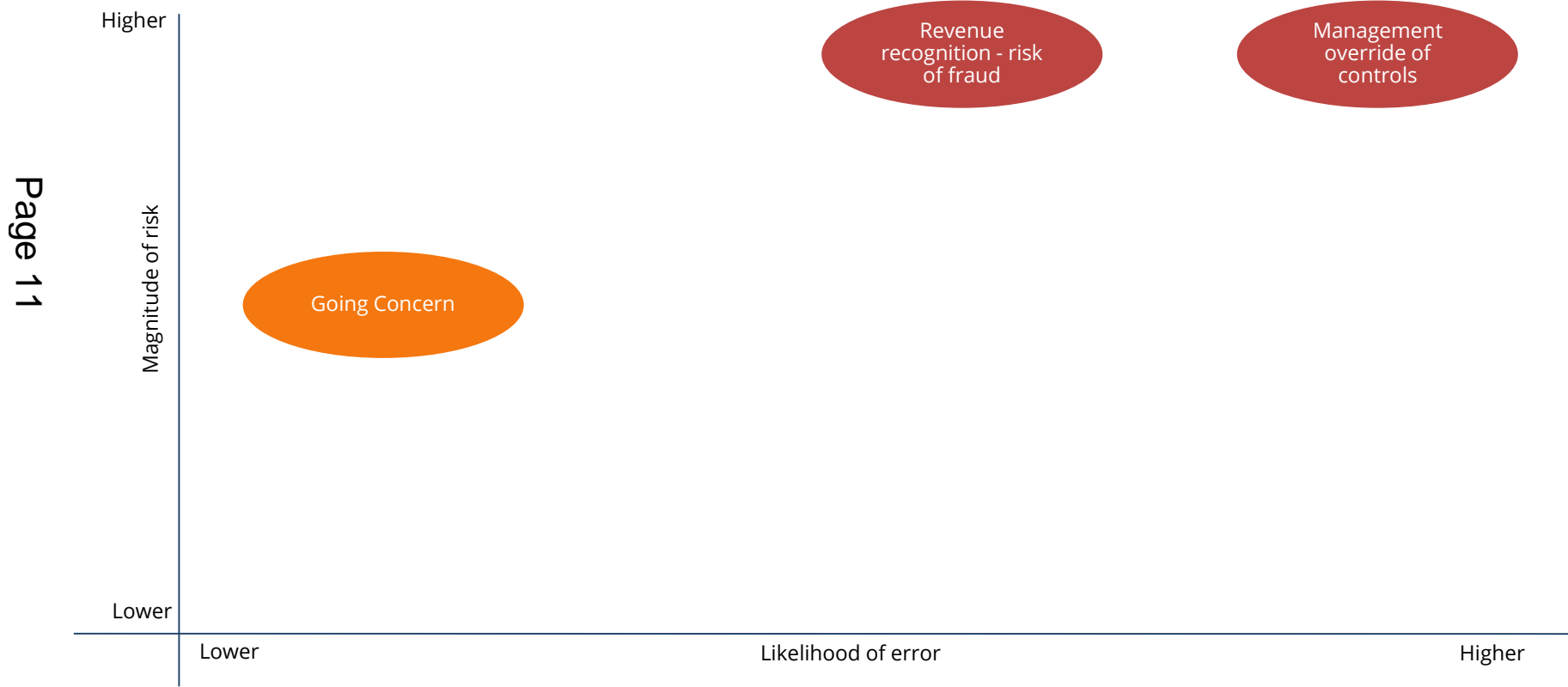
Planning Materiality Levels			
Financial statement area	Benchmark	Overall materiality	Clearly trivial
Financial Statements	1% expected turnover. Capped at £1.5m to not exceed profit for the year (based on budgeted profit)	£1,500,000	£75,000
Expenditure	50% of overall materiality	£750,000	£37,500
Related Party Transactions	Material by nature	£1,000	N/A



2. Identified risks & our audit responses

The diagram below illustrates our assessment of the magnitude of risks we have identified, and the perceived likelihood of error associated with them.

- Significant risk** - risk of material misstatement is close to the upper end of the spectrum of inherent risk due to the combination of its potential magnitude and likelihood.
- Elevated risk** - risk of material misstatement above the lower end of the spectrum of inherent risk due to the combination of its potential magnitude and likelihood.



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*ISA 240 requires that the risk of management override of controls and that the risk of fraud in revenue recognition are "significant risks".



2. Identified risks & our audit responses

Risk Area Identified	Risk Level	Audit Response
<p>Fraud – management override of controls</p> <p>Under ISA 240 (UK) there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p>	<p>Significant</p>	<p>We will:</p> <ul style="list-style-type: none"> ▪ Inspect a sample of cashbook transactions throughout the year and post year end ▪ Review accounting estimates with particular focus on the assumptions used and the retrospective adequacy and accuracy ▪ Inspect a sample of manual journals posted during the year ▪ Review unusual transactions outside the usual course of business ▪ Review credit notes issued post year end
<p>Fraud – Revenue recognition</p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Significant</p>	<p>We will:</p> <ul style="list-style-type: none"> ▪ Test the operating effectiveness of key controls in the revenue cycle to ensure they are operating as expected throughout the year ▪ Perform specific tests of detail in relation to relevant revenue streams ▪ Inspect on a target basis, a sample of manual journals posted to revenue during the year ▪ Review contract terms with customers ▪ Review income recognised immediately before and after the year end to ensure correct cut-off
<p>Going Concern</p> <p>The risk that the organisation cannot continue trading for a period of 12 months from the financial statements approval date resulting in the financial statements being prepared on an incorrect basis.</p> <p>Disclosure may be required in the financial statements.</p>	<p>Elevated</p>	<p>We will:</p> <ul style="list-style-type: none"> ▪ Review managements assessment of going concern ▪ Hold discussion with management to understand future performance and risk profile ▪ Review cashflow forecasts for the period to September 2027 ▪ Review latest financial information available ▪ Review disclosures made in the financial statements

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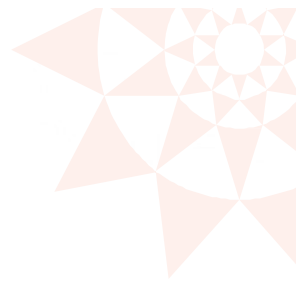
3. Other considerations

3.1 Laws and regulations

As part of the audit process, we consider the impact on the financial statements of any potential non-compliance with laws and regulations.

The laws and regulations that we consider key to the organisation are as follows:

Law or regulation	Audit response
Code of Practice on Local Authority Accounting Financial statements must be prepared in line with the CIPFA code	Financial statements to be reviewed to ensure all relevant disclosures are included
Employment Law Contracts held with employees must be in line with Employment Law	Contracts to be reviewed within audit procedures, together with procedures in place in relation to employment matters
Health and Safety regulations Regulations must be complied with in respect of employees and visitors	The accident book and board minutes will be reviewed, together with procedures in place in relation to health and safety regulations
GDPR Regulations must be complied with in respect of data held	Discussions to be held with management and review of GDPR compliance to be performed including review of privacy policy
Modern Slavery Act 2015 <i>Organisations with turnover of £36m or more must publish an annual statement setting out the steps they take to prevent modern slavery in their business and supply chains.</i>	Search of the organisation's website to be performed.



3. Other considerations

3.2 Accounting estimates

We have not identified any key accounting estimates which present a higher risk of misstatement.

We consider other estimates utilised within the preparation of the financial statements for consistency and reasonableness. These include:

Accounting estimate	Assessment of prior year	Audit implication
Depreciation and useful economic lives	Depreciation rates deemed reasonable in previous period.	Depreciation proof in total testing will be performed , with a review of any profit or losses on disposals and fully written down assets still in use.
Doubtful debt provision	The bad debt provision was subject to discussions at the close meeting due to the change of approach when calculating the provision.	After-date cash testing will be performed and a review of old items on the sales ledger for recoverability.
Accruals & Deferred income	Accruals balances were considered reasonable in the previous period.	Accruals and deferred income testing will be performed and a review of items to ensure correct classification.
Pension scheme assumptions	Assumptions used in the pension scheme valuation at year end were considered reasonable.	We will review the pension assumptions used and benchmark against published data to ensure reasonable.

3. Other considerations

3.3 Related Parties

Accounting standards require that related party transactions are appropriately disclosed within the financial statements.

The directors are expected to have appropriate systems of controls in place to enable them to:

- identify;
- authorise;
- document; and
- report related party transactions in the financial statements.

To assist the directors with this task we propose that directors, shareholders and key management complete an annual declaration, which is collated and retained by an appropriate person in the company and provide us with the details as part of the audit deliverables process.

3.4 Accounting policies

We will review accounting policies used in the production of the financial statements to ensure consistency with accounting standard.

We are not aware of any changes to accounting policies for the Year Ended 31st March 2026.



4. Workflow & audit focus



Phase	Key Dates	Staffing	Focus and Approach	Reporting
Audit Planning	Planning/ Interim: - 15 th -16 th January 2026 Joint Committee Meeting: - 27 th March 2026	1 day off-site, 1 day on-site <ul style="list-style-type: none"> • 2 Team members • Manager review • Partner review 	<ul style="list-style-type: none"> • Planning meeting with you • Discussion of performance and developments • Confirm scope, timetable and audit risks • Preliminary analytical review • Plan audit work and design testing • Confirm systems and controls (procedures) 	Service Plan
Review of accounts	Receipt of accounts: - w/c 22 nd June 2026	1 days off-site <ul style="list-style-type: none"> • Manager review • Partner review 	<ul style="list-style-type: none"> • Review the statutory accounts 	Draft accounts review comments
Final Audit	Final audit: - w/c 29 th June 2026 Audit closing meeting: - July 2026	5 days on-site <ul style="list-style-type: none"> • 2 Team Members • Manager review • Partner review 	<ul style="list-style-type: none"> • Substantive/transactional testing • Balance sheet audit • Close meeting with you to discuss audit findings 	Audit Close Memorandum
Completion	Joint Committee meeting: - 25 th September 2026	Off-site	<ul style="list-style-type: none"> • Final completion procedures • Update subsequent events review • Finalise and sign audit report 	Signed Audit Report

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5. Fees

Our proposed fees for the provision of our routine compliance services as set out in the scope section of this document are £15,950 (2025: £15,500) exclusive of VAT but inclusive of expenses and disbursements.

	£
Audit Planning and Interim – including attendance at joint committee meeting	£4,400
Audit Fieldwork	£8,150
Audit Completion – including the attendance at joint committee meeting	£3,400
Total Fee	£15,950

Our current year fee quote is based on the following assumptions:

- *Audit deliverables* - the accounting records and schedules requested will be made available to us on the dates agreed;
- *Timetable* - the timetables are followed as specified in section 5 to avoid inefficient audit testing and/or additional subsequent events review; and
- *Staff availability* - relevant staff will be available to deal with our queries throughout the process

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Impact of delays

The support supplied by your team is essential to our ability to deliver an efficient service without compromising quality and effectiveness. Accordingly, if the standard and timeliness of support is not in accordance with the assumptions noted above, we shall draw your attention to this and will need to raise additional fees commensurate to any additional costs incurred by us following appropriate discussions with you.

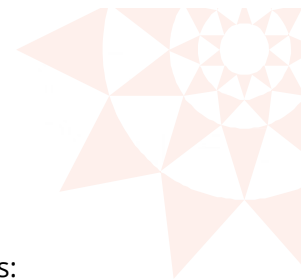
The fee proposal is based on the above items being prepared by you and provided to us as per the agreed upon information request list.

Flexibility remains key to our working ethos, and we would encourage you to advise us as early as possible if, for any reason, it would be challenging to deliver all the information to the agreed timetable. This should enable us to reconsider the timings and possibly reschedule as appropriate with minimum impact on our service and delivery.

Other related services

Advice and services provided outside the scope of our routine compliance services, as set out above, may be the subject of a separate fee. We shall discuss with you the nature and scope of the work and agree and appropriate fee basis prior to the commencement of this work.

Appendix A – Related parties



As noted within the main body of this plan we require details of all related parties and any transaction with them during the year, as follows:

Type	Name of Related Party
Joint Committee	Councillor Rob Wharton
	Councillor Zona Hannington
	Councillor Ollie Vickers
	Councillor Peter Stoddart
	Councillor Graham Biggs
	Councillor Roger Evans
	Councillor Rob Wilson
	Councillor Ian Cresswell
Key Personnel	Nigel Evans
	Jo Pugh

Note the following constitute the majority of related parties:

- *Shareholders of the entity and their spouses/ long term partners/ children and parents;*
- *Other entities in which shareholders and their spouses/ long term partners/ children and parents have an interest;*
- *Directors of the entity and their spouses/ long term partners/ children and parents;*
- *Other entities in which directors and their spouses/ long term partners/ children and parents have an interest;*
- *Key Management Personnel and their spouses/ long term partners/ children and parents; and*
- *Other entities in which key management personnel and their spouses/ long term partners/ children and parents have an interest.*

We require each of the above to provide a completed annual related party declaration (pro forma provided).



Committee and Date

West Mercia Energy Joint Committee

27th March 2026

Item

Public

Note report should be shared with and used to provide assurance to IA services within the Joint Committees areas

**WEST MERCIA ENERGY
INTERNAL AUDIT ANNUAL REPORT
2025/26**

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 2025/26. 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 ending 31 March 2026. 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 Global Internal Audit Standards in the UK Public Sector.
- 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 Four good assurance opinions were given in 2025/26 in respect of the finance, debtors, corporate governance and risk management systems and IT, one reasonable assurance opinion was provided in relation to procurement. A total of seven 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 2025/26.

3. Recommendations

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

- a) Performance against the Audit Plan for the year ending 31 March 2026.
- 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 2025/26.
- c) The Chief Audit Executive's substantial year end opinion on West Mercia Energy's governance, risk management and internal control environment for 2025/26 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 2025/26 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 Global Internal Audit Standards in the UK Public Sector 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. The Global Internal Standards in the UK Public Sector came into force in April 2025, an internal quality assessment is currently being undertaken and an external review is due to be undertaken in 2026/27, the outcomes of these assessments will be reported to the Joint Committee.

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 2025/26

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 significant or fundamental weaknesses 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 2025/26.

Key Assurances provided during 2025/26

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
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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 2025/26

Audit Area	Assurance level	No. of Recommendations made				Total
		Best Practice	Requires Attention	Significant	Fundamental	
Debtors System	Good	0	0	0	0	0
Finance System	Good	0	1	0	0	1
Corporate Governance & Risk Management	Good	0	1	0	0	1
Procurement	Reasonable	0	0	1	0	1
IT	Good	0	4	0	0	4
Total for the period		0	6	1	0	7
Percentage		0%	85.7%	14.3%	0%	100%

7.11 The Internal Audit team has achieved 100% of the plan. Four good assurance levels were issued during the financial year and one Reasonable. For one requires attention recommendation management have agreed to accept the risk, the remaining 6 recommendations have agreed management actions and

implementation dates. A summary of the audits undertaken, controls reviewed and recommendations raised is provided in **Appendix A**. Full audit reports can be provided to members of the Joint Committee on request.

Audit Performance

7.12 Audit Performance is demonstrated by measuring achievement against the plan, ensuring compliance against the Global Internal Audit Standards in the UK Public Sector. 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	2025/26 (%)
Pre-audit arrangements	100%
Post-audit briefing	100%
Audit coverage/scope of the audit	100%
Timeliness of production of report	100%
Accuracy and clarity of report	100%
Practicality of recommendations	100%
Professionalism of approach	100%
Communication skills	100%
Timeliness of audit to your business	100%
Number of forms returned	4

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

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

- 2025/26 Internal Audit Strategic Plan - Joint Committee on 14th March 2025
- Global Internal Audit Standards in the UK Public Sector
- Global Internal Audit Standards (GIAS)
- Accounts and Audit Regulations 2015.

Member

Councillor Peter Stoddart of Herefordshire Council

Appendices:

Appendix A – Audit Summary

Appendix A – Audit Summary

The following tables provide a summary of the controls reviewed as part of each audit undertaken within 25/26 and the number recommendations that have been raised against each control. Where recommendations have been raised a summary is provided at the end of each table.

Audit Name: Debtors		Opinion:		Good	
Objective: To review the key controls in place to ensure that customers are billed in a prompt and efficient manner and that income is collected in a safe and secure manner.					
Control & Assessment		Recommendations			
		F	S	RA	BP
√	The recommendations made in the previous audit have been implemented.	-	-	-	-
√	There are appropriate policies and procedure notes in place for the operation of the system.	-	-	-	-
√	Billing information is verified before invoicing customers.	-	-	-	-
√	There are appropriate arrangements in place to ensure prompt payment of invoices.	-	-	-	-
√	There are appropriate post opening procedures in place for the control of cash and cheques.	-	-	-	-
√	There are appropriate arrangements in place for the collection of Income by Direct Debit.	-	-	-	-
√	All income received is reconciled to the bank account.	-	-	-	-
√	Income credited to suspense accounts is reviewed and cleared in a timely manner.	-	-	-	-
√	Management Information in respect of income is timely and adequate.	-	-	-	-
Summary of recommendations made: No recommendations were made in this audit as all controls were found to be operating effectively.					

Audit Name: Finance		Opinion:		Good	
Objective: To review the key finance processes of WME to ensure that there are appropriate controls in place and that those controls are being operated effectively.					
Control & Assessment		Recommendations			
		F	S	RA	BP
√	There are appropriate Financial Regulations which have been approved by the Joint Committee.	-	-	-	-
√	There is an established process for preparation and approval of the annual budget.	-	-	-	-
√	Management Accounts are accurate and produced in a timely manner for review by senior management and Members.	-	-	-	-
√	There are appropriate controls over the use of journal entries within the ledger.	-	-	-	-
√	There is a bank reconciliation process which is undertaken in a timely manner and reviewed by management.	-	-	-	-
√	There are appropriate arrangements in place for the recording and monitoring of VAT.	-	-	-	-
√	There is an appropriate process in place to ensure that the payroll is processed in an accurate and timely manner in line with current legislation.	-	-	-	-
√	Permanent and temporary variations to the payroll are valid, appropriately authorised, and processed accurately.	-	-	-	-
√	There are appropriate processes in place for the control and operation of the creditors system.	-	-	1	-
√	There are appropriate controls to ensure that creditors payments made are accurate, complete, have not previously been paid.	-	-	-	-
Summary of recommendations made: Official orders should be raised for all goods/services prior to payment being made.					

Audit Name: Corporate Governance		Opinion:		Good	
Objective: To confirm that there are appropriate arrangements in place for the management of governance, risk and business continuity during the 2025/26 financial year.					
Control & Assessment		Recommendations			
		F	S	RA	BP
X	The recommendations made in the previous audit have been implemented.	-	-	-	-
√	There is an appropriate process in place to ensure that Strategic and Operational Risks are recorded in a suitable format in the Risk Register and regularly reported to the Joint Committee.	-	-	-	-
√	Satisfactory Corporate Governance arrangements are in place.	-	-	-	-
√	The Joint Committee oversight arrangements defined within the Energy Governance, Accountability, Risk & Reporting Policy (EGARRP) are in place.	-	-	-	-
√	A business continuity plan has been prepared which details the actions to be taken to allow recovery from an incident.	-	-	1	-
Summary of recommendations made: To ensure that the business continuity plan is periodically tested. This recommendation has been restated from the previous audit.					

Page 28

Audit Name: Procurement		Opinion:		Reasonable	
Objective: To assess and provide assurance on the adequacy and effectiveness of procurement processes and governance arrangements, considering the recent implementation of the Procurement Act 2023.					
Control & Assessment		Recommendations			
		F	S	RA	BP
√	The organisation has an approved procurement policy that includes the roles and responsibilities for undertaking procurement activity	-	-	-	-
√	Procurement policies have been updated in line with changes in legislation	-	-	-	-
X	Third party support for procurement advice is provided in line with an agreed SLA	-	1	-	-
√	Procurement activity is reported in line with Financial Regulations	-	-	-	-
Summary of recommendations made: To ensure that procurement support arrangements are formalised by a written agreement.					

Audit Name: IT			Opinion:		Good	
Objective: To provide assurance on the responses provided in support of the management Cyber Essentials self-assessment providing independent and objective assurance on their accuracy.						
Control & Assessment			Recommendations			
			F	S	RA	BP
-	Previous audit recommendations have been implemented.		-	-	-	-
√	There is evidence to support the responses included as part of the Firewall and Routers responses.		-	-	1	-
√	There is evidence to support the responses included as part of the Secure Configuration responses.		-	-	1	-
√	There is evidence to support the responses included as part of the Security Updates responses.		-	-	-	-
√	There is evidence to support the responses included as part of the User Access Control responses.		-	-	2	-
√	There is evidence to support the responses included as part of the Malware Protection responses.		-	-	-	-
Summary of recommendations made: Recommendations raised related to ensuring key documents being updated such as the IT SLA, security policy and the business continuity plan.						

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<u>Committee and Date</u>
West Mercia Energy Joint Committee
27 th March 2026

<u>Item</u>
Public

WEST MERCIA ENERGY (WME) INTERNAL AUDIT STRATEGIC PLAN 2026/27

Responsible Officer Barry Hanson
e-mail: Barry.Hanson@shropshire.gov.uk Tel: 07990086409

1. Summary

- 1.1 This report details the proposed programme of audit work for the year 2026/27 and recommends that members approve the programme, as set out in the report.
- 1.2 Internal Audit Services to West Mercia Energy have continued to be provided by Shropshire Council.

2. Recommendations

- 2.1 The Committee are asked to consider and endorse, with appropriate comment, the proposed programme of audits for 2026/27.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Under the Joint Committee's terms of reference, reviewing the risk based audit plan, including internal audit resource requirements, the approach to using other sources of assurance and any other work upon which reliance is placed, is an important responsibility. In considering this plan Members should be assured that it is linked to the West Mercia Energy's key risks and provides enough coverage to ensure a reasonable opportunity to identify any weaknesses in the internal control environment. When critical to the business operations these will be reported and rectified where possible and viable.
- 3.2 Areas to be audited within the plan have been considered with the knowledge of risk register information both operational and strategic.
- 3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.
- 3.4 From April 2025, the Public Sector Internal Audit Standards was replaced with the Global Internal Audit Standards (GIAS) in the UK Public Sector. This provides a

framework for the practice of internal audit in the UK public sector when taken together with the GIAS issued by the Institute of Internal Auditors (IIA).

3.5 The development of the internal audit plan has been undertaken in line with the GIAS and all work completed as part of the 2026/27 WME audit plan will be in accordance with the GIAS in the UK Public Sector.

3.6 The provision of the Internal Audit Annual Plan to the Joint Committee satisfies the requirements under the Global Internal Audit Standards in the UK Public Sector.

4. Financial Implications

4.1 The proposed plan includes 22 days in 2026/27. The breakdown of days by proposed audit is summarised as part of **Appendix A**.

5. Climate Change Appraisal

5.1 This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaptation. However, the work of Internal Audit will look at the aspects relevant to the governance, risk management and control environment. The Committee can seek direct assurance on these matters where required.

6. Background

6.1 The S151 Officer is legally required to maintain sound and proper financial management on behalf of the West Mercia Energy (WME). This includes a responsibility for maintaining internal audit. Internal audit is provided by Shropshire Council.

6.2 Audit priorities and known risks have been examined and a detailed audit plan has been produced for the provision of audit services for 2026/27, for consideration by the Committee. Each potential audit area has been reviewed with the Managing Director and the Head of Finance and Billing and considered in relation to the strategic risks of the business. Some areas are required to be audited every year, as they are fundamental to sound financial management.

6.3 The audit programme is shown at Appendix A. The proposed plan is presented to Committee for approval to reflect current issues and risks. This will ensure that the audits are timely, appropriate and add value, subject to the comments raised above. It takes account of issues identified by the West Mercia Energy risk management frameworks, including the risk appetite levels set by management for the different activities or parts of the business audited. The proposed Internal Audit plan considers the requirement to produce an annual internal audit opinion and assurance framework. Any adjustments needed to the plan will be agreed with the Managing Director and reported to the Joint Committee.

7. Resources and Delivery

7.1 WME has provided a budget in 2026/27 to deliver 22 days of audit.

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

Internal audit strategic plan 2020/21 – February 2020
Internal audit strategic plan 2021/22 – March 2021
Internal audit strategic plan 2022/23 – March 2022
Internal audit strategic plan 2023/24 – March 2023
Internal audit strategic plan 2024/25 – March 2024
Internal audit strategic plan 2025/26 – March 2025

Member

Councillor Peter Stoddart of Herefordshire Council

Appendices

Appendix A: West Mercia Energy – Proposed Internal Audit Plan 2026/27

APPENDIX A

WEST MERCIA ENERGY - AUDIT AREAS

AUDIT	Including review of:	2026/27 DAYS
PROCUREMENT	Review of procurement arrangements re the new energy procurements being undertaken in 2026/27.	3
DEBTORS	Review the operational aspects of billing and account management	4
FINANCE	A combined audit reviewing the areas of Finance, Payroll and Creditors general controls.	5
IT	Time allocated to provide IT assurance advice	2
CORPORATE GOVERNANCE AND RISK MANAGEMENT	Corporate Governance & Risk Management Combined review (including EGARRP)	4
ENGAGEMENT MANAGEMENT	To include follow up of previous recommendations, audit management, audit planning, servicing Audit Committee, advisory	4
	Contingency	0
TOTAL		22

5. Background

- 5.1 The Modern Slavery Act 2015 is aimed at combating crimes of slavery and human trafficking and recognises that businesses have a role to play in tackling these crimes. Section 54 of the Act requires any commercial organisation with a turnover of over £36m p.a. to publish an annual statement for each financial year to detail what steps the organisation has taken to ensure that human trafficking is not taking place in any of its supply chains or its business (this does not mean the organisation must guarantee the entire supply chain is slavery free); or make a declaration that no such steps have been taken. The aim is to ensure that businesses are transparent about what they are doing to tackle modern slavery and human trafficking.
- 5.2 The WME Anti-Slavery and Human Trafficking Policy was approved by the Joint Committee on 25th September 2017 and this Policy is published on the WME website.
- 5.3 In accordance with section 54 of the Modern Slavery Act 2015, a statement must be published at the end of the relevant financial year and specify the steps taken within the previous financial year to ensure that no slavery or human trafficking is taking place in any part of its business or in its supply chains. Organisations are encouraged to do this within 6 months of the end of the relevant financial year.
- 5.4 The Statement is in draft form as the financial year 2025/26 has not yet ended. No changes are expected to the Statement once the financial year has ended and it is preferable for the Statement to be completed and published prior to the September Joint Committee.
- 5.5 The WME Statement for 2025/26 is attached and the Joint Committee are asked to approve the draft Statement. Once approved the Statement will be published on the WME website.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p>
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<p>Joint Committee 25th September 2017 – Anti-Slavery and Human Trafficking Policy</p>

<p>Joint Committee 14th March 2025 - Anti-Slavery and Human Trafficking Statement 2024/25</p>
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<p>Member</p>

<p>Councillor P Stoddart of Herefordshire Council (Chair of the Joint Committee)</p>
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<p>Appendices</p>

<p>WME Transparency Statement 2025/26</p>



West Mercia Energy

Modern Slavery Act 2015

West Mercia Energy Transparency Statement 2025/26

This statement is made in pursuant to section 54 of the Modern Slavery Act 2015 (the Act) and relates to actions and activities West Mercia Energy (WME) have undertaken during the financial year 1 April 2025 to 31 March 2026 to understand all potential modern slavery risks related to its business and to put in place steps that are aimed at ensuring that there is no slavery or human trafficking in its own business and supply chains.

WME offers energy procurement and management on behalf of its four Member Authorities and a number of outside bodies. The contracts cover the provision of electricity, natural gas, petroleum fuels and liquid petroleum gas within the UK. WME is opposed to all forms of human trafficking and slavery and takes all necessary steps to ensure the promotion of sound, moral and ethical practices throughout the whole of its business.

During the financial year 1 April 2025 to 31 March 2026 WME have:

- Monitored adherence/compliance to/with our formal Anti-Slavery and Human Trafficking Policy.
- Taken steps to ensure that all current suppliers are fully compliant with the Act.
- Ensured that all procurement activity identifies compliance with the Act as part of the evaluation criteria and incorporates the principals of PPN 02/23 – Tackling Modern Slavery in Government Supply Chains (updated 25 March 2024).
- Ensured that all recruitment activity was undertaken in line with requirements of the Act.
- Conducted risk awareness training with all members of staff.
- Commenced a programme of training in accordance with the Government Commercial College, with one member of staff having completed the course 'Tackling Modern Slavery in Supply Chains'.

During 2026/27 WME will continue to apply our Anti-Slavery and Human Trafficking Policy to all our commercial activities, and to maintain awareness of the Act and its requirements and obligations to all our staff. This will involve rolling-out training in accordance with the Government Commercial College to all relevant staff.

WME's Slavery and Human Trafficking Statement has been approved by the WME Joint Committee. It should be read in conjunction with the Modern Slavery Act 2015 and the National Referral Mechanism. This Statement will be reviewed and updated annually.

Approved: Nigel Evans, Director, April 2026

West Mercia Energy is jointly owned by the following councils



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Committee and Date

West Mercia Energy Joint
Committee

27th March 2026

Item

Public

RISK MANAGEMENT UPDATE

Responsible Officer Nigel Evans

e-mail: nevans@westmerciaenergy.co.uk Tel: 0333101 4353

1. Summary

- 1.1 The Joint Committee annually reviews the WME Risk Management Strategy and at each meeting receive details regarding the key risks identified.

2. Recommendations

The Joint Committee are recommended to:

- 2.1 approve the WME Risk Management Strategy attached at Appendix A;
2.2 accept the position as set out in this report.

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 current WME Risk Management Strategy was approved by the Joint Committee on 14th March 2025, as detailed in Appendix A. The WME management team has conducted their annual review of the Strategy document, and no changes are proposed.

5.2 The risk register is regularly monitored and is formally reviewed by WME management twice a year. The current risk register includes seventy-one highlighted risks.

5.3 The majority of the risks documented in the risk register are operational, with mitigating controls effectively reducing the impact of these risks to an acceptable level.

5.4 The Strategy requires the Joint Committee to review all medium and high risks at each meeting. The table below shows the one current medium risk and the one risk which has been downgraded since the last meeting.

Ref	Risk	Risk Owner	L	I	Rank	Rank Change
<i>Current Medium Risks</i>						
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
<i>Reduced risks</i>						
3	Loss of business due to central government initiative or regulatory change e.g. DfE supported energy for schools program	Nigel Evans	3	3	low	Reduced from Medium

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

5.5 Due to positive engagement with the Department of Education over recent months, the impact of loss of business for the risk reference No. 2 has been reduced.

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

Joint Committee 26th September 2025 – Risk Management Update

Member

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

Appendices

Appendix A - WME Risk Management Strategy

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RISK MANAGEMENT STRATEGY

Introduction

Risk management is an integral part of good management practice and a key part of corporate governance. This strategy statement outlines the arrangements put in place to ensure that WME identifies and deals with the key risks that it faces, ensuring that the right actions are taken at the right time. It involves the dissemination of roles, responsibilities and accountabilities for risks within the organisation and forms part of the corporate governance of WME.

This strategy seeks to set out how WME:

- I. Identifies and measures risk.
- II. Plans and acts to manage or mitigate risk.
- III. Monitors risk on a continual basis.

WME recognises that the development of policy, delivery of objectives and management of its operations attracts risks. How successful WME is in dealing with the risks it faces can have a major impact on the achievement of its key strategies, priorities and service delivery to its customers. The risk management strategy helps to support the aim of WME to be a first-class organisation.

Aims & Objectives

Risk Management is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. This is achieved through transferring risks, controlling risks, living with risks or ceasing the activity that gives rise to the risk. WME aims to ensure that Risk Management becomes a natural component of its management processes.

The objectives of this strategy are to:

- Raise awareness of the need for Risk Management in all areas of service delivery, integrate it into the culture of WME and embed it in the performance management framework.
- Manage risk in accordance with best practice.
- Anticipate and respond to changing social, financial, environmental, technological and legislative requirements.
- Minimise exposure to risk.

WME will achieve these objectives by:

- Including Risk Management as an integral part of its management processes and day-to-day operations through corporate, directorate and unit business plans.
- Ensuring sound systems of internal control.
- Incorporating Risk Management into major service reviews including best value and project management.

- Preparing contingency plans in areas where there is a potential for serious adverse effects on service continuity.
- Regular monitoring and review of the arrangements.
- Ensuring that we respond to and meet our legislative responsibilities in relation to the management of risk.

Our Approach to the Governance of Risk Management

Our overall aim is to embed the culture of Risk Management throughout the organisation.

Risks are managed every day as part of normal business activity. Risk Management is not just about eliminating risk but about dealing with and reducing the circumstances in terms of their impact and probability (likelihood). A critical success factor in embedding a risk management culture is the commitment of the Managing Director, the WME Senior Leadership Team and the Joint Committee Members.

Roles and Responsibilities

The full integration of Risk Management into the culture of the organisation can only be achieved through the full commitment and understanding of all stakeholders. These stakeholders can be defined as follows:

- WME Joint Committee
- Managing Director
- WME Senior Leadership Team
- WME employees

All these stakeholders have a role to play in the control environment within which WME operates, whether in connection with the setting of policy and decision making, the challenge process of accountability, the implementation of WME's objectives, the setting of internal controls or the provision of a safe working environment.

WME's responsibilities need to be clearly understood and have been defined as:

- Development, monitoring and review of the Risk Management Strategy and Risk Register.
- Identification, analysis and monitoring of principal risks.
- Champion and raise awareness of Risk Management and to ensure that the process becomes embedded in the culture of the organisation.
- Ensure synergy with other "risk" systems, e.g. Health and Safety, Business Continuity and project management.
- Ensure regular updating of the Risk Register.
- Monitor and review Risk Registers and Risk Action Plans.

Joint Committee responsibilities:

- Review the Risk Management Strategy on an annual basis.
- Receive details of all medium and high risks at each meeting.

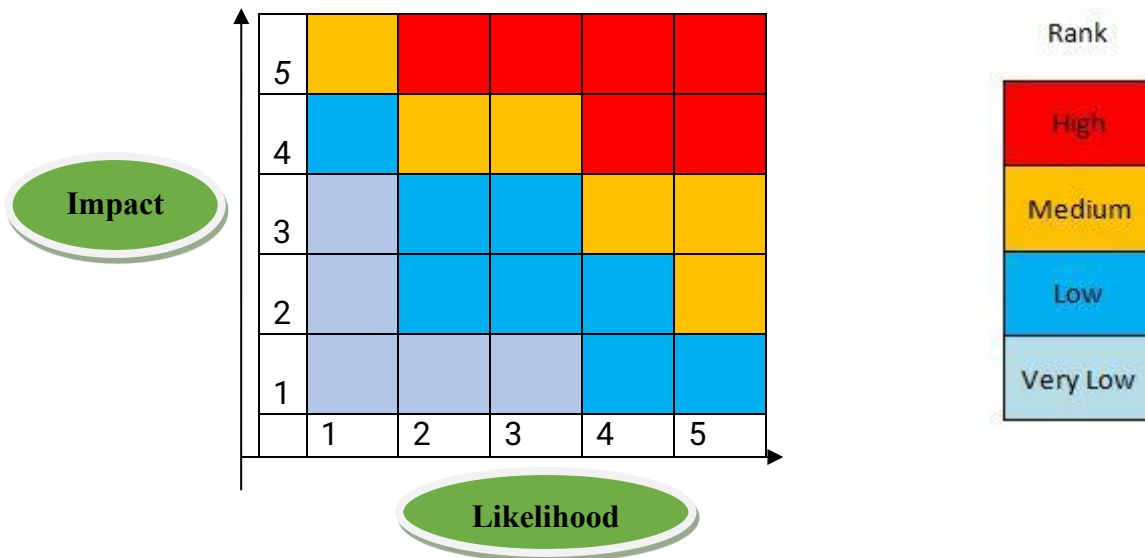
Each identified risk will be allocated an owner, responsible for the management and monitoring of that risk.

The Managing Director will have a responsibility to ensure that the WME Senior Leadership Team analyse risks and produce appropriate information for inclusion in the Risk Register and Risk Action Plans specific to their sectors; whilst making the necessary connections to issues that have an organisation wide effect.

Risk Appetite

WME evaluates risks on the basis of the likelihood of them occurring and the impact of the consequences if they do. A standard set of evaluation criteria is used to evaluate both likelihood and impact and the resultant risks are then plotted on the maps, as depicted below.

Risk Matrix



Risks are treated in accordance with the WME 'risk appetite', that is the level of risk the organisation deems to be acceptable. While all risks should be judged on their own merit, managers also have the responsibility to manage their risks as they see fit. Nevertheless, good practice suggests that any risk classified as high should be deemed to require immediate management attention with the aim of treating it, either to reduce the level of threat or maximise the opportunity that may arise from it.

Identification and Categorisation of Risk

The focus of good risk management is the identification and treatment of risks. It increases the probability of success and reduces the likelihood of failure and the uncertainty of achieving objectives. Risk management should be a continuous and evolving process that runs throughout the strategies and service delivery of the organisation.

Learning lessons from past activities helps inform current and future decisions by reducing threats and optimizing the uptake of opportunities. Celebrating and communicating successful risk management in turn encourages a more daring but calculated approach.

The Managing Director and WME Senior Leadership Team have a clear responsibility to set the overall framework and establish and monitor the Risk Register. Strategic risks are those that might impact on the high level, medium to long-term, goals and objectives of WME together with those cross cutting issues that have potential to impact significantly on service delivery, business continuity and profit generation.

At operational level the monitoring and identification of risk lies with sector managers and forms part of their service planning process. These are the risks that will be encountered as a result of daily activity. Due consideration must be given to the need to involve other sectors in decision making processes in order to mitigate risk.

Risks should be identified by considering the threats to the successful delivery of each of the objectives and activities of the organisation. These risks have been categorised as follows within the Risk Register:

- Business continuity.
- Operational.
- Systems.
- Trading.
- Strategic.

Benchmark test for significance

Likelihood	Score	Risk Likelihood Definition
Rare	1	Risk may occur in exceptional circumstances
Possible	2	Risk may occur within the next three financial years
Likely	3	Risk is likely to occur within this financial year
Almost Certain	4	Indication of imminent occurrence
Certain	5	Risk has occurred and will continue to do so without immediate action being taken

Impact	Score	Risk Impact Definition
Negligible	1	<ul style="list-style-type: none"> • Negligible loss, delay or interruption to services. • Can be easily and quickly remedied. • Financial impact less than 2½% of annual WME budgeted net profit.
Minor	2	<ul style="list-style-type: none"> • Minor loss, delay or interruption to services. • Short term impact on operational efficiency and performance. • Financial loss of between 2½ - 10% of annual WME budgeted net profit. • Failure to meet internal standards. • Affects only one group of stakeholders. • No external interest. • Isolated complaints.
Significant	3	<ul style="list-style-type: none"> • Significant loss, delay or interruption to services. • Medium term impact on operational efficiency and performance. • Financial loss of between 10 - 20% of annual WME budgeted net profit. • Failure to meet recommended best practice. • Affects more than one group of stakeholders. • May attract short-term attention of legislative or regulatory bodies. • Significant complaints.
Major	4	<ul style="list-style-type: none"> • Major loss, delay or interruption to services. • One off events which could de-stabilise the organisation. • Widespread medium to long term impact on operational efficiency, performance and reputation. • Financial loss of between 20 - 50% of annual WME budgeted net profit for one year. • Financial loss of between 15 - 30% of annual WME budgeted net profit for more than one year. • Breach of legal or contractual obligation. • Affects more than one group of stakeholders. • Will attract medium-term attention of legislative or regulatory bodies. • Significant adverse media interest.
Critical	5	<ul style="list-style-type: none"> • Total sustained loss or disruption to critical services. • Long term impact on operational efficiency, performance and reputation. • Financial loss of 50%+ of annual WME budgeted net profit for one year. • Financial loss of 30%+ of annual WME budgeted net profit for more than one year. • Serious breach of legal or contractual obligation. • Affects all groups of shareholders.

		<ul style="list-style-type: none">• National impact with rapid intervention of legislative or regulatory bodies.• Extensive adverse media interest.• Loss of credibility.
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