



SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

INTERNAL AUDIT BRIEFING NOTE ENERGY PROCUREMENT – WME 2021/22

Assurance Level	N/A
------------------------	------------



Audit Data

Customer:	Nigel Evans – Director (West Mercia Energy)
Report Distribution:	James Walton (S151 Officer)
Auditor(s):	Kayleigh Griffiths
Fieldwork Dates:	January 2022
Debrief Meeting:	N/A
Draft Report Issued:	N/A
Responses Received:	N/A
Final Report Issued:	20 January 2022

Background

1. West Mercia Energy (WME), is a public purchasing organisation, specialising in managing energy contracts for the public sector. WME is jointly owned by four local authorities: Shropshire, Telford & Wrekin, Worcestershire, and Herefordshire councils, respectively.
2. As part of the West Mercia Energy programme of audit, assurance is required to cover the area of energy procurement. In the financial year 2021/22, no major tenders were completed. The energy market is currently extremely volatile with energy prices reaching record highs.
3. A global surge in demand for gas, following a cold winter has left stocks low. Alongside this, the closure of a main power cable from France has affected electricity prices. A race to restock supplies prior to colder temperatures has resulted in astronomical price increases.
4. As a result of the price increases, WME have had to undertake regular reviews on their contracted energy prices to maintain stock levels and to try and minimise price increases to customers.
5. Cash out clauses in contracts cause further complication to the provider. Cash out related to the variation in the final unit price paid as a result of balancing secured volumes against those volumes consumed. This could result in either a reduction of increase in costs depending on whether volumes need to be sold back or purchased from the market and the difference between the price volumes hedged and the market price (day ahead).
6. Assurance is sought to ascertain whether WME is responding appropriately and transparently to the volatile market conditions with the agreement of the section 151 officer and all partner agencies, plans are set out, communicated, agreement is sought and regular updates provided.

Scope of work

7. A desktop review was undertaken and relevant documentation considered alongside interviews with key personnel.

Findings

8. Documentation reviewed shows regular, detailed updates are being provided to a Communication Group by the Director of WME. The Communication Group consists of a representative from all Member Organisations.
9. Calls/meeting are scheduled as and when deemed necessary with all parties of the Communication Group attending calls at short notice.
10. The Communication Group are provided with briefing notes/reports to peruse prior to these calls and to give a full understanding of the situation prior to the call.
11. The decisions made at the calls are followed up with notes to the parties from the calls/minutes.
12. The evidence suggests all parties are responding quickly to the changing market, adequate information is being provided to the Communication Groups for guidance and direction to be given to WME. The communications appear transparent and appropriate to response to the changing market.
13. No recommendations have been made.