



Committee and Date

West Mercia Energy Joint  
Committee

21<sup>st</sup> March 2023

Item

12

Public

## RISK MANAGEMENT UPDATE

**Responsible Officer** Nigel Evans

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### 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 15<sup>th</sup> March 2022 a copy of which is attached in Appendix A. The WME management team have conducted their annual review of the Strategy document and no changes are being proposed.
- 5.2 The risk register is kept under constant review and is formally reviewed by the management of WME twice a year and the current risk register comprises of eighty-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 Strategy states that the Joint Committee are to receive details of all medium and high risks at each meeting The table below identifies the six current high and medium risks and the one risk which has been downgraded since the last meeting.

Ref	Risk	Risk Owner	L	I	Rank	Rank Change
<b><i>Current High and Medium Risks</i></b>						
1	Market conditions pre-pricing leading to less competitive prices / high year on year price rises	Julie Wassall	4	3	Medium	No Change
2	Breach of trading risk levels due to significant "in year" supplier reforecasting of volumes	Julie Wassall	2	5	High	No Change
3	Central government policy or Regulative initiative	Nigel Evans	1	5	Medium	No Change
4	Loss of key staff	Nigel Evans	2	4	Medium	No Change
5	Bad debts / delayed payment	Jo Pugh	3	4	Medium	No Change
6	Dealing with suppliers that have ownership or investments within Russia or Belarus	Nigel Evans	5	2	Medium	No Change
<b><i>Previous medium risk now downgraded</i></b>						
1	Delays in customers completing new contracts resulting in high year on year price rises.	Nigel Evans	3	2	Low	Reduced

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

- 5.5 The volatility in the market has been extreme in the last year with commodity prices rising by some 400% between March and late August before collapsing back by some 70% since. With such severe market movements Risk Ref 1 and 2 remain at a medium and high rank respectively.
- 5.6 The risk relating to the loss of key staff has been reviewed and remains at the medium level. Four new staff have been recruitment within the last year to help mitigate this risk, build in greater resilience, and strengthen for further growth.

- 5.7 With rising energy prices leading to increased budgetary pressure on customers the risk of bad debt or delayed payments from customers remains at a medium level. The WME credit management function continues to operate effectively and we will be looking to revise our customers Terms and Conditions to ensure they are more robust where non-payment arises.
- 5.8 The risk relating to delays in customers completing new contracts leading to high year on year prices has been reduced to a low ranking as the likelihood rating 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 15<sup>th</sup> March 2022 – Risk Management Update

Joint Committee 27<sup>th</sup> September 2022 – Risk Management Update

**Member**

Councillor L Harvey of Herefordshire Council (Chair of the Joint Committee)

**Appendices**

Appendix A - WME Risk Management Strategy