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Committee and Date

West Mercia Energy Joint
Committee

20th September 2024

Item

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Public

RISK MANAGEMENT UPDATE

Responsible Officer

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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 eighty-three highlighted risks.
- 5.3 The majority of the risks within the risk register are operational with controls in place which mitigate the impact of the risks to an acceptable risk level.
- 5.4 The table below identifies the four current medium risks as well as two risks that been reduced from a medium to low level since the last meeting.

Ref	Risk	Risk Owner	L	I	Rank	Rank Change
<i>Current Medium Risks</i>						
1	Trading performance leads to uncompetitive portfolio prices during financial year	Julie Wassall	5	3	Medium	No Change
2	Breach of Capital at Risk levels above 10% of Review Point level (as a result of market spike)	Julie Wassall	1	5	Medium	Reduced risk from High to Medium
3	Central government policy or Regulative initiative such as Academisation programme or other initiative	Nigel Evans	1	5	Medium	No Change
4	Dealing with suppliers that have ownership or investments within Russia or Belarus	Nigel Evans	5	2	Medium	No Change
<i>Reduced risks</i>						
1	Unexpected consequences of a change of supplier e.g. diminishing levels of service, transfer delays and/or potential financial implications	Julie Wassall	2	2	Low	Reduced risk from Medium to Low
2	Delays in payment from key customers resulting in cash flow issues	Nigel Evans / Jo Pugh	3	4	Low	Reduced risk from Medium to Low

L – likelihood of the risk

I – impact of the risk

- 5.5 As gas commodity positions for the current 24/25 delivery period were under management ahead of the energy price peak of August 22, this has resulted in some gap between our positions and the market rates. As a result Risk Ref 1 has remained at a medium level.
- 5.6 Risk Ref 2 has been revaluated and in light of the increased controls in place and established internal practices, the likelihood has been reduced from a level of two to one, which means in our view the breach of the risk levels within the year may only occur in exceptional circumstances. As a result of the rank of the risk has dropped from high to medium.
- 5.7 Risk Ref 3 remains at a medium level to cover any central government policy or initiative which would adversely affect our business. We have recently seen some impact of light

mandation within the NHS sector and we are aware of a pilot scheme which the Department of Education are currently trialling. Risk Ref 4 remains at a medium level.

- 5.8 Two risks have been reduced from a medium level to low. The first one relates to the unexpected consequences from a change of supplier. This risk had been increased previously ahead of the move of our electricity portfolio to Npower from 1st April. The transfer to Npower has been successful with no major issues resulting from the move and so this risk level has been reduced.
- 5.9 The second risk that has been reduced from medium to low relates to delays in payments from key customers where the likelihood rating has been dropped to a three from a previous level of four. Effective cash management continues within the business and where delays in payments are experienced with large customers they often relate to change in systems and processes rather than an issue with funds and are reasonably quickly resolved.

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

Joint Committee 22nd March 2024 – Risk Management Update

Member

Councillor G Butler of Shropshire Council (Chair of the Joint Committee)

Appendices

None