



Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: 13th September 2018

Committee:
West Mercia Energy Joint Committee

Date: Monday, 24 September 2018

Time: 10.00 am

Venue: Ludlow Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

You are requested to attend the above meeting.
The Agenda is attached

Claire Porter
Head of Legal and Democratic Services (Monitoring Officer)

Members of West Mercia Energy Joint Committee

Members of West Mercia Energy Joint Committee

Herefordshire Council

D Harlow
P Price

Shropshire Council

N Laurens (Vice-Chairman)
R Macey

Telford & Wrekin Council

L Carter
R Overton

Worcestershire County Council

J Smith
A Hardman (Chairman)

Your Committee Officer is:

Emily Marshall Committee Officer

Tel: 01743 257717

Email: emily.marshall@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 26th February 2018.

Copy attached marked 2.

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 10.00 a.m. on Friday, 21st September 2018.

4 Disclosable Pecuniary Interests

Members are reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

5 Supplier Contracts

The Director of West Mercia Energy will provide a verbal update in line with the WME Standing Orders.

6 Statement of Accounts 2017/2018 and Annual Governance Statement 2017/2018 (Pages 5 - 58)

Report of the Treasurer.

Contact: James Walton (01743 258915)

7 External Audit - Audit Findings Report 2017/2018 (Pages 59 - 74)

Report of the External Auditor.

Contact: Richard Percival/James McLarnon (0121 212 4000)

8 Internal Audit Annual Report 2017/18 (Pages 75 - 82)

Report of the Audit Services Manager.

Contact: Ceri Pilawski (01743 257739)

9 Distribution of Surplus (Pages 83 - 86)

Report of the Treasurer.

Contact: James Walton (01743 258915)

10 Treatment of Pension Liability for WME and Former WMS

The Treasurer will provide a verbal report.

Contact: James Walton (01743 258915)

11 West Mercia Energy Data Protection Policy (Pages 87 - 92)

Report of the Director of West Mercia Energy.

Contact: Nigel Evans (0333101 4353)

12 West Mercia Energy Health and Safety Policy (Pages 93 - 102)

Report of the Director of West Mercia Energy.

Contact: Nigel Evans (0333101 4353)

13 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.

14 Exempt Minutes (Pages 103 - 106)

To approve the exempt Minutes of the meeting held on 26th February 2018.

Contact: Emily Marshall (01743 257717)

15 Update on Business Plan and Trading Performance to Date 2018/2019
(Pages 107 - 122)

Report of the Director of West Mercia Energy.

Contact: Nigel Evans (0333101 4353)

16 Minutes of the Flexible Energy Advisory Panel (Pages 123 - 136)

Exempt report of the Director of West Mercia Energy.

Contact: Nigel Evans (0333101 4353)

17 Risk Management Update (Pages 137 - 140)

Exempt report of the Director of West Mercia Energy.

Contact: Nigel Evans (0333101 4353)

18 Date of Next Meeting

To confirm the dates of meetings for 2019.



Committee and Date

West Mercia Energy Joint
Committee

24th September 2018

WEST MERCIA ENERGY JOINT COMMITTEE

Minutes of the meeting held on 26 February 2018

In the Wilfred Owen Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

10.00 - 11.45 am

Responsible Officer: Emily Marshall

Email: emily.marshall@shropshire.gov.uk Tel: 01743 257717

Present

Councillor Adrian Hardman (Chairman)

Councillors Lee Carter, Nic Laurens (Vice-Chairman), Phillip Price and John Smith

1 Election of Chairman

RESOLVED:

That Councillor Adrian Hardman be elected Chairman for the ensuing year.

2 Apologies for Absence

Apologies for absence were received from Councillors Robert Macey (Shropshire), David Harlow (Herefordshire) and Richard Overton (Telford and Wrekin).

3 Appointment of Vice-Chairman

RESOLVED:

That Councillor Nic Laurens be appointed Vice-Chairman for the ensuing year.

4 Minutes

RESOLVED:

That the Minutes of the West Mercia Energy Joint Committee held on 25th September 2017 be approved as a correct record and signed by the Chairman.

5 Public Question Time

There were no public questions or petitions received.

6 Disclosable Pecuniary Interests

Members were reminded that they must not participate in the discussion or voting on any matter in which they had a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

7 Supplier Contracts

In accordance with Standing Orders, Mr N. Evans, Director of West Mercia Energy provided an update on Supplier Contracts.

The Director provided an update on negotiations with e.on the meter operator agreement reporting that it had been cost effective to negotiate with e.on to secure a reduction in costs, which was in accordance with Standing Order 3.2 (3).

The Committee confirmed that they were happy to continue to receive a verbal update on Supplier Contracts rather than a written report.

RESOLVED:

That the update on supplier contracts by the Director of West Mercia Energy be noted.

8 External Audit - Audit Plan 2017/2018

Mr Richard Percival (External Auditor – Grant Thornton) presented the West Mercia Energy Joint Committee Audit Plan 2017/18 (copy attached to the signed minutes).

RESOLVED:

That the Audit Plan 2017/18 be endorsed.

9 External Audit - Informing the Audit Risk Assessment 2017/2018

Mr James McLarnon (External Auditor – Grant Thornton) presented the Informing the Audit Risk Assessment 2017/2018 for West Mercia Energy Joint Committee (copy attached to the signed minutes).

In response to questions relating to the pensions liability, the Treasurer reported that he was investigating options to show the pensions liability elsewhere within the accounts. The Joint Committee were informed that there would be a cost of approximately £5 - 10,000 and changes to the Joint Agreement required. The process involved would be to examine the options, consult the actuary and the Section 151 Officers of the owning authorities and report back to the Joint Committee and the Cabinet of each owning authority. The Joint Committee agreed that it was important to fully explore the options available and endorsed the course of action outlined by the Treasurer, with a report back to the Joint Committee in September.

The Director added that although it had not been an issue to date, there was a risk that it could affect the ability to win customers in the future.

RESOLVED:

That the External Audit Informing the Audit Risk 2017/18 be noted and the management responses contained within the report were consistent with the understanding of the West Mercia Energy Joint Committee with no further comments to make.

10 Internal Audit - Performance Reports to February 2018

C. Pilawski, Audit Services Manager introduced Internal Audit Performance Report to February 2018 (copy attached to the signed minutes). The Audit Services Manager was pleased to report that the company had a very strong control environment.

RESOLVED:

That the performance to date against the 2017/18 Audit Plan be endorsed.

11 Internal Audit - Strategic Plan 2018/2019

C. Pilawski, Audit Services Manager introduced Internal Audit Strategic Plan 2018/19 (copy attached to the signed minutes).

RESOLVED:

That the proposed programme of audits for 2018/19 be endorsed.

12 Anti-Slavery and Human Trafficking Statement 2017/2018

The Director of West Mercia Energy presented the Anti-Slavery and Human Trafficking Statement Transparency Statement for 2017/18 (copy attached to the signed minutes) for approval.

RESOLVED:

That the West Mercia Energy Transparency Statement for 2017/18 be approved, in accordance with Section 54 of the Modern Slavery Act 2015 and for publication of the Statement.

13 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.

14 Exempt Minutes

RESOLVED:

That the Exempt Minutes of the meeting held on 26th September 2017 be approved as a correct record.

15 Annual Business Plan and Budget 2018/19 including a Review of 2017/18

The Director presented an exempt report (copy attached to the signed exempt minutes), which provided an update on the West Mercia Energy Annual Business Plan and Budget 2017/18.

RESOLVED:

That the recommendations contained within the exempt report be approved subject to an amendment to recommendation F, to include the requirement to notify the Section 151 Officers, or their representative of each owning authority.

16 Minutes of the Flexible Energy Advisory Panel

The Director presented an exempt report (copy attached to the signed exempt minutes), which presented the minutes of the Flexible Energy Management/Advisory Panel meetings that had been held since the last meeting of the Joint Committee.

RESOLVED:

That the recommendations contained within the exempt report be approved.

17 Risk Management Update

The Director presented an exempt report (copy attached to the signed exempt minutes), which provided an update on risk management.

RESOLVED:

That the recommendations contained within the exempt report be approved.

18 Date of Next Meeting

It was noted that the next meeting would take place on Monday, 24th September 2018 at 10.00 a.m. in the Shrewsbury Room, Shirehall.

Signed (Chairman)

Date:



<u>Committee and Date</u>

West Mercia Energy Joint Committee

24 th September 2018

<u>Item</u>

6

<u>Public</u>

Statement of Accounts 2017/18 and Annual Governance Statement 2017/18

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 Letter of Representation, the Statement of Accounts 2017/18 and the Annual Governance Statement 2017/18.

2. Recommendations

- 2.1 The Joint Committee is asked;
- a) To note the Letter of Representation to be signed by the Chairman and submitted by the Treasurer.
 - b) To consider the finalised Statement of Accounts 2017/18 to be signed by the Chairman and the Treasurer.
 - c) To consider the Annual Governance Statement 2017/18.

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, Grant Thornton have audited the accounts during July and August.
- 5.2 WME is required to produce a Letter of Representation for the external auditors which provides assurance that the information submitted within the accounts is accurate and that all material information has been disclosed to the auditors. External audit will only sign off the accounts once this letter has been received. See Appendix 1
- 5.3 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 2.
- 5.4 The Statement of Accounts is accompanied by WME's Annual Governance Statement 2017/18, which details processes and procedures in place to enable WME to carry out its' functions effectively. See Appendix 3.

6 Publication of Accounts

- 6.1 The annual Statement of Accounts 2017/18 will be published on the WME website following approval by the Joint Committee.

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

Member

Councillor A Hardman of Worcestershire County Council (Chair of the Joint Committee)

Appendices

1 - The Letter of Representation

2 - Statement of Accounts 2017/18

3 - Annual Governance Statement 2017/18

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

24 September 2018

Dear Sirs

West Mercia Energy
Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of West Mercia Energy for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the Joint Committee's financial statements are true and fair in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the Joint Committee's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Joint Committee and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Joint Committee has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- vi Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Joint Committee has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Joint Committee financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii We believe that the Joint Committee's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Joint Committee's needs. We believe that no further disclosures relating to the Joint Committee's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Joint Committee financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Joint Committee from whom you determined it necessary to obtain audit evidence.

- xv We have communicated to you all deficiencies in internal control of which management is aware.
- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Joint Committee and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi We have disclosed to you the identity of the Joint Committee's related parties and all the related party relationships and transactions of which we are aware.
- xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Joint Committee's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxvii The disclosures within the Narrative Report fairly reflect our understanding of the Joint Committee's financial and operating performance over the period covered by the Joint Committee financial statements.

Approval

The approval of this letter of representation was minuted by the Joint Committee at its meeting on 24 September 2018.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Joint Committee

**WEST MERCIA ENERGY
JOINT COMMITTEE**

**STATEMENT OF ACCOUNTS
FOR THE YEAR
ENDING 31ST MARCH 2018**

Providing energy services
for the public sector

A Local Authority owned purchasing organisation





WEST MERCIA ENERGY JOINT COMMITTEE

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WEST MERCIA ENERGY JOINT COMMITTEE

FINANCIAL SUMMARY **FOR THE YEAR 2017/18**

Introduction

This document is the Statement of Accounts for West Mercia Energy Joint Committee. It covers the financial year 1 April 2017 to 31 March 2018 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 2018.

The Cash Flow Statement

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

Narrative report 2017/18

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 Audit at Shropshire Council was able to deliver a positive year end opinion on West Mercia Energy's internal control environment for 2017/18 confirming that the organisation's governance, risk management and internal control processes were sound and working effectively.

No significant governance issues were highlighted during 2017/18.

Risks and Opportunities

A 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 is presented to the Joint Committee on an annual basis. Furthermore, all risks which have been classified as medium or high are reported to the Joint Committee at each meeting. These risks include those associated with operating a flexible trading strategy, performance management of key suppliers and customer retention. Controls are in place to mitigate these risks as far as possible to ensure the longevity of the business.

Performance

The turnover for the year rose by some 10% to £62.4m driven by rises in both commodity costs and non-commodity charges. In terms of commodity prices, following reductions over the three years prior to 2017/18, commodity prices for 2017/18 rose due to bullish market conditions from earlier 2016 through to the start of the year. With regards non-commodity charges, the increases primarily came from environmental levies for electricity.

The net operating surplus of £0.807 million for the year 2017/18 represented a fall in profits from the previous year reflecting the energy market conditions experienced within the financial year as detailed below and an increased cost base such as further investment in staff. The trading strategy adopted has continued to provide the right balance between a market focused approach and the necessary protection against rising energy prices.

The net liability position of the Joint Committee is reflective of the pension liability which was retained fully following the sale of the stationery division of West Mercia Supplies Joint Committee in 2012. The West Mercia Supplies name and most of the staff transferred as part of the sales agreement, with the energy side of the organisation remaining with the four Member Authorities.

The pension liability was retained fully following the sale of the stationery division. The liability as at 31st March 2018 was £6.047 million, a decrease of £0.764 million, from £6.811 million as at 31st March 2017. £0.325 million of the decrease relates to the advance payment of employer contributions to 31st March 2020, the remainder of the increase being due to the gain on financial assumptions over the year. The pension liability is detailed further within note 17 on pages 32-37. This pension liability continues to dominate the balance sheet of the Joint Committee and consideration is currently being undertaken on the method under which to report this liability. This may impact the reporting of the pension liability in future.

Overall on 31st March 2018, the net liabilities of the Joint Committee stood at £4.897 million (£5.059 million at 31st March 2017). The net working capital of the Joint Committee continues to be closely monitored and this has resulted in a strong performance throughout 2017/18.

Market Overview 2017/18 and Outlook

The direction of the gas and electricity markets for 2017/18 were ultimately determined by news in June 2017 that Centrica would be applying to close the Rough gas storage facility permanently once its remaining gas reserves have been sold over the next four to five years, resulting in minimal daily withdrawals over this period. This storage facility is by far the largest gas storage site in the UK accounting for approximately 70% of storage capacity. Typically gas is injected into Rough during the summer with a view to withdrawing it during the periods of peak demand in the winter. Without these reserves to call upon the UK is more reliant on imported gas from Belgium and Holland to complement the normal imports from Norway and is more susceptible to price volatility.

Initially this announcement didn't result in any significant market movements as it had been largely anticipated – injections into Rough storage had been subject to significant constraints for the previous 12 months due to ongoing safety concerns. Gas and electricity prices remained relatively flat throughout the summer period and initially remained so up to early November. With the onset of colder weather prices climbed somewhat reflecting the increased reliability on European imports.

The UK's vulnerability to 'market shocks' in the absence of gas storage capacity was demonstrated in mid-December when news of damage to a UK gas pipeline in Scotland, potentially impacting on UK gas supplies, coincided with reports of an explosion at the Baumgarten gas network point in Austria, a key entry point for Russian gas into Europe. The combination of these events on the day saw short term gas prices spike by 10p per therm. Although prices quickly returned to the levels which preceded this spike it was a foretaste of the potential market volatility that the UK would face during the remainder of the winter.

Relatively mild weather through December and January saw gas and electricity prices fall away due in some part to a certain amount of market complacency regarding the ability of supply to cope with demand for the rest of the winter period. This complacency was shattered with the return of price volatility during February, culminating in unprecedented short term prices spikes of £2.30 per therm for gas at the beginning of March, a result of unseasonably cold weather affecting not just the UK but the whole of Europe. In the absence of gas storage reserves the UK were forced to compete for European gas which was in short supply due to the weather-related high demand, hence the spike in UK prices.

Energy market prices will continue to be the key factor affecting the level of turnover and net result of WME in the future. Due to the market factors detailed above, energy commodity prices for 2018/19 are above 2017/18 levels. Furthermore, the rises in electricity non-commodity costs continues to affect the total billed cost levels. These charges include network charges and governmental levies and now make up some 60% of the total electricity costs.

Further Information

For further information about the Joint Committee's Statement of Accounts, please contact:

J 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 2018.

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

In accordance with the Accounts and Audit (England) Regulations 2015 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 2018 and its income and expenditure for the year ended 31 March 2018.

James Walton
Head of Finance Governance and Assurance of Shropshire Council
Treasurer to West Mercia Energy Joint Committee

Joint Committee Approval

In accordance with the Accounts and Audit (England) Regulations 2015 I certify that the West Mercia Energy Joint Committee approved the Statement of Accounts for the year ended 31 March 2018.

Cllr Adrian Hardman
Chairman of the
West Mercia Energy Joint Committee

Date:

MOVEMENT IN RESERVES STATEMENT

AS AT 31 MARCH 2018

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 19	Note 20	
	£000	£000	£000	£000
Balance at 31 March 2017	1,739	-6,811	13	-5,059
Total comprehensive income & expenditure	162	-	-	162
Transfer to/from Reserves	-428	439	-11	-
Increase/decrease in year	-266	439	-11	162
Balance at 31 March 2018	1,473	-6,372	2	-4,897

Pensions Reserve

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



MOVEMENT IN RESERVES STATEMENT (CONTINUED)

AS AT 31 MARCH 2017

	General fund	Pensions reserve	Joint Committee capital adjustment account	Total reserves
	£000	Note 19 £000	Note 20 £000	£000
Balance at 31 March 2016	2,766	-4,950	27	-2,157
Total comprehensive income & expenditure	-2,902	-	-	-2,902
Transfer to/from Reserves	1,875	-1,861	-14	-
Increase/decrease in year	-1,027	-1,861	-14	-2,902
Balance at 31 March 2017	1,739	-6,811	13	-5,059

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

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

	Notes	2017-2018 £000	2016-2017 £000
INCOME			
Turnover	6	-62,369	-56,757
Less cost of goods sold		61,218	55,513
Gross profit		-1,151	-1,244
Other trading operation income		-650	-672
Gross Profit		-1,801	-1,916
OPERATING EXPENSES			
Employees	8	741	683
Pension impact (IAS19)	17	-102	-143
Premises		36	35
Supplies & services		77	67
Central departmental & technical support		87	73
Provision for bad debts		2	1
Depreciation		12	15
Total Operating Expenses		853	731
SURPLUS OF SERVICES		-948	-1,185
Financing and investment income and expenditure	7	141	148
NET OPERATING SURPLUS		-807	-1,037
Distribution to Member Authorities		1,139	2,110
NET LOSS FOR THE YEAR		332	1,073
OTHER COMPREHENSIVE INCOME & EXPENDITURE			
Remeasurements (Liabilities & Assets)	17	-494	1,829
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		-162	2,902



BALANCE SHEET AS AT 31 MARCH 2018

The Balance Sheet shows the value as at the Balance Sheet date of the asset 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 2017		31 March 2018	
£000		£000	
13	Plant & equipment	2	11
13	Long term assets	2	
8,979	Short term debtors	11,457	14
3,674	Cash and cash equivalents	2,655	15
12,653	Current assets	14,112	
-10,914	Short term creditors	-12,964	16
-10,914	Current liabilities	-12,964	
1,739	Net current assets	1,148	
-6,811	Other long term liabilities	-6,047	17
-6,811	Long term liabilities	-6,047	
-5,059	Net liabilities	-4,897	
<u>Financed by:</u>			
1,739	General fund	1,473	
-6,811	Pensions reserve	-6,372	
13	Joint committee capital adjustment account	2	
-5,059	Total reserves	-4,897	18

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

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.

2016-2017		2017-2018	
£000		£000	£000 Notes
Operating activities			
<u>Cash outflows</u>			
669	Cash paid to and on behalf of employees	1,066	
176	Other operating costs	202	
55,948	Cost of goods sold	59,168	
<u>56,793</u>			60,436
<u>Cash inflows</u>			
-56,929	Turnover	-59,891	
-672	Other trading operation income	-650	
<u>-57,601</u>			<u>-60,541</u>
-808	Net cash inflow from operating activities		-105 21.1
-26	Investing activities		-15 21.2
2,110	Financing activities		1,139 21.3
1,276	Net decrease in cash and cash equivalents		1,019 21.4
4,950	Cash and cash equivalents at 1st April		3,674
3,674	Cash and cash equivalents at 31st March		2,655 21.4



NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 General Principles

This Statement of Accounts for 2017/18 summarises the Joint Committee's transactions for the 2017/18 financial year and its position at 31 March 2018. The accounts have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 for example the Comprehensive Income and Expenditure Statement layout 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. The Joint Committee has prepared an annual Statement of Accounts in line with the Accounts and Audit (England) Regulations 2015.

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 the foreseeable future. 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 31st March 2019.

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 ie 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. This means that all revenue income is recorded when the debt has been established rather than when money has been received. Similarly, expenditure is recorded when it is owed rather than when the payment is made.

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

Where the carrying amount of an item of plant and equipment is decreased as a result of a revaluation, ie a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to an impairment), the decrease is recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset (ie up to its historical cost) and thereafter charged to the Net Surplus or Deficit for the Year.

Componentisation

Where components of an asset are significant in value in relation to the total value of the asset as a whole and they have substantially different economic lives, they should be recognised and depreciated separately. The requirement for componentisation for depreciation purposes is applicable to enhancement and acquisition expenditure and revaluations carried out from 1 April 2010.

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 (ie 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.

An impairment loss on a revalued asset is recognised in the Revaluation Reserve (to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset) and thereafter charged to the Net Surplus or Deficit for the Year.

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

The revenue accounts of the Joint Committee are maintained on an accruals basis in accordance with the Code. That is, sums due to or from the Joint Committee during the year are included whether or not the cash has actually been received or paid in the year.

1.9 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 2018/19.

Pensions Reserve

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



1.10 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 (eg 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 - ie 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 2.6% (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), ie 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.

1.11 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.

1.12 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.



1.13 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.

There were no such events after the Balance Sheet date which need to be considered.

1.14 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.

The bad debt provision is made up of a general provision for all debts over 12 months old plus any specific debts which are less than 12 months old.

1.15 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.16 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. This applies to the adoption of the following new or amended standards within the 2018/19 Code:

Amendments to IFRS 9 Financial Instruments – the Joint Committee is not anticipating a significant impact from the adoption of IFRS 9

Amendments to IFRS 15 Revenue from Contracts with Customers – the Joint Committee is not anticipating a significant impact from the adoption of IFRS 15

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

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), but where the Code doesn't apply, or is not relevant to the nature of the business, we've made critical judgements on the presentation.

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 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.

2017/18					
	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	1,084	-32	1,052		1,052
Services/Support services	-179	-66	-245	-427	-672
Net cost of Services	905	-98	807	-427	380
Other Income and Expenditure			494		494
Distribution of Surplus to Member Authorities			-1,139		-1,139
Surplus or (Deficit)			162	-427	-265
Opening General Fund					1,739
Capital Purchases funded from General Fund					-1
Less Deficit on General Fund					-265
Closing General Fund					1,473

2016/17					
	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	1,105	45	1,150		1,150
Services/Support services	-53	-60	-113	1,876	1,763
Net cost of Services	1,052	-15	1,037	1,876	2,913
Other Income and Expenditure			-1,829		-1,829
Distribution of Surplus to Member Authorities			-2,110		-2,110
Surplus or (Deficit)			-2,902	1,876	-1,026
Opening General Fund					2,766
Capital Purchases funded from General Fund					-1
Less Deficit on General Fund					-1,026
Closing General Fund					1,739



4a. Note to the expenditure and funding analysis

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

2017/18				
	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Net Cost of Services	12	-439		-427
Other income and expenditure from the Expenditure and Funding Analysis		494		494
Capital Purchases funded from General Fund	-1			-1
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	11	55	-	66

2016/17				
	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Net Cost of Services	15	1,861		1,876
Other income and expenditure from the Expenditure and Funding Analysis		-1,829		-1,829
Capital Purchases funded from General Fund	-1			-1
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	14	32	-	46

4b. Analysis of income and expenditure by nature

Income received on a segmental basis is analysed below:

	2017/18 Income from Services	2016/17 Income from Services
	£000	£000
Energy Sales	62,027	56,420
Other Income	342	337
Total income analysed on a segmental basis	62,369	56,757

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.

The items in the Joint Committee's Balance Sheet at 31 March 2018 for which there is a risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a one year increase in life expectancy would result in an increase in the pension liability of £318,000. However the assumptions interact in complex ways. During 2017/18 the actuaries advised that the net pensions liability had decreased by £439,000.

6. Turnover

Turnover is the VAT exclusive total of invoiced sales for energy.

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.

	2017/18	2016/17
	£000	£000
Pensions interest cost and expected return on pensions	157	175
Interest receivable and similar income	-16	-27
Total	141	148

8. Staff Remuneration

In 2017/18 the number of employees who received remuneration in excess of £50,000 fell into the following bands:

Band	Number of Employees	
	2017/18	2016/17
£ 65,000 to £ 69,999	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 £50,000 and £64,999 so the staff remuneration table above has been adjusted accordingly.



Disclosure of Remuneration for Senior Employees

2017/18

Post Title	Salary (inc fees & allowances) £	Bonuses (PRP) £	Pension Contributions £	Total Remuneration (inc pension contribution) £
Director	63,067	4,422	7,289	74,778
	63,067	4,422	7,289	74,778

2016/17

Post Title	Salary (inc fees & allowances) £	Bonuses (PRP) £	Pension Contributions £	Total Remuneration (inc pension contribution) £
Director	62,443	6,973	5,761	75,177
	62,443	6,973	5,761	75,177

There are no compulsory redundancies or staff members receiving exit packages in 2016/17 or 2017/18.

9. Audit Costs

During 2017/18 the Joint Committee incurred the following fees in respect of external audit and inspection.

	2017/18 £000	2016/17 £000
Fees payable to External Auditors with regard to external audit services	13	13

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:

	2017/18	2016/17
	£000	£000
Herefordshire Council	1,639	1,523
Shropshire Council	3,368	3,344
Telford & Wrekin Council	3,470	3,380
Worcestershire County Council	5,364	5,263

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

	2017/18	2016/17
	£000	£000
Human Resources Support Services	4	2
Payroll Services	1	1
Treasury Services	4	4
Committee Services	6	6
Financial Advice	12	12
Internal Audit	9	10
ICT support	11	8
Legal Services	8	8
Procurement	6	6

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

	2017/18	2016/17
	£000	£000
ICT support	12	2

11. Plant & Equipment

	Plant, Equipment and Motor Vehicles 2017/18	Plant, Equipment and Motor Vehicles 2016/17
	£000	£000
Cost / Valuation		
As at 1 April	74	73
Additions	1	1
As at 31 March	75	74
Accumulated Depreciation		
As at 1 April	61	46
Charge	12	15
As at 31 March	73	61
Net Book Value		
As at 31 March 2018	2	13
As at 31 March 2017	13	27

All plant and equipment are valued at cost depreciated over their anticipated useful life, commencing in the year of acquisition.

12. 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 2018.

13. 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.

	Long term		Current	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000

Debtors:

Financial assets carried at contract amounts	-	-	11,457	8,979
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Total included in Debtors	-	-	11,457	8,979
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Creditors:

Financial liabilities carried at contract amount	-	-	12,936	10,851
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Total included in Creditors	-	-	12,936	10,851
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Income, Expense, Gains and Losses

	2017/18					2016/17				
	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	-	16	-	-	16	-	27	-	-	27
Total income in Surplus or Deficit on the Provision of Services	-	16	-	-	16	-	27	-	-	27
Gains/losses on revaluation	-	-	-	-	-	-	-	-	-	-
Net gain for the year	-	16	-	-	16	-	27	-	-	27

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 is negligible with the net position of write offs over the last three financial years being less 0.01% of turnover.

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.



14. Short Term Debtors

	31 March 2018 £000	31 March 2017 £000
Member Authorities	1,977	1,862
Other Local Authorities	9,005	7,035
Bodies external to general government	475	82
	11,457	8,979

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

	31 March 2018 £000	31 March 2017 £000
Herefordshire Council	217	415
Shropshire Council	756	443
Telford & Wrekin Council	422	436
Worcestershire County Council	582	568
	1,977	1,862

15. Cash and Cash Equivalents

	Opening Balance 1 st April 2017 £000	Movement During the Year £000	Closing Balance 31 st March 2018 £000
Bank current accounts	3,674	-1,019	2,655

16. Short Term Creditors

	31 March 2018 £000	31 March 2017 £000
Member Authorities	408	396
Other Local Authorities	1,602	1,324
Bodies external to general government	10,954	9,194
	12,964	10,914

17. 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 2017/18.

	2017/18 £000	2016/17 £000
Comprehensive Income & Expenditure Statement		
Operating Expense (Employees):		
• Current Service Cost	134	72
• Administration Expenses	2	2
• Employers Contributions	-238	-217
Pension Impact (IAS19)	-102	-143
Financing and Investment Income and Expenditure:		
• Net Interest Cost	157	175
Total Post-employment benefits contained within Net Operating Surplus	55	32
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)	78	-1,424
Actuarial (gains) and losses arising on changes in Financial assumptions	-572	3,253
Total Post-employment Benefits contained within the Other Comprehensive Income and Expenditure	-494	1,829
Net charge to Comprehensive Income & Expenditure Statement	-439	1,861

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.

	2017/18 £000	2016/17 £000
Movement in Reserves Statement:		
Reversal of net charges made for retirement benefits in accordance with IAS19	-293	-249
Actual Amount Charged against the General Fund Balance for Pensions in the Year:		
• Employers contributions payable to the Scheme	238	217
Remeasurement of the net defined liabilities	494	-1,829
Movement on Pension's Reserve	439	-1,861

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;

	2017/18 £000	2016/17 £000
Present Value of the defined benefit obligation	16,305	16,720
Fair Value of plan assets	-9,933	-9,909
Net liability arising from defined benefit obligation	6,372	6,811

Early Payment of 3 years LGPS deficit lump sum in April 2017

Every three years the pension scheme undertakes a valuation process which establishes each employer's deficit in respect of previous years and the period over which this is to be repaid. As the full amount is due now each employer (e.g. West Mercia Energy) pays the Pension Fund a rate of "interest" for allowing payment over a longer period to compensate the Fund for investment opportunities which it has foregone. At the time of calculating the deficit lump sum amounts (as part of the 2016 valuation) West Mercia Energy had a total deficit repayment value of £2.562m, with an agreed 16 year deficit recovery period. Paying in advance of this schedule enables a gross saving to be taken due to the avoidance of these "interest" payments.



Reconciliation of Pension Reserve to Pension Liabilities

	2017/18 £000	2016/17 £000
Pension Reserve	6,372	6,811
Advance payment of employer contributions	-325	-
Pension Liabilities	6,047	6,811

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

	2017/18 £000	2016/17 £000
Opening fair value of scheme assets	-9,909	-8,447
Interest income	-256	-299
Remeasurement gain		
The return on Plan assets	78	-1,424
Employer contributions	-238	-217
Contributions by scheme participants	-28	-26
Benefits paid	418	502
Administration Expenses	2	2
At 31 March	-9,933	-9,909

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

	Funded 2017/18 £000	Liabilities 2016/17 £000
At 1 April	16,720	13,397
Current Service Cost	134	72
Interest cost	413	474
Contributions by scheme participants	28	26
Remeasurement (Liabilities)		
• Experience (gain)/loss	-	26
• Actuarial (gains)/losses on financial assumptions	-572	3,460
• (Gain)/Loss on demographic assumptions	-	-233
Benefits paid	-418	-502
Lump sum deficit repayment	-325	-
At 31 March	15,980	16,720

Pension Scheme Assets

	Fair value of Scheme Assets	
	2017/18	2016/17
	£000	£000
Cash & Cash Equivalents		
• Cash Accounts	<u>199</u>	<u>222</u>
Cash Total	199	222
Equity Instruments		
• UK Quoted	751	819
• Global quoted	<u>4,506</u>	<u>4,598</u>
Equity Instruments Total	5,257	5,417
Bonds		
• Overseas –Global Fixed Income	752	599
• Other Class 2 – Absolute return bonds	<u>1,544</u>	<u>1,468</u>
Bonds Total	2,296	2,067
Property		
• Property Funds	<u>491</u>	<u>441</u>
Property Total	491	441
Private Equity	<u>417</u>	<u>436</u>
Private Equity Total	417	436
Other Investment Funds		
• Infrastructure	255	238
• Hedge Funds	673	681
• BMO – LDI manager	<u>345</u>	<u>407</u>
Other Total	1,273	1,326
Total assets	9,933	9,909

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 have been assessed by Mercer Human Resource Consulting Limited who are independent actuaries.

The significant assumptions used by the actuary have been:

	2017/18	2016/17
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	23.1	23.0
Women	26.3	26.2
Longevity at 65 for future pensioners (years):		
Men	25.3	25.2
Women	28.6	28.5
Rate of CPI Inflation	2.1%	2.3%
Rate of Increase in Salaries	3.6%	3.8%
Rate of Increase in Pensions	2.2%	2.3%
Rate for Discounting Scheme Liabilities	2.6%	2.5%

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	Decrease in assumption
	£000	£000
Longevity (increase or decrease in 1 year)	16,623	15,987
Rate of inflation (increase or decrease by 0.1%)	16,581	16,029
Rate of increase in salaries (increase or decrease by 0.1%)	16,311	16,299
Rate of increase in pensions (increase or decrease by 0.1%)	16,581	16,029
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	16,034	16,576

*The current Defined Benefit Obligation as at 31st March 2018 is £16,305 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 Joint Committee 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. The next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Joint Committee anticipates to pay £217,000 expected contributions to the scheme in 2018/2019

The weighted average duration of the defined benefit obligation for scheme members is 17 years, 2017/18 (17 years 2016/2017).



18. Reserves

An analysis of the reserves is shown below:

	Opening Balance 1 st April 2017 £000	Contributions		Closing Balance 31 st March 2018 £000
		To £000	From £000	
General Fund	1,739	162	-428	1,473
Pensions reserve	-6,811	988	-549	-6,372
Joint Committee capital adjustment account	13	1	-12	2
Total reserves	-5,059	1,151	-989	-4,897

Comparative Analysis in 2016/17

	Opening Balance 1 st April 2016 £000	Contributions		Closing Balance 31 st March 2017 £000
		To £000	From £000	
General Fund	2,766	1,875	-2,902	1,739
Pensions reserve	-4,950	217	-2,078	-6,811
Joint Committee capital adjustment account	27	1	-15	13
Total reserves	-2,157	2,093	-4,995	-5,059

19. 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 balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources available to meet them. The statutory arrangements will ensure that funding is available by the time the benefits come to be paid.

	2017/18 £000	2016/17 £000
Opening Balance at 1 April	-6,811	-4,950
Remeasurement (Liabilities & Assets)	494	-1,829
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	-293	-249
Employer's pensions contributions & direct payments to pensioners payable in the year	238	217
Closing Balance at 31 March	-6,372	-6,811

20. 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 2018 £000	31 March 2017 £000
Opening balance at 1 April	13	27
Fixed assets purchased from revenue resources	1	1
Depreciation of fixed assets	-12	-15
Closing Balance at 31 March	2	13



21. Note to the Cashflow Statement

21.1 Reconciliation of Income and Expenditure Statement to Net Cashflow

2016-2017 £000	2017-2018 £000
1,037 Net Operating Surplus on Comprehensive I&E Statement	807
Adjust net surplus on the provision of services for non cash movements	
15 Depreciation	12
32 Movements on Pension	-270
172 (Increase) / decrease in debtors	-2,478
-421 Increase / (decrease) in creditors	2,050
Adjust for items included in the net surplus on the provision of services	
-27 Interest and investment income	-16
808 Net cash inflow from operating activities	105

21.2 Cash Flow Statement – Investing Activities

	31 March 2018 £000	31 March 2017 £000
Interest and investment income	-16	-27
Purchase of plant and equipment	1	1
TOTAL	-15	-26

21.3 Cash Flow Statement – Financing Activities

	31 March 2018 £000	31 March 2017 £000
Distribution to Member Authorities	1,139	2,110
TOTAL	1,139	2,110

21.4 Movement in Cash and Cash Equivalents

	Balance 31/03/17 £000	Balance 31/03/18 £000	Movement In Year £000
Cash in hand	3,674	2,655	1,019

22. Purchase of Non-current Assets

Non-current assets to the value of £1,000 relating to office equipment were financed from the General Fund Balance in 2017/18 (£1,000 2016/17).

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 2017/18

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 in order 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

2017/18 Audit programme

Eight audits were performed during the year. Six audits were issued with good assurance and two with reasonable. There were a total of 17 recommendations from these eight audits. There were no fundamental recommendations from any of the audits conducted in 2017/18.

On the basis of 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 Audit is able to deliver a positive year end opinion on West Mercia Energy's internal control environment for 2017/18.

Significant Governance Issues

No significant governance issues were highlighted during 2017/18.

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:
(James Walton)

Chairman of the
West Mercia Energy Joint Committee:
(Cllr Adrian Hardman)

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<u>Committee and Date</u>

West Mercia Energy Joint Committee

24 th September 2018

<u>Item</u>

7

<u>Public</u>

EXTERNAL AUDIT – AUDIT FINDINGS REPORT 2017/18

Responsible Officer Nigel Evans

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

1. Summary

- 1.1 Grant Thornton, 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 2018 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 Grant Thornton.

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 Grant Thornton's audit work was conducted in accordance with the International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice.

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 Grant Thornton presented their audit plan for 2017/18 to the February Joint Committee which was considered and endorsed.

5.3 Grant Thornton conducted an interim audit visit in February and their main audit work within July and August in line with the audit plan. The key messages from the attached audit findings report are:

- No adjustments were identified affecting the Joint Committee's reported financial position.
- There are no significant issues to bring to the attention of the Joint Committee as those charged with governance.
- Anticipate an unqualified opinion of the WME financial statements.

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

Joint Committee 26th February 2018 – External Audit, Audit Plan 2017/18

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

Member

Councillor A Hardman of Worcestershire County Council (chair of the Joint Committee)

Appendices

Appendix 1 - Grant Thornton, The Audit Findings for West Mercia Energy Year Ended 31 March 2018

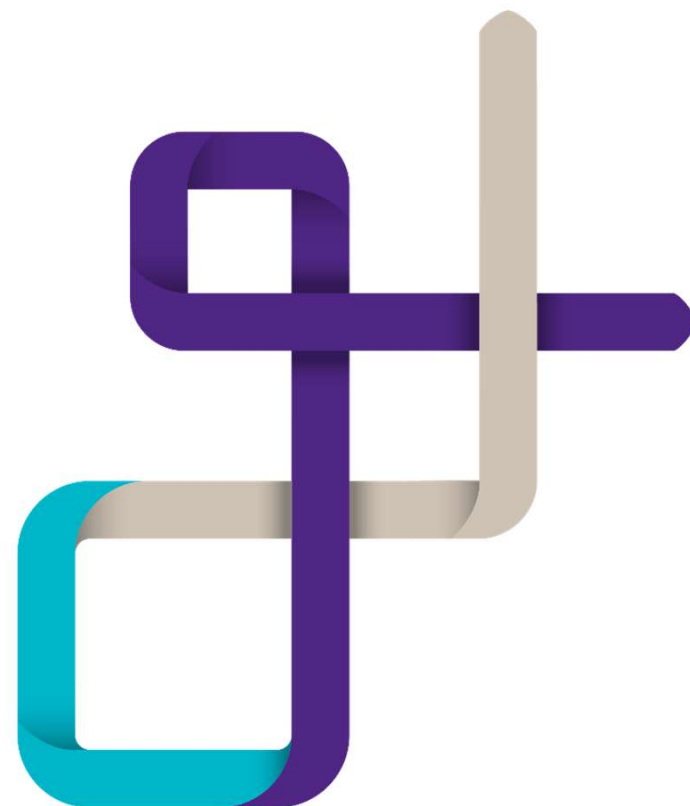
Audit Findings

Year ending 31 March 2018

West Mercia Energy

24 September 2018

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Contents



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Appendices	
A. Control recommendations	
B. Audit Adjustments	
C. Fees	

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key issues arising from the audit of West Mercia Energy (‘the Joint Committee’) and the preparation of the Joint Committee's financial statements for the year ended 31 March 2018 for those charged with governance.

Page 63	Financial Statements	<p>Under the International Standards of Auditing (UK) (ISAs), we report whether, in our opinion:</p> <ul style="list-style-type: none">the Joint Committee's financial statements give a true and fair view of the Joint Committee's financial position and Joint Committee's expenditure and income for the year, andhave been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We also report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during July. Our findings are summarised on pages 4 to 9. We have not identified any adjustments to the financial statements that have resulted in an impact on the Statement of Comprehensive Income and Expenditure. Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Joint Committee meeting on 24 September 2018, and receipt of management representation letter</p> <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
	Acknowledgements	<p>We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.</p>	

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Joint Committee's business and is risk based, and in particular included:

- An evaluation of the Joint Committee's internal controls environment including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Joint Committee meeting on 24 September 2018.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our assessment of the value of materiality has been adjusted on receipt of the 2017/18 draft accounts. We detail in the table below our assessment of materiality for West Mercia Energy.

	Joint Committee Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,247k	2% of turnover <ul style="list-style-type: none">• User expectation, prior year measures, entity concept of materiality, risk
Performance materiality	936k	75% of headline materiality <ul style="list-style-type: none">• Experience of misstatement, business activities, accounting systems, people, controls, fraud risks
Trivial matters	62k	5% of headline materiality in line with ISAs
Materiality for specific transactions, balances or disclosures	50k	Remuneration disclosures <ul style="list-style-type: none">• Materiality has been reduced due to sensitive nature and public interest in these disclosures

Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

Management have undertaken the following process in order to determine the applicability of the going concern assumption:

- Produced a detailed business plan for the 2018/19 period
- Obtained joint agreements between owning authorities
- Produced long term cash flow forecasts

Work performed

- Consideration of factors and events which may be indicative of a going concern issue or cast significant doubt over an entity's ability to continue as a going concern
- Review of management's supporting documents as stated above to understand whether assumptions used are reasonable
- Inquiries of key management personnel

Concluding comments

Auditor commentary

- Management have concluded that Joint Committee are a going concern and as such, the financial statements have been prepared on this basis.

Auditor commentary

- There are no factors that we are aware of which we consider would cast significant doubt over West Mercia Energy's ability to continue as a going concern
- Management assumptions in relation to cash flow, which is the key driver in ensuring solvency, appear reasonable
- The assessment provided extends to 12 months following the date of anticipated audit sign off accordingly.

Auditor commentary

- Overall, we are satisfied that the preparation of the financial statements using the going concern principal is reasonable
- The CIPFA Code negates the requirement to disclose the basis of preparation as this is assumed in public sector entities. No disclosure of material uncertainty is necessary for the Joint Committee
- Therefore, there will be no impact on our audit opinion related to going concern




Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	<p>Improper 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>For West Mercia Energy, we have concluded that the greatest risk of material misstatement relates to the occurrence of utility income</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> – review and testing of revenue recognition policies – performance of attribute testing on material revenue streams – review of unusual significant transactions <p>As a result of audit procedures performed, we have not identified any issues in relation to improper revenue recognition</p>
2	<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> – review of accounting estimates, judgements and decisions made by management – testing of journal entries – review of unusual significant transactions <p>As a result of audit procedures performed, we have not identified any issues in relation to management override of controls. However, consistent with the prior period we have made a control recommendation in regards to senior financial reporting personnel's ability to post journal entries. More information is included at Appendix A.</p>
3	<p>Valuation of pension fund net liability</p> <p>The Joint Committee's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> – Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement – reviewed the competence, expertise and objectivity of the actuary who carried out the Joint Committee's pension fund valuation – gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made – confirmed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary <p>As a result of audit procedures performed, we have not identified any issues in relation to the valuation of the pension fund net liability</p>




Reasonably possible audit risks

	Risks identified in our Audit Plan	Commentary
1	Turnover – Utility revenue There is a risk in relation to the occurrence assertion that accounting for utility revenue is not consistent with the contracted terms	Auditor commentary We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> – documented our understanding of processes and key controls over the transaction cycle – Undertaken walkthroughs of the key controls to assess whether those controls were in line with our documented understanding and functioned effectively – Substantive attribute testing of a sample of utility revenue transactions included in the financial statements As a result of audit procedures performed, we have not identified any issues in relation to the occurrence of utility revenue
2	Cost of goods sold – Utility expenditure There is a risk in relation to the valuation gross assertion that utility expenditure is not accounted for properly and is therefore understated	Auditor commentary We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> – documented our understanding of processes and key controls over the transaction cycle – Undertaken walkthroughs of the key controls to assess whether those controls were in line with our documented understanding and functioned effectively – Substantive attribute testing of a sample of utility expenditure transactions included in the financial statements As a result of audit procedures performed, we have not identified any issues in relation to the accounting of utility expenditure
3	Cost of goods sold – Utility expenditure There is a risk in relation to the valuation net assertion that activity variations to utility expenditure contracts are not captured correctly and therefore adjustments are not processed accordingly	Auditor commentary We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> – documented our understanding of processes and key controls over the transaction cycle – Undertaken walkthroughs of the key controls to assess whether those controls were in line with our documented understanding and functioned effectively – review of contracts with supplier rebates and significant activity variation As a result of audit procedures performed, we have not identified any issues in relation to the accounting of utility expenditure

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue and capital transactions are accounted for on an accruals basis. This means that all revenue income is recorded when the debt has been established rather than when money has been received. 	<ul style="list-style-type: none"> The policy is appropriate under the relevant accounting framework, IFRS. Extent of judgement involved is low, and the range of possible outcomes and potential financial statement impact of different accounting policy choices would be minimal Disclosure of the accounting policy in the notes to the financial statements is adequate Accounting policy is reasonable when compared to peers and industry practice 	 Green
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Accruals Valuation of pension fund net liability 	<ul style="list-style-type: none"> The accounting policies for areas of key estimate and judgement are adequately disclosed and appropriate under the relevant accounting framework, IFRS. Testing performed in relation to accruals has not identified any issues, we consider management procedures for calculation liabilities to be appropriate The extent of management judgment involved in the calculation of the net defined benefit obligation associated with the LGPS is minimal. Reliance is placed on actuarial experts of which we have corroborated and found to be reasonable 	 Green
Other critical policies		<ul style="list-style-type: none"> We have reviewed the Joint Committee's policies against the requirements of the CIPFA Code of Practice. The Joint Committee's accounting policies are appropriate and consistent with previous years. 	 Green

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
①	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Joint Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
②	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed
③	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Joint Committee, which is included in the Joint Committee papers.
⑤	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send a confirmation request to NatWest bank. This permission was granted and the requests were sent and a positive confirmation was returned.
⑥	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.

Other responsibilities under the Code

	Issue	Commentary
①	Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect.</p>
②	Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit <p>We have nothing to report on this matters</p>

Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Audit and Non-audit services

No non-audit services have been provided to the Joint Committee.

Control recommendations

We have identified one recommendation for the Joint Committee as a result of issues identified during the course of our audit. We have agreed our recommendations with management and it should be noted. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
1	<div><div></div><div>• Our review of the journals control environment has identified that the Director of the Joint Committee has the ability to post journal entries. We would not expect senior financial reporting personnel to have this level of access as it increases the risk of management override of controls.</div></div>	<p>We acknowledge that there are compensating controls in place to ensure all journals posted by the Director are reviewed and counter authorised by the Treasurer and that in practice no such postings have occurred in 2017/18</p> <p>However, we bring to the attention of those charged with governance this weakness in the control environment and recommend that journals access levels are reviewed to ensure only the appropriate individuals have the authority to prepare and post journal entries</p> <p>Management response</p> <p>In the absence of the Finance Manager, the Director would be required to process journals to allow the production of management accounts. All such transactions will continue to be authorised by the Treasurer of the Joint Committee. Every six months the Finance Manager will extract from the finance system a report detailing the journals posted over the six month period. This report will include reference to the person posting the journal and will be issued directly by the Finance Manager to the Treasurer</p>

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted/ unadjusted misstatements

As a result of audit procedures undertaken, we have not identified any misstatements for adjustment.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Adjusted?
Narrative Repot	<ul style="list-style-type: none">The requirements of the Narrative Report changed in 2017/18 and the Code now stipulates a number of areas this should cover. Our initial review of the Narrative Report identified that certain elements of the Code requirements had not been covered in detail	✓
Pensions	<ul style="list-style-type: none">Amendments were required to ensure mortality assumptions presented in the disclosure note to the financial statements agreed to the actuary report.	✓

Fees

We confirm below our final fees charged for the audit.

Audit Fees

	Proposed fee	Final fee
Joint Committee audit	£13,000	£13,000
Total audit fees (excluding VAT)	£13,000	£13,000





Committee and Date

West Mercia Energy Joint
Committee

24th September 2018

Item

8

Public

WEST MERCIA ENERGY INTERNAL AUDIT ANNUAL REPORT 2017/18

Responsible Officer Ceri Pilawski

e-mail: ceri.pilawski@shropshire.gov.uk Telephone: 01743 257739

1. Summary

- 1.1 This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2018. It reports on progress against the annual audit plan. It also provides the Head of Audit's opinion on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes taking into account the Public Sector Internal Audit Standards or Guidance, as required by the Accounts and Audit Regulations 2015.
- 1.2 Final performance has been good with 100% of the plan being delivered.
- 1.3 Six good and two reasonable assurances were made in 2017/18. A total of 17 recommendations have been made in the eight audit reports issued in the year. No fundamental recommendations have been made during 2017/18.
- 1.4 ***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 Head of Audit can deliver a positive year end opinion on West Mercia Energy's internal control environment for 2017/18.***

2. Recommendations

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

- a) Performance against the Audit Plan for the year ended 31 March 2018.
- 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 2017/18.
- c) The Head of Audit's positive year end opinion on West Mercia Energy's governance, risk management and internal control environment for 2017/18 based on the work undertaken and management responses received.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 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. It provides assurances on the governance, risk management and internal control systems, by identifying areas for improvement or potential weaknesses and engaging with management to address these in respect of current systems and during system design. 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.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015.
- 3.3 There are no direct environmental, equalities or climate change consequences of this proposal.
- 3.4 Internal Audit customers are consulted on the service that they receive, feedback from which is included in this report and continues to be positive.

4. Financial Implications

- 4.1 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.

5. Background

- 5.1 This report is the culmination of the work of the Internal Audit team during 2017/18 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; and
 - 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.
- 5.2 The requirement for Internal Audit derives from local government legislation, including section 151 of the Local Government Act 1972 which requires the Authority to make arrangements 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”.
- 5.3 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. This annual report provides information to support that assessment and that an effective Internal Audit is established for West Mercia Energy, in accordance with the requirements of the 2015 Accounts and Audit Regulations. The Internal Audit Service is provided by Shropshire Council. In June 2018, a paper is to be presented 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 this report.
- 5.4 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 2017/18

- 5.5 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. The annual internal audit opinion will conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and internal control. This opinion plays a key part in informing West Mercia Energy’s Annual Governance

Statement.

- 5.6 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. Whilst revealing a small number of areas of weakness and identifying areas for improvement, there are no significant material weaknesses that could result in a material misstatement in the Company's accounts and reliance can be placed upon them. Plans have been adopted to manage outstanding concerns.
 - From other audit work undertaken during the year, there have been no major financial weaknesses or issues identified; the Company's financial systems, internal control environment and risk management procedures are sound and working effectively.
- 5.7 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.
- 5.8 ***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 Head of Audit can deliver a positive year end opinion on West Mercia Energy's internal control environment for 2017/18.***

Key Assurances provided during 2017/18

- 5.9 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 some key control.

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 that should have been managed.
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Audit assurance opinions delivered in 2017/18

Audit	Good	Reasonable	Limited	Unsatisfactory
Corporate Governance	✓			
Risk Management and Business Continuity		✓		
Creditors		✓		
Finance	✓			
Debtors	✓			
Payroll	✓			
Procurement	✓			
IT Controls Follow Up	✓			
Total for year				
➤ numbers	6	2	0	0
➤ percentage	75%	25%	0%	0%

- 5.10 Six good and two reasonable assurances were issued during the financial year. Positive responses to recommendations have been received by management and will be followed up next year to determine whether satisfactory improvements have been made.
- 5.11 The Internal Audit team has achieved 100% of the plan which is in line with its target.
- 5.12 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.

- 5.13 Recommendations are rated in relation to the audit area rather than the organisation'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 the majority of areas examined were sound. There were no fundamental recommendations issued to West Mercia Energy in 2017/18. Any fundamental recommendations resulting from a control weakness in West Mercia Energy's control environment would be reported in detail to the Joint Committee.

- 5.14 A total of 17 recommendations have been made in the eight audit reports issued in the year; these are broken down by audit area in the table below.

Audit opinion and recommendations made on 2017/18 audits

Audit	Level of Assurance Given	Number of Recommendations made				Total
		BP	RA	S	F	
Corporate Governance	Good		2			2
Risk Management and Business Continuity	Reasonable			1		1
Creditors	Reasonable		6			6
Finance	Good					0
Debtors	Good		3			3
Payroll	Good		4			4
Procurement	Good		1			1
IT Controls Follow Up	Good					0
Total for year						
➤ numbers		0	16	1	0	17
➤ percentage		0%	94%	6%	0%	100%

- 5.15 It is management's responsibility to ensure that accepted audit recommendations are implemented within an agreed timescale. Except for annual audits where recommendations are revisited as a matter of course; remaining recommendations are followed up annually by obtaining an update from management on progress made and performing sample testing. No recommendations have been rejected in the year by management.

Audit Performance

- 5.16 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

- 5.17 All Internal Audit work is reviewed by a senior 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.

- 5.18 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

- 5.19 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.
- 5.20 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	2017/18
Pre-audit arrangements	100%
Post-audit briefing	87.5%
Audit coverage/scope of the audit	100%
Timeliness of production of report	87.5%
Accuracy and clarity of report	87.5%
Practicality of recommendations	87.5%
Professionalism of approach	100%
Communication skills	100%
Timeliness of audit to your business	100%
Number of forms returned	8

- 5.21 Overall the results are pleasing, showing services delivered consistently at a high level. All areas where the Council have fallen below 100% have been discussed with management. 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)

- Proposed 2017/18 Internal Audit Programme - Audit Committee on 27th February 2017.
- Public Sector Internal Audit Standards.
- Accounts and Audit Regulations 2015.

Member

Councillor A Hardman of Worcestershire County Council (Chair of the Joint Committee)

Appendices

None



<u>Committee and Date</u>

West Mercia Energy Joint Committee

24 th September 2018

<u>Item</u>

9

<u>Public</u>

Distribution of Surplus

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 recommend the level of distribution of surplus held at 31 March 2018 to the Member Authorities.

2. Recommendations

- 2.1 It is recommended that the Joint Committee;
- a) Approve the retention of accumulated surplus of £0.630 million
 - b) Approve the distribution of accumulated surplus of £0.843 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

	(£'000)
General Fund Balances as at 1 April 2018	1,473
Recommended Surplus distribution	<u>843</u>
General Fund balance after distribution	630

5 Background

- 5.1 Following on from the completion of the Statement of Accounts 2017/18 and the External Auditor's finalised Annual Governance Report 2017/18, 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 Paragraph 8.6 provides

The balance of the accumulated surplus identified for distribution shall be divided and distributed to each Member Authority as follows:

- a) Each Member Authority shall receive a percentage share of the accumulated surplus identified for distribution arising from the transactions with the Member Authorities calculated in accordance with the percentage of the gross profit generated by the receiving Member Authority's transactions with WME during the financial year prior to the date of distribution and
- b) Each Member Authority shall receive 25% of the accumulated surplus identified for distribution generated by transactions with non-Member Authority customers during the financial year prior to the date of distribution.

6 Retention of Surplus

- 6.1 The following amounts are recommended by the Treasurer and Director for retention;

Table 2: Retention 2017

	£'000's
Capital at Risk (gas and electricity)	530
General	<u>100</u>
	630

7 Distribution of Surplus

- 7.1 The accumulated surplus at 31 March 2018 was £ 1.473 million. Should the Joint Committee agree with the recommendation in this report as to the amount to be retained as surplus, consequentially £0.843 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

	£
Worcestershire	249,825
Shropshire	208,597
Herefordshire	174,123
Telford & Wrekin	210,092

- 7.3 If approved it is proposed to pay these amounts in October 2018.

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

Statement of Accounts 2017/18

Member

Councillor A Hardman of Worcestershire County 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	
24 September 2018	
	<u>Public</u>

WME DATA PROTECTION POLICY

Responsible Officer Nigel Evans

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

1. Summary

- 1.1 In light of the General Data Protection Regulation (GDPR), the WME Data Protection Policy has been reviewed and updated.

2. Recommendations

- 2.1 The Joint Committee are asked to approve the WME Data Protection Policy.

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.

4. Financial Implications

- 4.1 There are no direct financial implications arising from this report.

5. Background

- 5.1 GDPR applied from 25th May 2018 and as part of our preparation for this we have reviewed our Data Protection Policy.
- 5.2 The Information Governance Officer and s151 Officer from Shropshire Council provided support and advice on the Policy. The Policy is published on our website.
- 5.3 The WME Data Protection Policy is attached for approval.

<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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None

<p>Member</p>

Councillor A Hardman of Worcestershire County Council (Chair of the Joint Committee)
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<p>Appendices</p>

Appendix 1 WME Data Protection Policy

DATA PROTECTION POLICY

WME needs to collect and use certain types of information about people with whom it deals to pursue its legitimate business interests. These include current, past and prospective customers, suppliers, WME's own staff, and others with whom it communicates. WME customers are public sector organisations and are not domestic customers. In order to conduct its business, WME customer contact details are passed to energy suppliers, meter operators, data collectors and partner companies of the energy suppliers that perform some aspects of the service e.g. metering work. In addition, WME may occasionally be required by law to collect and use certain types of information of this kind to comply with the requirements of government departments for business data, for example. This personal information must be dealt with properly however it is collected, recorded and used – whether on paper, by a computer, or recorded on other material - and there are safeguards to ensure this in the Data Protection Act 2018.

WME regards the lawful and correct treatment of personal information as very important to successful operations and to maintaining confidence between those with whom we deal and ourselves. We aim to ensure that WME and organisations acting on our behalf treat personal information lawfully and correctly.

To this end we fully endorse and adhere to the Principles of Data Protection, as detailed in the Data Protection Act 2018, which requires that personal information is:

- a) processed lawfully, fairly and in a transparent manner in relation to individuals;
- b) collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes;
- c) adequate, relevant and limited to what is necessary in relation to the purposes for it is processed;
- d) accurate and, where necessary, kept up to date; and take every reasonable step to ensure that personal data that are inaccurate, having regard to the purposes for which they are processed, are erased or rectified without delay;
- e) kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed;
- f) processed in a manner that ensures appropriate security of the personal data, including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures.

Data subjects' rights

Members, staff and members of the public have the following rights in relation to their personal data:

- to be informed about what data is held, why it is being processed and who it is shared with;
- to access their data (Subject Access Request);
- to rectification of the record;
- to erasure of their data (where appropriate);
- to restrict processing (where appropriate);
- to data portability (where appropriate);
- to object to processing (where appropriate);
- not to be subject to automated decision-making including profiling (where appropriate).

WME will, through appropriate management, application of criteria and controls:

- observe fully conditions regarding the fair collection and use of information,
- meet its legal obligations to specify the purposes for which information is used,
- collect and process appropriate information, and only to the extent that it is needed to fulfil operational needs or to comply with any legal requirements,
- ensure the quality of information used,
- apply checks to determine the length of time information is held,
- ensure that the rights of people about whom information is held, can be fully exercised under the Act,
- take appropriate technical and organisational security measures to safeguard personal information,
- ensure that personal information is not transferred abroad without suitable safeguards,
- treat people justly and fairly whatever their age, religion, disability, gender, sexual orientation or ethnicity when dealing with requests for personal information,
- set out clear procedures for responding to requests for personal information.

In addition, WME will ensure that:

- it has a Data Protection Officer,
- a Register of Processing Activities (ROPA) is maintained,
- a Data Retention and Disposal Policy is in place,
- personal data breach incidents are investigated promptly and appropriately and notified to relevant parties where there is a risk to individuals,
- wherever a third party who processes personal data on behalf of WME is used an appropriate written contract is in place,
- everyone managing and handling personal information understands that they are contractually responsible for following good data protection practice and ensuring the confidentiality of information where required,
- everyone managing and handling personal information is appropriately trained to do so,
- anybody wanting to make enquiries about handling personal information knows what to do,

- queries about handling personal information are promptly and courteously dealt with,
- methods of handling personal information are clearly described,
- a regular review is made of the way personal information is held, managed and used,
- a breach of the rules and procedures identified in this policy may lead to disciplinary action being taken against the Member or employee concerned.

This policy will be updated as necessary to reflect best practice in data management, security and control and to ensure compliance with any changes or amendments made to the Data Protection Act 2018.

In case of any queries or questions in relation to this policy please contact the Data Protection Officer, dpo@westmerciaenergy.co.uk.

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<u>Committee and Date</u>

West Mercia Energy Joint Committee

24 September 2018

<u>Item</u>

12

<u>Public</u>

WME HEALTH & SAFETY POLICY

Responsible Officer Nigel Evans

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

1. Summary

- 1.1 The current WME Health & Safety Policy was last updated and approved in September 2015. As a result a review of the Policy has been conducted with the updated Policy attached for approval by the Joint Committee.

2. Recommendations

- 2.1 The Joint Committee are asked to approve the WME Health & Safety Policy.

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.

4. Financial Implications

- 4.1 There are no direct financial implications arising from this report.

5. Background

- 5.1 In September 2015 the Joint Committee approved the updated WME Health & Safety Policy, the changes of which were mainly due to the relocation of WME to its new offices at Abbey Lawn. Abbey Foregate in Shrewsbury.

- 5.2 Shropshire Council provides WME advice on health and safety as part of the Service Level Agreement.
- 5.3 The changes are minor and are tracked on the attached document.

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

Joint Committee 28th September 2015 – WME Health & Safety Policy

Member

Councillor A Hardman of Worcestershire County Council (Chair of the Joint Committee)

Appendices

Appendix 1 - WME Health & Safety Policy



WEST MERCIA ENERGY
HEALTH AND SAFETY POLICY

West Mercia Energy, Chapter House South, Abbey Lawn, Shrewsbury SY2 5DE

WME – Health and Safety Policy Document

SECTION 1 – THE HEALTH AND SAFETY POLICY STATEMENT

West Mercia Energy recognises its responsibility for providing a safe and healthy place to work by providing a safe working environment for all its employees, and others, including visitors to our premises, who are affected by our work, ~~or visitors to our premises.~~

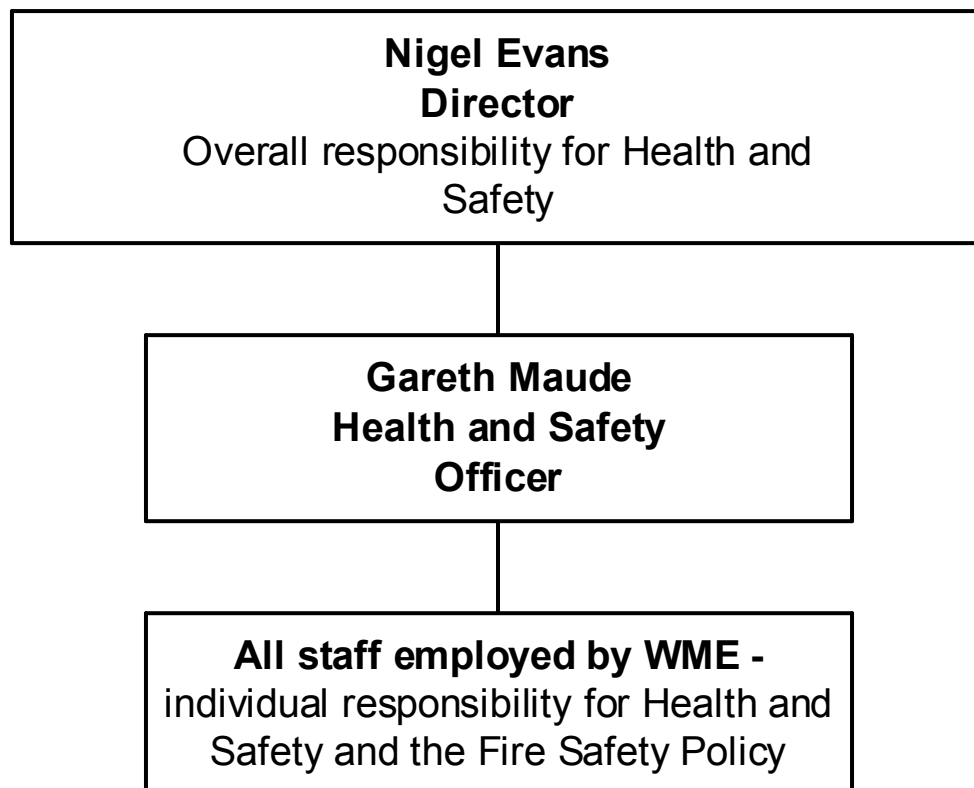
This statement confirms our commitment:

- To pursue progressive improvements in our Health and Safety performance.
- To the principle that legal requirements define the minimum level of achievement in Health and Safety.
- To recognise that people are a key resource and that all employees have a contribution to policy implementation.
- To maintain effective systems of communication on health and safety matters which confirms that both the employer and all employees have health and safety responsibilities and duties.
- That the Director of WME and the senior management of WME will support this policy by ensuring the competence of all employees.
- To control workplace hazards by assessing risks and establishing risk control measures which are suitable and sufficient.

Signed: Director of WME _____ Date _____

Chair of WME _____ Date _____

SECTION 2



SECTION 3 – HEALTH AND SAFETY ARRANGEMENTS

Responsibilities

1. Overall and final responsibility for health and safety is that of:

Nigel Evans, Director.

2. Day-to-day responsibility for ensuring this policy is put into practice is delegated to:

Gareth Maude, Senior Energy Market Analyst.

3. To ensure health and safety standards are maintained/improved, the following people have responsibility in the following areas:

<i>Name</i>	<i>Responsibility</i>
Gareth Maude	All WME

4. All employees have to:

- co-operate with managers on health and safety matters;
- not interfere with anything provided to safeguard their health and safety;
- take reasonable care of their own health and safety and;
- report all health and safety concerns to an appropriate person (as detailed in this policy statement).

5. Competent advice will be provided by:

Shropshire Council Health and Safety Team

Health and safety risks arising from our work activities

- **Risk assessments will be undertaken by:**
Gareth Maude
- **The findings of the risk assessments will be reported to:**
Nigel Evans
- **Action required to remove/control risks will be approved by:**
Nigel Evans, Gareth Maude.
- Gareth Maude.
will be responsible for ensuring the action required is implemented.
- Gareth Maude
will check that the implemented actions have removed/reduced the risks.
- **Assessments will be reviewed every:**
12 months.
(or when the work activity changes, whichever is soonest).

Arrangements

Consultation with employees

- **Consultation with employees is provided by:**
discussing any health and safety matter of concern with your line manager. Also employees are issued with the WME risk assessment. →

Safe plant and equipment

- Gareth Maude/[John Morris](#)
will be responsible for identifying all equipment/plant needing maintenance.
- Gareth Maude
will be responsible for ensuring effective maintenance procedures are drawn up.
- Gareth Maude
will be responsible for ensuring all identified maintenance is implemented.
- **Any problems found with plant/equipment should be reported to:**
Gareth Maude/[John Morris](#).
- Gareth Maude
will check that new plant and equipment meets health and safety standards before it is purchased.

Safe handling and use of substances

- Gareth Maude
will be responsible for identifying any action required in relation to an occurrence involving a COSHH substance.
- Gareth Maude
will be responsible for undertaking COSHH assessments.
- Gareth Maude
will be responsible for ensuring that all actions identified in the assessments are implemented.
- Gareth Maude
will be responsible for ensuring that all relevant employees are informed about the COSHH procedures.
- Gareth Maude
will check that new substances can be used safely before they are purchased.
- **Assessments will be reviewed every:**
12 months.
(or when the work activity changes, whichever is the soonest).

Information, instruction and supervision

- **The Health and Safety Law poster is displayed:**
Outside the kitchen door
- **Health and safety advice is available from:**
Nigel Evans and Gareth Maude.
- **Supervision of young workers/trainees will be arranged/undertaken/monitored by:**
Julie Wassall and Gareth Maude.
- Gareth Maude
is responsible for ensuring that our employees working at locations under control of other employees are given relevant health and safety information.

Competency for tasks and training

- **Induction training will be provided for all employees by:**
Julie Wassall and Gareth Maude.
- **Job specific training will be provided by:**
the relevant manager.
- **Specific jobs requiring special training are:**
 - manual handling
- **Training records are kept at/by:**
Nigel Evans and Gareth Maude.
- **Training will be identified, arranged and monitored by:**
Nigel Evans, Julie Wassall and Gareth Maude.

Accidents, first aid and work-related ill health

- **Health surveillance is required for employees doing the following jobs:**
 -
- **Health surveillance will be arranged by:**
RPS Occupational Health www.rpsgroup.com/occupationalhealth.
- **The first aid box is kept:**
By the photocopier in the main office
- **The appointed first aiders are:**
Neil Marston, Debbie Poynor and Alex Howard.
- **All accidents and cases of work related ill health are to be recorded in the accident book. The book is kept:**
By the photocopier in the main office
- Nigel Evans
is responsible for reporting accidents, diseases and dangerous occurrences to the enforcing authority.

Monitoring

- **To check our working conditions and ensure our safe working practices are being followed, we will:**
 - Review/amend risk assessments as necessary in the light of any entries in the Accident Book.
 - Review all risk assessments at least every 12 months
 - Remain vigilant in identifying and reporting any potential hazards within the office, undertaking spot checks as necessary.

- Nigel Evans and Gareth Maude
are responsible for investigating any accidents.
- Nigel Evans
is responsible for investigating work related causes or sickness absences.
- Nigel Evans
is responsible for acting on investigation findings to prevent a recurrence.

Emergency procedures - fire and evacuation

- Gareth Maude
is responsible for ensuring the fire safety policy and risk assessment is undertaken and implemented.
- **Escape routes are checked by/every:**
Gareth Maude and/or John Morris, every day.
- ~~Fire extinguishers are maintained and checked by an approved contractor/every:~~
Morris Properties are responsible for maintenance of all fire extinguishers
- **Alarms are tested every:**
week.
- **Emergency evacuation will be tested at least every:**
6 months.

Please sign and return this sheet.

I confirm receipt of the WME Health and Safety Policy

Signed: Date:

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