



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

Date: 12th September 2024

Committee:
West Mercia Energy Joint Committee

Date: Friday, 20 September 2024
Time: 10.30 am
Venue: Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

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

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click [here](#) to view the livestream of the meeting on the date and time stated on the agenda

The recording of the event will also be made available shortly after the meeting on the Shropshire Council Youtube Channel [Here](#)

Tim Collard
Assistant Director - Legal and Governance

Members of West Mercia Energy Joint Committee

Herefordshire Council	Councillors Graham Biggs & Peter Stoddart
Shropshire Council	Councillors Gwilym Butler & Dean Carroll
Telford & Wrekin Council	Councillors Zona Hannington & Ollie Vickers
Worcestershire County Council	Councillors Adam Kent & David Ross

Your Committee Officer is:

Shelley Davies Committee Officer
Tel: 01743 257718
Email: shelley.davies@shropshire.gov.uk

AGENDA

1 Apologies for Absence

To receive apologies for absence.

2 Minutes (Pages 1 - 4)

To approve the minutes of the Joint Committee meeting held on 22nd March 2024.

3 Public Questions

To receive any question from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 12.00 p.m. on Monday 16th September 2024.

4 Disclosable Pecuniary Interests

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

5 Supplier Contracts

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

6 Statement of Accounts 2023/24 and Annual Governance Statement 2023/24 (Pages 5 - 58)

Report of Treasurer
Contact: James Walton

7 External Audit - Audit findings report 2023/24 (Pages 59 - 72)

Report of the Director of West Mercia Energy.
Contact: Nigel Evans

8 Internal Audit Annual Report 2023/24 (Pages 73 - 80)

Report of Internal Audit

Contact: Barry Hanson

9 Distribution of surplus (Pages 81 - 84)

Report of Treasurer

Contact: James Walton

10 Risk management update (Pages 85 - 88)

Report of the Director of West Mercia Energy

Contact: Nigel Evans

11 Standing orders (Pages 89 - 106)

Report of the Director of West Mercia Energy

Contact: Nigel Evans

12 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.

13 Exempt Minutes (Pages 107 - 110)

To approve the exempt Minutes of the meeting held on 22nd March 2024.

14 Update on Business Plan and Trading Performance to Date 2024/25 (Pages 111 - 128)

Exempt Report of the Director of West Mercia Energy

Contact: Nigel Evans

15 Use Cleaner Use Less update (Pages 129 - 132)

Exempt Report of the Director of West Mercia Energy
Contact: Nigel Evans

16 Date of Next Meeting

To discuss and agree the date of the next meeting.



Committee and Date

West Mercia Energy Joint
Committee

20th September 2024

WEST MERCIA ENERGY JOINT COMMITTEE

Minutes of the meeting held on 22 March 2024

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

2.00 - 4.00 pm

Responsible Officer: Tim Ward

Email: tim.ward@shropshire.gov.uk Tel: 01743 257713

Present

Councillors Gwilym Butler (Chairman), Lee Carter, Nathan England, Adam Kent and Adrian Hardman (Vice Chairman)

67 Apologies for Absence

Apologies for absence were received from Councillors Graham Biggs and Dean Carroll

Councillor Peter Stoddard joined the meeting remotely, taking no part in the voting on any of the items for consideration.

68 Minutes

RESOLVED:

That the Minutes of the West Mercia Energy Joint Committee held on 26th September 2023 be approved as a correct record and signed by the Chairman.

69 Public Questions

No public questions had been received.

70 Disclosable Pecuniary Interests

There were no interests declared

71 Supplier contracts

The Director confirmed that there were no entries to report

72 External Audit Plan 2023/24

The Head of Finance and Billing introduced the report which set out the proposed external audit plan for 2023/24.

John Fletcher, External Auditor took Members through the report drawing their attention to the following points –

- Materiality had been determined using the benchmark figures set out in the table on page 10 of the pack and that the levels had been set to ensure that sufficient audit work was carried out.
- 2 significant risks identified in the plan are standard to all audits and the Committee should be satisfied that there are controls in place.

A Member raised the risk of loss of key personnel and business continuity. The External Auditor stated that this was considered as part of the “going concern” assumption.

RESOLVED:

That the Joint Committee

- a) approve the draft audit plan for 2023/24 as presented by WR Partners attached at Appendix 1
- b) approve the commissioning of WR Partners to undertake the audit in accordance with the audit plan.

73 Internal Audit Performance Reports to March 2024

The Auditor presented the report which provided an update on the work completed by Internal Audit against the approved Internal Audit Plan 2023/24. She advised Members that all planned audit work for 2023/24 had been completed, and that reviews attracting good assurance were Finance, Debtors, Corporate Governance including Risk Management and Procurement and that the review of the IT Strategy attracted a reasonable assurance.

RESOLVED:

That the Committee endorse the performance to date against the 2023/24 Audit Plan as set out in the report.

74 Internal Audit Strategic Plan 2024/25

The Auditor presented the report which set out the proposed programme of audit work for the year 2024/25.

RESOLVED

That the Committee endorse the proposed programme of audits for 2024/25.

75 Anti-Slavery and Human Trafficking Statement 2023/24

The Director presented the report which set out the draft transparency statement which was required as part of the Anti-Slavery and Human Trafficking Policy.

RESOLVED

That the Joint Committee:

- a) approve the draft WME Transparency Statement for 2023/24
- b) delegate authority to the Director to finalise the WME Transparency Statement and publish it in accordance with section 54 of the Modern Slavery Act 2015.

76 Risk Management Update

The Director presented the report which set out the current Risk Management Strategy and risk register. He advised Members that there was currently 1 risk assessed as high and 5 assessed as medium risk and that these were set out in paragraph 5.4 of the report. He went on to say that since the last review 2 risks, poor performance by a key supplier leading to customer service issues including a) billing issues, b) information - pricing/budgets, and loss of key staff had been downgraded to low risk from medium.

In response to a question the Director confirmed that he felt that work done in restructuring the workforce and recruiting and training additional staff had addressed concerns regarding the loss of key staff.

RESOLVED

That the Joint Committee

- a) approve the WME Risk Management Strategy attached at Appendix A
- b) accept the position as set out in the report.

77 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.

78 Exempt Minutes

RESOLVED:

That the Exempt Minutes of the West Mercia Energy Joint Committee held on 26th September 2023 be approved as a correct record and signed by the Chairman

79 Annual Business Plan and Budget 2024/25 including review of 2023/24

The Director presented an exempt report for approval.

RESOLVED

That the recommendations contained within the exempt report be approved together with an additional recommendation.

80 **Date of Next Meeting**

The next meeting would take place in September 2024. Date to be confirmed.

Signed (Chairman)

Date:



<u>Committee and Date</u>

West Mercia Energy Joint Committee

20 th September 2024

<u>Item</u>

6

<u>Public</u>

Statement of Accounts 2023/24 and Annual Governance Statement 2023/24

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 Statement of Accounts 2023/24 and the Annual Governance Statement 2023/24.

2. Recommendations

- 2.1 The Joint Committee is asked;
- a) To consider with appropriate comment the finalised Statement of Accounts 2023/24 to be signed by the Chair and the Treasurer of the Joint Committee.
 - b) To consider with appropriate comment the Annual Governance Statement 2023/24.

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, WR Partners audited the accounts during July 2024.

- 5.2 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 1.
- 5.3 The Statement of Accounts is accompanied by WME's Annual Governance Statement 2023/24, which details processes and procedures in place to enable WME to carry out its' functions effectively. See Appendix 2.

6 Publication of Accounts

- 6.1 Once signed, the annual Statement of Accounts 2023/24 will be available via the WME website.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p> <p>CIPFA Code of Practice (CODE) on Local Authority Accounting</p> <p>CIPFA/SOLACE guidance on the Annual Governance Statement</p> <p>Joint Committee 28th September 2015 – Local Audit and Accountability Act</p>
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<p>Member</p> <p>Councillor G Butler of Shropshire Council (Chair of the Joint Committee)</p>
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<p>Appendices</p> <p>1 - Statement of Accounts 2023/24</p> <p>2 - Annual Governance Statement 2023/24</p>
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**WEST MERCIA ENERGY
JOINT COMMITTEE**

**STATEMENT OF ACCOUNTS
FOR THE YEAR
ENDED 31ST MARCH 2024**

WEST MERCIA ENERGY JOINT COMMITTEE

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WEST MERCIA ENERGY JOINT COMMITTEE

FINANCIAL SUMMARY **FOR THE YEAR 2023/24**

Introduction

This document is the Statement of Accounts for West Mercia Energy Joint Committee. It covers the financial year 1 April 2023 to 31 March 2024 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 2024.

The Cash Flow Statement

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

Narrative report 2023/24

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 Policy & Governance at Shropshire Council was able to deliver a substantial year end opinion on West Mercia Energy's internal control environment for 2023/24 confirming that the organisation's governance, risk management and internal control processes were sound and working effectively.

No significant governance issues were highlighted during 2023/24.

Risks and Opportunities

The 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 all risks which have been classified as medium or high are reported to the Joint Committee at each meeting.

During the year the risk associated with unexpected consequences of a change in key supplier was elevated due to the change in the electricity framework provider from April 2024 but through the management of a detailed transition plan, the transfer to the new provider has gone very well.

Performance and Outlook

Energy markets and pricing:

In the continued absence of Russian gas, the focus of the European Energy markets through 23/24 had been on gas storage levels. Gas storage is key for security of supply in Europe as it can cover up to one-third of the EU's gas demand in winter. Aimed at optimising EU preparation for winter 23/24, the gas storage regulation of June 2022 set a binding EU target of 90% filling storage facilities by 1st November each year, with interim targets for EU countries.

In 2023 the EU reached its target of filling gas storage facilities to 90% of capacity roughly 2½ months ahead of the November deadline. As a result, UK and European gas prices fell throughout the summer months as storage targets were consistently being exceeded thereby reducing the risk of supply issues during the winter.

Another key market driver has been a reduction in demand for gas and power across Europe. With supply significantly lower as a result of the curtailment of Russian gas supplies, although supplies of LNG increased, this was insufficient to offset the loss. This required a substantial fall in demand which was achieved partly through mild weather during the preceding winter, but also due to demand destruction, either forced due to the high energy prices, or voluntary to meet EU directives. This played a crucial part in ensuring security of supply.

Despite the downward trend in prices through 23/24, there has still been periods of excessive volatility. Throughout summer 23 the markets remained very sensitive to any news which could threaten gas supply and the ability to refill gas storage prior to the winter. In June there were a series of announcements rescheduling the completion of maintenance to Norwegian gas fields and processing plants. Although they only amounted to delays in the return of assets from planned work, they were enough to raise concerns that these delays could become long-term issues. As a result, some market prices rose by over 40% in two days.

With regards customer prices, these are set and communicated in March each year ahead of the new financial year and as a result the market conditions experienced in the 12-18 months prior to this have the greatest influence on these rates. The market conditions experienced within 22/23 were unprecedented with extreme peaks amid huge volatility. For example at the end of August 2022 electricity commodity prices rose to near on £600/MWh, some 12 times the historic average rate.

As a result of this market landscape, price rises seen for 23/24 were at a level much greater than previous years. This was exacerbated by the fact that our prices for the 22/23 financial year were, compared to the general market rates, extremely low. Whilst the price rises were much greater than our norm, pleasingly our commodity rates were 29% below the average market rates and 54% lower than the government support scheme for 23/24.

Looking ahead to the 24/25 year pleasingly commodity rates for our core trading baskets have fallen compared to 23/24 which will support customer budgetary pressures.

Operational:

Customer retention has continued to be excellent with all large external contracts retained in the year, with the retention rates on smaller contracts remaining extremely high.

The fallout of the energy price crises has supported our pursuit of new business as organisations have looked to switch from fixed term, fixed price procurement, in favour of a more risk managed approach, as delivered through WME's flexible trading model. This has led to us to contract with two new local authorities. We have also seen increased growth within the education sector, particularly from Multi-Academy Trusts.

Financial:

Turnover increased by some 38% from the prior year, partly driven by greater consumption but mainly due to rising prices. On the volume side for supplies within the WME portfolio for both 23/24 and 22/23, usage actually dropped some 4% for electricity and 6% for gas, reflecting continued energy efficiency measures as well as the warmer weather but with additional business secured, consumed volumes rose overall by approx. 2%. The rise in billed rates was a combination of the increased commodity rates as outlined above, together with non-commodity increases

With the increase in turnover, the levels of short term debtors and creditors have risen at the year end. On the cash management side, we have continued to keep close control of our debt management with only relatively small increases in longer term customer debt and positive balances were held through the financial year. Through this effective cash management coupled with increased bank interest rates, the bank interest receivable for the year has increased significantly compared to the prior year which has supported the positive.

Overall the net asset position of the business has risen from £3.530m on 31st March 2023 to £4.440m on 31st March 2024. With regards the effective trading result (before pension/IAS 19 adjustments), the net profit of £2.5m compares favourably against the budgeted level for the year and is above the prior year result of £2.4m. This is an excellent result for the business whilst at the same time providing competitive rates to our customers through the year.

The organisation has been considered as a going concern with a strong Business Plan in place for 2024/25, continued positive cash positions held with both supplier and customer contracts in place beyond March 2025.

Further Information

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

James 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 2024.

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

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 2024 and its income and expenditure for the year ended 31 March 2024.

James Walton
Executive Director of Resources for Shropshire Council
Treasurer to West Mercia Energy Joint Committee

Joint Committee Approval

I certify that the West Mercia Energy Joint Committee approved the Statement of Accounts for the year ended 31 March 2024.

Cllr
Chairman of the
West Mercia Energy Joint Committee

Date:

MOVEMENT IN RESERVES STATEMENT

AS AT 31 MARCH 2024

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 20	Note 21	
	£000	£000	£000	£000
Balance at 31 March 2023	3,239	283	8	3,530
Total comprehensive income & expenditure	910	-	-	910
Transfer to/from Reserves	94	-91	-3	-
Increase/decrease in year	1,004	-91	-3	910
Balance at 31 March 2024	4,243	192	5	4,440

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.

The notes to the Core Financial Statements are on Pages 13 onwards.

MOVEMENT IN RESERVES STATEMENT (CONTINUED)

AS AT 31 MARCH 2023

	General fund	Pensions reserve	Joint Committee capital adjustment account	Total reserves
		Note 20	Note 21	
	£000	£000	£000	£000
Balance at 31 March 2022	1,862	-264	7	1,605
Total comprehensive income & expenditure	1,925	-	-	1,925
Transfer to/from Reserves	-548	547	1	-
Increase/decrease in year	1,377	547	1	1,925
Balance at 31 March 2023	3,239	283	8	3,530

The notes to the Core Financial Statements are on Pages 13 onwards.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2024

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

	Notes	2023/24 £000	2022/23 £000
INCOME			
Turnover	6	-186,048	-134,946
Less cost of goods sold		183,992	132,378
Gross profit		-2,056	-2,568
Other trading operation income		-912	-683
Gross Profit		-2,968	-3,251
OPERATING EXPENSES			
Employees	8	844	757
Pension impact (IAS19)	18	119	232
Premises		37	35
Supplies & services		81	78
Central departmental & technical support		93	78
Provision for bad debts		35	37
Depreciation		5	6
Total Operating Expenses		1,214	1,223
SURPLUS OF SERVICES		-1,754	-2,028
Financing and investment income and expenditure	7	-574	-85
NET OPERATING SURPLUS		-2,328	-2,113
Distribution to Member Authorities		1,433	972
NET PROFIT FOR THE YEAR		-895	-1,141
OTHER COMPREHENSIVE INCOME & EXPENDITURE			
Remeasurements (Liabilities & Assets)	18	-353	-1,294
Restriction of pension surplus recognised	18	338	510
Other Comprehensive Income & Expenditure		-15	-784
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		-910	-1,925

The notes to the Core Financial Statements are on Pages 13 onwards.

BALANCE SHEET

AS AT 31 MARCH 2024

The Balance Sheet shows the value as at the Balance Sheet date of the assets 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 2023		31 March 2024	Notes
£000		£000	
8	Plant & equipment	5	12
8	Long term assets	5	
23,804	Short term debtors	38,220	15
15,525	Cash and cash equivalents	17,963	16
39,329	Current assets	56,183	
-36,090	Short term creditors	-51,940	17
-36,090	Current liabilities	-51,940	
3,239	Net current assets	4,243	
283	Defined benefit pension surplus	192	18
283	Defined benefit pension asset	192	
3,530	Net Assets	4,440	
<u>Financed by:</u>			
3,239	General fund	4,243	
283	Pensions reserve	192	
8	Joint committee capital adjustment account	5	
3,530	Total Reserves	4,440	19

The notes to the Core Financial Statements are on Pages 13 onwards.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2024

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.

2022/23	2023/24	
£000	£000	£000 Notes
Operating activities		
<u>Cash outflows</u>		
819 Cash paid to and on behalf of employees	861	
222 Other operating costs	246	
108,473 Cost of goods sold	168,125	
<hr/> 109,514	<hr/>	169,232
<u>Cash inflows</u>		
-121,939 Turnover	-171,632	
-683 Other trading operation income	-912	
<hr/> -122,622	<hr/>	-172,544
 -13,108 Net cash inflow from operating activities		-3,312 22.1
 -83 Investing activities		-559 22.2
 972 Financing activities		1,433 22.3
 -12,219 Net increase in cash and cash equivalents		-2,438 22.4
 3,306 Cash and cash equivalents at 1st April		15,525
15,525 Cash and cash equivalents at 31st March		17,963 22.4

The notes to the Core Financial Statements are on Pages 13 onwards.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1 General Principles

This Statement of Accounts for 2023/24 summarises the Joint Committee's transactions for the 2023/24 financial year and its position at 31 March 2024. The accounts have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom (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. The only departure relates to the the Comprehensive Income and Expenditure Statement layout which 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.

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 a minimum of 12 months from the date of the approval of the financial statements. 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 30th September 2025.

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 in accordance with proper accounting practices. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract

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

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.

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

Revenue and capital transactions are accounted for on an accruals basis and where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the obligations in the contract or transfer of economic benefits.

1.9 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at;

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Joint Committee's business model is to hold investments to collect contractual cash flows ie payments of interest and principal. Most of the Joint Committee's financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest ie where the cash flows do not take the form of a basic debt instrument.

Financial Assets Measured at Fair Value through Profit and Loss

These are financial assets in the form of loans and receivables. These are assets that have fixed or determinable payments but are not quoted in an active market. The loans and receivables are initially measured at fair value and carried at their amortised cost.

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Joint Committee becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:
Instruments with quoted market prices – the market price
Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Joint Committee recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Joint Committee.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses

1.10 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

1.11 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 2024/25.

Pensions Reserve

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

1.12 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 – i.e. 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 4.9% (2022/23: 4.7%) 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.

Pension Surplus (net Pension Asset)

Pension surplus is the fair value of plan assets less the fair value of the defined benefit obligation, less any associated costs. Where there is a net pension asset in the balance sheet the organisation could have an unconditional right either to a reduction in future contributions or a refund assuming the gradual settlement of the schemes liabilities over its life. The surplus is on the basis the pensions scheme continues until final payment is made to the final member in the scheme and is restricted to the reduction in future contribution or refund receivable.

1.13 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.

1.14 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.

1.15 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.

1.16 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.

Expected credit loss is accounted for as a general provision for all debts over 12 months old plus any specific debts which are less than 12 months old.

1.17 Value Added Tax (VAT)

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

1.18 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 2024/25 Code:

- IFRS 16 Leases issued in January 2016 (but only for those authorities that have not decided to voluntarily implement IFRS 16 in the 2023/24 year).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
 - specify that an entity's right to defer settlement must exist at the end of the reporting period
 - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
 - clarify how lending conditions affect classification, and
 - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
 - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
 - targeted disclosure requirements for affected entities.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
 - assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
 - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

These changes are not expected to have a material impact on the accounts

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). In instances where code is not relevant, we would make a critical judgement.

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 other 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.

2023/24					
	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	1,745	161	1,906	-	1,906
Services/Support services	603	-181	422	96	518
Net cost of Services	2,348	-20	2,328	96	2,424
Other Income and Expenditure			15		15
Distribution of Surplus to Member Authorities			-1,433		-1,433
Surplus			910	96	1,006
Opening General Fund					3,239
Capital Purchases funded from General Fund					-2
Add surplus on General Fund					1,006
Closing General Fund					4,243

2022/23					
	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	2,261	159	2,420	-	2,420
Services/Support services	-53	-254	-307	-541	-848
Net cost of Services	2,208	-95	2,113	-541	1,572
Other Income and Expenditure			784		784
Distribution of Surplus to Member Authorities			-972		-972
Surplus or (Deficit)			1,925	-541	1,384
Opening General Fund					1,862
Capital Purchases funded from General Fund					-7
Add surplus on General Fund					1,384
Closing General Fund					3,239

4a. Note to the expenditure and funding analysis

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

2023/24				
	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Net Cost of Services	5	91		96
Other income and expenditure from the Expenditure and Funding Analysis		15		15
Capital Purchases funded from General Fund	-2			-2
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	3	106	-	109

2022/23				
	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Net Cost of Services	6	-547		-541
Other income and expenditure from the Expenditure and Funding Analysis		784		784
Capital Purchases funded from General Fund	-7			-7

Difference between General
Fund surplus or deficit and
Comprehensive Income and
Expenditure Statement Surplus
or Deficit on the Provision of
Services

-1

237

-

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4b. Analysis of income and expenditure by nature

Income received on a segmental basis is analysed below:

	2023/24	2022/23
	Income from Services	Income from Services
	£000	£000
Energy Sales	185,618	134,536
Other Income	430	410
Total income analysed on a segmental basis	186,048	134,946

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.

There are no items in the Joint Committee's Balance Sheet at 31 March 2024 for which there is a risk of material adjustment in the forthcoming year.

6. Turnover and other income

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

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.

	2023/24	2022/23
	£000	£000
Net interest on pension scheme assets and liabilities	-13	5
Interest receivable and similar income	-561	-90
Total	-574	-85

8. Staff Remuneration

In 2023/24 the number of employees who received remuneration in excess of £50,000 fell into the following bands:

Band	Number of Employees	
	2023/24	2022/23
£ 50,000 to £ 54,999	2	-
£ 55,000 to £ 59,999	-	1
£ 60,000 to £ 64,999	2	-
£ 65,000 to £ 69,999	1	-
£ 95,000 to £ 99,999	-	1
£ 105,000 to £ 109,999	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 £70,000 and £94,999 or £100,000 to £104,999, so the staff remuneration table above has been adjusted accordingly.

Disclosure of Remuneration for Senior Employees

2023/24

Post Title	Salary (inc fees & allowances) £	Bonuses (PRP) £	Pension Contributions £	Total Remuneration (inc pension contribution) £
Director	95,841	11,638	0	107,479
	95,841	11,638	0	107,479

2022/23

Post Title	Salary (inc fees & allowances) £	Bonuses (PRP) £	Pension Contributions £	Total Remuneration (inc pension contribution) £
Director	93,105	3,295	0	96,400
	93,105	3,295	0	96,400

9. Audit Costs

During 2023/24 the Joint Committee incurred the following fees in respect of external audit and inspection.

	2023/24 £000	2022/23 £000
Fees payable to External Auditors with regard to external audit services	15	14

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). One of the members of the Joint Committee owns a small number of shares in one of WME's current energy suppliers but this member does not have any control or influence over the awarding of energy contracts. 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:

	2023/24 £000	2022/23 £000
Herefordshire Council	3,169	2,220
Shropshire Council	6,520	4,466
Telford & Wrekin Council	5,786	4,115
Worcestershire County Council	4,588	3,311

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

	2023/24	2022/23
	£000	£000
Human Resources Support Services	3	3
Payroll Services	1	1
Treasury Services	5	5
Committee Services	7	6
Financial Advice	16	15
Internal Audit	10	8
ICT support	26	14
Legal Services	-	1
Procurement	8	7

11. Net Surplus Adjustment for PRP/ Distribution Purposes

The Comprehensive Income and Expenditure Statement shows the net surplus for the year.

For internal memorandum purposes, this figure requires adjustment to provide a net surplus that is used to calculate profit related pay and member authority distributions.

First, the employee's expenses line in the Income and Expenditure Statement accrues for the profit related pay due to employees. Second, adjustment is made for the distribution of retained surplus that has been charged to the Income and Expenditure Statement.

Additionally, the effects of IAS19 pension adjustments (See Note 18) have to be neutralised by adjusting for the Earmarked Pension Reserve movement.

The calculation is shown in the table below:

	2023/24	2022/23
	£000	£000
Net Profit for the Year – Per Comprehensive Income and Expenditure Statement	-895	-1,141
Profit Related Pay	-92	-75
Distribution of Surplus to Member Authorities	-1,433	-972
Pensions Movement included in Operating Expenses	-106	-237
Net Surplus for PRP/Distribution Purposes	-2,526	-2,425

The employees are set an annual surplus target level which is compared to the final result to determine the level of PRP.

These statements include the distribution from the General Fund to Member Authorities of £1.433million. This payment distributes part of the General Fund brought forward at the end of 2022/23 between Member Authorities.

12. Plant & Equipment

	Plant, Equipment and Motor Vehicles 2023/24	Plant, Equipment and Motor Vehicles 2022/23
	£000	£000
Cost / Valuation		
As at 1 April	86	79
Additions	2	7
Disposals	-	-
As at 31 March	88	86
Accumulated Depreciation		
As at 1 April	78	72
Charge	5	6
Relating to disposals	-	-
As at 31 March	83	78
Net Book Value		
As at 31 March	5	8

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

13. 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 2024.

14. 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.

Financial Assets

	Long Term				Current				Total	
	Investments		Debtors		Investments		Debtors		31-3-24	31-3-23
	31-3-24	31-3-23	31-3-24	31-3-23	31-3-24	31-3-23	31-3-24	31-3-23		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value through profit or loss										
Long term Equity Instruments	-	-	-	-	-	-	-	-	-	-
Amortised Cost										
Debtors	-	-	-	-	-	-	38,073	23,804	38,073	23,804
Cash & Cash Equivalents	-	-	-	-	-	-	17,963	15,525	17,963	15,525
Total Financial Assets	-	-	-	-	-	-	56,036	39,329	56,036	39,329
Non- Financial Assets	-	-	-	-	-	-	147	-	147	-
Total	-	-	-	-	-	-	56,183	39,329	56,183	39,329

Financial Liabilities

	Long Term				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors			
	31-3-24 £'000	31-3-23 £'000	31-3-24 £'000	31-3-23 £'000	31-3-24 £'000	31-3-23 £'000	31-3-24 £'000	31-3-23 £'000	31-3-24 £'000	31-3-23 £'000
Amortised Cost										
Principal	-	-	-	-	-	-	51,940	35,830	51,940	35,830
Loans Accrued interest	-	-	-	-	-	-	-	-	-	-
Bank Overdraft	-	-	-	-	-	-	-	-	-	-
Total Financial Liabilities							51,940	35,830	51,940	35,830
Non- Financial Liabilities	-	-	-	-	-	-	-	260	-	260
Total	-	-	-	-	-	-	51,940	36,090	51,940	36,090

Income, Expense, Gains and Losses

	2023/24					2022/23				
	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	-	561	-	-	561	-	90	-	-	90
Total income in Surplus or Deficit on the Provision of Services	-	561	-	-	561	-	90	-	-	90
Gains/losses on revaluation	-	-	-	-	-	-	-	-	-	-
Net gain for the year	-	561	-	-	561	-	90	-	-	90

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 in previous years is negligible, with the net position of write offs over the last three financial years being less 0.03% of turnover.

The Joint Committee generally allows its customers 28 days credit. Of the £38.220m outstanding (2022/23 - £23.804m) from customers, £1.670m (2022/23 - £0.502m) is past its due date for payment. The amount past due date is analysed by age as follows:

	2023/24	2022/23
	£'000	£'000
Less than 3 months overdue	1,714	475
3 to 6 months overdue	22	40
6 months to 1 year overdue	-29	20
More than 1 year overdue	-37	-33
Total	1,670	502

Older credit balances represent credit notes or payments on account which arise in the normal course of business and may be offset by outstanding debt in the less than 3 months overdue category.

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.

15. Short Term Debtors

	31 March 2024 £000	31 March 2023 £000
Member Authorities	3,451	1,915
Other Local Authorities	34,614	21,035
Bodies external to general government	155	854
	38,220	23,804

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

	31 March 2024 £000	31 March 2023 £000
Herefordshire Council	395	287
Shropshire Council	1,960	682
Telford & Wrekin Council	641	506
Worcestershire County Council	455	440
	3,451	1,915

16. Cash and Cash Equivalents

	Opening Balance 1 st April 2023 £000	Movement During the Year £000	Closing Balance 31 st March 2024 £000
Bank current accounts	15,525	2,438	17,963

17. Short Term Creditors

	31 March 2024 £000	31 March 2023 £000
Member Authorities	143	198
Other Local Authorities	8,872	6,003
Bodies external to general government	42,925	29,889
	51,940	36,090

18. 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 2023/24.

	2023/24 £000	2022/23 £000
Comprehensive Income & Expenditure Statement		
Operating Expense (Employees):		
• Current Service Cost	114	227
• Past Service Cost	-	-
• Administration Expenses	5	5
• Employers Contributions	-	-
• Settlements and Transfer	-	-
Pension Impact (IAS19)	119	232
Financing and Investment Income and Expenditure:		
• Net Interest Cost	-13	5
Total Post-employment benefits contained within Net Operating Surplus	106	237
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)	-188	-99
Actuarial (gains) and losses arising on changes in Financial assumptions	-165	-1,195
Restriction in recognition of surplus	338	510
Total Post-employment Benefits contained within the Other Comprehensive Income and Expenditure	-15	-784
Net charge to Comprehensive Income & Expenditure Statement	91	-547

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.

	2023/24 £000	2022/23 £000
Movement in Reserves Statement:		
Reversal of net charges made for retirement benefits in accordance with IAS19	-106	-237
Actual Amount Charged against the General Fund Balance for Pensions in the Year:		
• Employers contributions payable to the Scheme	-	-
Remeasurement of the net defined liabilities	353	1,294
Restriction in recognition of surplus	-338	-510
Movement on Pensions Reserve	-91	547

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;

	2023/24 £000	2022/23 £000
Present Value of the defined benefit obligation	1,867	1,787
Fair Value of plan assets	-2,931	-2,580
Restriction in recognition of surplus	872	510
Net liability (asset) arising from defined benefit obligation	-192	-283

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

	2023/24 £000	2022/23 £000
Opening fair value of scheme assets	-2,580	-2,380
Interest income	-122	-65
Remeasurement gain		
The return on Plan assets	-188	-99
Employer contributions	-	-
Contributions by scheme participants	-46	-41
Benefits paid	-	-
Administration Expenses	5	5
Settlements	-	-
Transfer to another employer	-	-
At 31 March	-2,931	-2,580

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

	Funded	Liabilities
	2023/24	2022/23
	£000	£000
At 1 April	1,787	2,644
Current Service Cost	114	227
Interest cost	85	70
Contributions by scheme participants	46	41
Past service Cost (gain)	-	-
Remeasurement (Liabilities)		
• Experience (gain)/Loss	6	380
• Actuarial (gains)/losses on financial assumptions	-152	-1,547
• (Gain)/Loss on demographic assumptions	-19	-28
Benefits paid	-	-
Lump sum deficit repayment	-	-
At 31 March	1,867	1,787

Pension Scheme Assets

	Fair value of Scheme Assets	
	2023/24	2022/23
	£000	£000
Cash & Cash Equivalents		
• Cash Accounts	<u>41</u>	<u>12</u>
Cash Total	41	12
Equity Instruments		
• UK Quoted	-	-
• Global quoted	<u>1,657</u>	<u>1,322</u>
Equity Instruments Total	1,657	1,322
Bonds		
• Overseas - Global active investment grade	306	-
• Overseas – Global Fixed Income	-	157
• Overseas – Global Dynamic	122	173
• Other Class 2 – Absolute return bonds	<u>-</u>	<u>153</u>
Bonds Total	428	483
Property		
• Property Funds	<u>103</u>	<u>86</u>
Property Total	103	86
Private Equity	<u>241</u>	<u>230</u>
Private Equity Total	241	230
Other Investment Funds		
• Infrastructure	183	165
• Hedge Funds	123	170
• BMO – LDI manager	-	-
• Property debt	30	36
• Private Debt	77	37
• Insurance Linked Securities	<u>48</u>	<u>39</u>
Other Total	461	447
Total assets	2,931	2,580

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/assets have been assessed by Mercer Limited who are independent actuaries.

The significant assumptions used by the actuary have been:

	2023/24	2022/23
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	21.8	22.2
Women	24.2	24.5
Longevity at 65 for future pensioners (years):		
Men	23.1	23.5
Women	26.0	26.3
Rate of CPI Inflation	2.6%	2.7%
Rate of Increase in Salaries	3.85%	3.95%
Rate of Increase in Pensions	2.7%	2.8%
Rate for Discounting Scheme Liabilities	4.9%	4.7%

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 £000
Longevity (increase in 1 year)	1,902
Rate of inflation (increase by 0.25%)	1,989
Rate of increase in salaries (increase by 0.25%)	1,912
Rate of increase in pensions (increase by 0.25%)	1,989
Rate for discounting scheme liabilities (increase by 0.5%)	1,644

*The current Defined Benefit Obligation as at 31st March 2024 is £1.867 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 Lead Council 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. A triennial valuation was completed as at 31 March 2022. Revised contribution rates from the 2022 actuarial valuation took effect on 1st April 2023

The Joint Committee anticipates to pay £nil expected contributions to the scheme in 2024/2025.

The weighted average duration of the defined benefit obligation for scheme members is 28 years, 2023/2024 (28 years 2022/2023).

19. Reserves

An analysis of the reserves is shown below:

	Opening Balance 1 st April 2023 £000	Contributions		Closing Balance 31 st March 2024 £000
		To £000	From £000	
General Fund	3,239	2,777	-1,773	4,243
Pensions reserve	283	475	-566	192
Joint Committee capital adjustment account	8	2	-5	5
Total reserves	3,530	3,254	-2,344	4,440

Comparative Analysis in 2022/23

	Opening Balance 1 st April 2022 £000	Contributions		Closing Balance 31 st March 2023 £000
		To £000	From £000	
General Fund	1,862	2,355	-978	3,239
Pensions reserve	-264	1,359	-812	283
Joint Committee capital adjustment account	7	7	-6	8
Total reserves	1,605	3,721	-1,796	3,530

20. 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 2023/24 balance on the Pensions Reserve shows a surplus, which could result in a right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. The Joint Committee, in the ordinary course of business has no right to unilaterally wind up, or otherwise augment the benefits due to members, of the scheme.

	2023/24 £000	2022/23 £000
Opening Balance at 1 April	283	-264
Remeasurement (Liabilities & Assets)	353	1,294
Restriction in recognition of surplus	-338	-510
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	-106	-237
Closing Balance at 31 March	192	283

21. 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 2024 £000	31 March 2023 £000
Opening balance at 1 April	8	7
Fixed assets purchased from revenue resources	2	7
Depreciation of fixed assets	-5	-6
Closing Balance at 31 March	5	8

22. Note to the Cash Flow Statement

22.1 Reconciliation of Income and Expenditure Statement to Net Cashflow

2022/23 £000	2023/24 £000
2,113 Net Operating Surplus on Comprehensive I&E Statement	2,328
Adjust net surplus on the provision of services for non cash movements	
6 Depreciation	5
237 Movements on Pension	106
-13,007 Increase in debtors	-14,416
23,849 Increase in creditors	15,850
Adjust for items included in the net surplus on the provision of services	
-90 Interest and investment income	-561
13,108 Net cash inflow from operating activities	3,312

22.2 Cash Flow Statement – Investing Activities

	31 March 2024 £000	31 March 2023 £000
Interest and investment income	-561	-90
Purchase of plant and equipment	2	7
TOTAL	-559	-83

22.3 Cash Flow Statement – Financing Activities

	31 March 2024 £000	31 March 2023 £000
Distribution to Member Authorities	1,433	972
TOTAL	1,433	972

22.4 Movement in Cash and Cash Equivalents

	Balance 31/03/23 £000	Balance 31/03/24 £000	Movement In Year £000
Cash in hand	15,525	17,963	2,438

23. Purchase of Non-current Assets

Non-current assets to the value of £2,000 relating to computer and office equipment and motor vehicles were financed from the General Fund Balance in 2023/24 (£7,000 2022/23).

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 2023/24

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 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

2023/24 Audit programme

Five audits were performed during the year covering finance, debtors, corporate governance including risk management, procurement and IT. “Good” assurance opinions were given for all the first four audits with a “Reasonable” opinion for IT. A total of five recommendations have been made over the five audit areas reviewed in the year. There are only five recommendations comprising of four which require attention, one significant and no fundamental recommendations, demonstrating a strong internal control environment. An action plan is in place to address recommendations within an agreed timeframe.

Based on 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 Policy & Governance of Shropshire Council can deliver a substantial year end opinion on West Mercia Energy’s internal control environment for 2023/24.

Significant Governance Issues

No significant governance issues were highlighted during 2023/24.

Key Risks

Management review the risk profile of the business on a continual basis and reports highlighting all risks rated medium and high are presented to the Joint Committee at each meeting. As part of the 2023/24 Internal Audit plan, an independent review of WME’s Corporate Governance and Risk Management arrangements was undertaken which attracted a “Good” level of assurance.

With continued volatile conditions within the energy markets over the last year, one high risk was identified, being the breach of trading risk levels either due to significant within year market spikes or owing to within year supplier reforecasting of volumes. WME will continue to closely monitor within year trading positions as well as volumes in order to attempt to mitigate this risk.

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)

Chair of
the

West Mercia Energy Joint Committee:
()



Committee and Date

West Mercia Energy Joint
Committee

20th September 2024

Item

7

Public

EXTERNAL AUDIT – AUDIT FINDINGS REPORT 2023/24

Responsible Officer Jo Pugh

e-mail: jpugh@westmerciaenergy.co.uk

Tel: 0333101 4356

1. Summary

- 1.1 WR Partners, 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 2024 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 WR Partners.

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

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 WR Partners presented their audit plan for 2023/24 to the March Joint Committee which was considered and approved.
- 5.3 WR Partners have completed their audit work of the WME financial statements and they anticipate issuing an unqualified audit opinion following this Joint Committee meeting.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Joint Committee 22 nd March 2024 – External Audit Plan 2023/24
Joint Committee 28 th September 2015 – Local Audit and Accountability Act
Member Councillor G Butler of Shropshire Council (Chair of the Joint Committee)
Appendices WR Partners, Audit Findings Memorandum for Year Ended 31 March 2024

Audit Findings Memorandum

Year ended 31 March 2024

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West Mercia Energy

20 September 2024



Service Team

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Contents

Section	Page	
1. Overview	2	The purpose of this memorandum is to highlight the key issues affecting the financial statements of West Mercia Energy for the year ended 31 st March 2024. It is also used to report to management and those charged with governance in order to meet the mandatory requirements of International Standard on Auditing (UK) 260.
2. Status of the audit	4	
3. Summary of key audit findings	5	The matters raised in this and other reports that will flow from the audit are only those which will have come to our attention arising from, or relevant to, our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and in particular we cannot be held responsible for reporting all risks in your business or all internal control weaknesses.
Other Matters	9	This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

Acknowledgements

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during the course of our audit.

1. Overview

1.1 Overview of audit scope

We have performed our work in accordance with the requirements of the International Standards on Auditing ("ISAs") (UK), for those entities as set out in our Service Plan.

1.2 Overview of approach

Our audit approach is risk based; emphasis placed on the audit areas considered to be of higher risk. In completing our work, we have not had to alter or change our approach to that we communicated to you at the start of the audit within the Service Plan.

We have updated our knowledge of your systems and controls, and tested those controls upon which we intended to place audit reliance. We have supplemented our testing of controls with substantive tests of detail and/or substantive analytical review procedures.

1.3 Status of the audit

Our audit of the financial statements is substantially complete and subject to resolution of the outstanding queries set out on page 4 we anticipate our audit opinion to be unmodified.

1.4 Completion timetable

The timetable to completion has been agreed as follows:

	Date
Audit close meeting	6 August 2024
Joint Committee meeting to approve financial statements	20 September 2024
Audit report approval	20 September 2024

1. Overview

Materiality

The concept of materiality applies to the preparation of the financial statements and the audit process and applies to monetary misstatements, disclosure requirements, adherence to acceptable accounting practice and applicable law.

Misstatements, including omissions, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Our assessment of materiality has been revised from that considered at the planning stage on receipt of the draft financial statements.

We also design our procedures to detect errors in specific accounts at a lower level of precision. These are identified below.

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Final Materiality Levels			
Financial statement area	Benchmark	Overall materiality	Clearly trivial
	1% of 3-year average turnover.		
Financial Statements	Capped at £1m in line with net profit for the year.	£1,000,000	£50,000
Expenditure	50% of overall materiality	£500,000	£25,000
Related Party Transactions	Material by nature	£1,000	N/A

2. Status of the audit and audit opinion

Our work is substantially complete and there are currently no matters of which we are aware that would require modification to our audit opinion, subject to the satisfactory completion of the matters detailed below:

● Receipt and audit of outstanding information:
• No further information is outstanding

● Completion of audit testing:
• No further audit work to be performed

● Final subsequent review

● Final review of the draft statutory accounts

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Impact

- Not considered likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or change to disclosures within the financial statements
- Likely to result in material adjustment or change to disclosures within the financial statements

Anticipated audit opinion

We anticipate our audit opinion to be unmodified.

3. Summary of key audit findings

3.1 Significant and elevated audit risks

Risk Area Identified	Risk Level	Risk Description	Audit Findings	Assessment
Fraud – management override of controls	Significant	Under ISA 240 (UK) there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have not identified any matters in relation to management override of controls	●
Fraud – Income recognition	Significant	Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	We have not identified any matters relating to improper revenue recognition	●
Going Concern	Elevated	Due to the volatility of the energy sector in recent years, going concern was identified as an elevated risk at the planning stage of the audit.	Going Concern basis of preparation appears reasonable. See page six for further detail regarding the management's assessment.	●

3. Summary of key audit findings



3.2 Going concern

We are required to obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern basis of accounting.

Assessment of Going Concern	Commentary
<p>Management’s assessment</p> <p>Management have undertaken the following to assess the appropriateness of the going basis of accounts preparation:</p> <ul style="list-style-type: none">• Produced budgets and forecasts, including cash flow forecasts, for the period up to September 25• Produced a long-term business plan• Prepared and assessed monthly management accounts	<p>Management have concluded that West Mercia Energy is a going concern and have prepared the financial statements on that basis. Management have provided us with a copy of the 2024/25 business plan which includes forward looking projections for the period to 2026/27.</p>
<p>Audit work performed</p> <p>We have considered if there are any factor or events which may indicate that the going concern basis may not be appropriate.</p> <p>We have reviewed managements supporting documentation, including assumptions to determine if these are reasonable</p>	<p>Key points arising from our review of management’s going concern assessment are:</p> <p>Key factors and assumptions taken into account by management are as follows:</p> <ul style="list-style-type: none">▪ Customer retention and new wins▪ Ongoing energy reductions from the current customer base▪ Trading with the energy market and trading conditions▪ Change in electricity supplier from 1 April 2024▪ Gas volume reforecasts▪ Weather conditions▪ Bad debts

Audit assessment	We are satisfied that the preparation of the financial statements on the going concern basis is reasonable.	
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3. Summary of key audit findings



3.3 Other matters for discussion

Matters identified during out audit for discussion with you are shown below:

Matter	Commentary
Pension Asset Recognition	<p>The pension scheme valuation performed by the actuary shows a surplus position of £1,064k prior to asset ceiling consideration.</p> <p>The increase in the surplus position continues to be driven by the increase in the discount rate to 4.9% whilst increases to salaries and pensions have declined slightly as has expected movement in inflation.</p> <p>In 2023 financial year, WME recognised the surplus only to the extent that future contributions to the fund were expected to decrease due to the surplus position. The previous reported surplus position has decrease by £91k based on the saving recognised in the 2024 year end being accounted.</p> <p>The remaining asset position recognised is £192k which is the total of expected reduced contributions for the new two periods as follows: (Obtained from 2022 Actuarial Valuation Contribution Projections)</p> <ul style="list-style-type: none">• 2024/25 £94,100• 2025/26 £98,200 <p>Therefore total expected future benefit totals £192k and therefore a restriction in the surplus has been recognised of £872k.</p>

3. Summary of key audit findings

3.4 Summary of corrected and uncorrected misstatements

We set out below details of the :

- Adjustments noted and made to the accounts during the course of the audit following discussion and agreement with you; and
- Details of potential adjustments identified during the course of our audit work.

Management should consider the misstatements identified during the course of our audit work in conjunction with the above findings.

Corrected misstatements

The adjustments identified during the course of the audit and reflected in the accounts following discussion with you are set out below. The aggregate impact of these adjustments are as follows:

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	2024	2023
	£	£
Total comprehensive Income per draft accounts	910	2,435
Pension Scheme Adjustment	-	(510)
Total comprehensive Income per audited accounts	910	1,925

Uncorrected misstatements

There are no uncorrected misstatements which have been identified during the course of the audit.

4. Other matters

4.1 Other audit and accounting areas

We set out below the other matters which auditing standards require us to communicate to you

Area	Commentary	Assessment
Accounting estimates	In addition to the identified key accounting estimates and judgement, we have considered the other accounting estimates and have no matters to bring to your attention.	●
Accounting policies	We have not noted any accounting policy changes or policies which do not comply with Financial reporting standards.	●
Related parties	We are not aware of any related parties or related party transactions which have not been disclosed.	●
Laws and Regulations	You have not made us aware of any significant incidences of non-compliance with laws and regulations and we have not identified any matters from our audit work.	●
Matters in relation to fraud	<p>We have previously discussed the risk of fraud and documented this in our service plan. Our work performed to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, is included within our draft audit opinion.</p> <p>No matters have been identified from our audit work and we have not been made aware on any matters by management or the board.</p>	●
Accounts disclosures	Our review found no material omissions in the financial statements.	●
Other information	<p>We are required to consider and give an opinion (within our audit report) on whether other information published together with the with audited financial statements (including the directors report) is materially inconsistent with the financial statements or our knowledge obtained during the audit or is materially misstated.</p> <p>No material inconsistencies have been identified and we plan to issue an unmodified audit opinion in this regard.</p>	●

4. Other matters

4.2 Other audit and accounting areas

Area	Commentary	Assessment
Audit evidence and explanations/significant difficulties	All information and explanations requested from management have been provided.	●
Subsequent events	Under International Standards on Auditing 560, we are required to confirm whether there have been any subsequent events since the year end impacting the financial statements as drafted. There have been none brought to our attention or disclosed within the financial statements.	●
Independence and ethics	<p>We can confirm that we have re-evaluated our firm's independence in connection with the audit and we are not aware of any factors affecting our independence or objectivity and thus our ability to continue to act as auditors. The self review and management threats arising from our assistance in the provision of non-audit services, have been sufficiently addressed by appropriate safeguards including independent internal reviews, the existence of informed management, and the involvement of other relevant individuals who are required to approve all adjustments impacting the financial statements.</p> <p>Informed Management: - Nigel Evans (Managing Director)</p>	●
Design and operating effectiveness of controls	We have not identified any deficiencies in controls from our testing. As a result we do not have any recommendations for improvements in systems or controls that were identified during the course of our audit work.	

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Committee and Date

West Mercia Energy Joint
Committee

20th September 2024

Item

8

Public

WEST MERCIA ENERGY INTERNAL AUDIT ANNUAL REPORT 2023/24

Responsible Officer Barry Hanson

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Telephone: 07990 086409

1. Synopsis

- 1.1 This report provides a summary of Internal Audit's work for 2023/24. Based on the controls evidenced across all areas examined, the Chief Audit Executive's year end opinion on the Company's internal control environment is substantial.

2. Executive Summary

- 2.1 This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2024. It reports on progress against the annual audit plan and provides the Chief Audit Executive's opinion on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes when considering the Public Sector Internal Audit Standards or Guidance, as required by the Accounts and Audit Regulations 2015.
- 2.2 Final performance has been good with 100% of the plan being delivered. The work has been undertaken on a remote basis and we thank the staff of West Mercia Energy for their assistance in ensuring all work could be delivered as planned.
- 2.3 Four good assurance opinions were given in 2023/24 in respect of the finance, debtors, procurement, corporate governance and risk management systems. A reasonable assurance opinion was provided in respect of the IT Strategy. A total of six recommendations have been made over the five audit areas reviewed in the year. The audit work highlighted one significant issue relating to the IT Strategy. A management action plan is in place to address the recommendations within an agreed timeframe.
- 2.4 ***Based on the work undertaken and management responses received; the Company's governance, risk management and internal control processes are sound and working effectively and the Chief Audit Executive can deliver a substantial year end opinion on West Mercia Energy's internal control environment for 2023/24.***

3. Recommendations

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

- a) Performance against the Audit Plan for the year ended 31 March 2024.
- 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 2023/24.
- c) The Chief Audit Executive's substantial year end opinion on West Mercia Energy's governance, risk management and internal control environment for 2023/24 based on the work undertaken and management responses received.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1 The delivery of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the Company's financial, governance and risk management systems and procedures and is closely aligned to the Company's risk register. The plan is delivered in an effective manner; where Internal Audit independently and objectively examines, evaluates and reports on the adequacy of its customers control environments as a contribution to the proper, economic, efficient and effective use of resources. Failure to maintain robust internal controls create an environment where poor performance, fraud, irregularity and inefficiency can go undetected leading to financial loss and reputational damage.
- 4.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015.
- 4.3 There are no direct environmental or equalities consequences of this proposal.
- 4.4 Internal Audit customers are consulted on the service that they receive, feedback from which is included in this report and continues to be positive.

5. Financial Implications

- 5.1 The Internal Audit plan is delivered within approved budgets; the work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the Company.

6. Climate Change Appraisal

- 6.1 This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

7. Background

7.1 This report is the culmination of the work of the Internal Audit team during 2023/24 and seeks to:

- Provide an opinion on the adequacy of the risk management, control and governance arrangements.
- Inform the annual review of the effectiveness of its system of internal control that informs the Annual Governance Statement by commenting on the nature and extent of significant risks.
- Inform the review of an effective Internal Audit by providing performance data against the plan.
- Confirm to the Joint Committee that the Audit service has been delivered free from interference throughout the year.

7.2 The requirement for Internal Audit derives from local government legislation, including section 151 of the Local Government Act 1972 which requires the Authority to plan for the proper administration of its financial affairs. Proper administration includes Internal Audit. More specific requirements are detailed in the Accounts and Audit Regulations 2015, in that “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance”.

7.3 The 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. In February 2023, a report to Shropshire Council Audit Committee confirmed that following an external review by Chartered Institute of Public Finance Accountants (CIPFA), it was concluded that Shropshire Council Internal Audit Services fully conforms to the requirements of the PSIAS. In addition to the external review, in July 2024 an annual paper will 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 both reports.

7.4 Internal Audit operates a strategic risk-based plan. The plan is reviewed each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk, this results in a comprehensive range of audits undertaken in the year, to support the overall opinion on the control environment. The plan contains a small contingency provision for any unforeseen work demands that may arise and any special investigations, are delivered in addition to the planned work in agreement with the Director.

Annual Internal Audit Opinion from Internal Audit Work undertaken during 2023/24

- 7.5 It is the responsibility of West Mercia Energy to develop and maintain the internal control framework. In undertaking its work, Internal Audit has a responsibility under the Public Sector Internal Audit Standards to deliver an annual internal audit opinion and report. This opinion plays a key part in informing West Mercia Energy's Annual Governance Statement.
- 7.6 The results of individual audits, when combined, form the basis for the overall opinion on the adequacy of the Company's internal control systems. No system of internal control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that absolute assurance. The work of Internal Audit is intended only to provide reasonable assurance on controls based on the work undertaken. In assessing the level of assurance to be given, I have considered:
- The work undertaken on the fundamental financial systems.
 - IT audit work undertaken during the year.

Whilst there are a small number of weakness and areas identified for improvement, none that could result in material misstatement in the Company's accounts and reliance can be placed upon the control environment. Plans have been adopted to manage outstanding concerns.

- 7.7 These assurances are provided on the basis that management carry out the actions they have agreed in respect of the recommendations made to address any weakness identified and improvements suggested.

Based on the work undertaken and management responses received; the company's governance, risk management and internal control processes are sound and working effectively and the Chief Audit Executive can deliver a substantial year end opinion on West Mercia Energy's internal control environment for 2023/24.

Key Assurances provided during 2023/24

- 7.8 Audit assurance opinions are awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.

Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the organisation to high risks

7.9 Audit recommendations are also an indicator of the effectiveness of the Company's internal control environment and are rated according to their priority:

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

7.10 Recommendations are rated in relation to the audit area rather than the company's control environment, for example, a control weakness deemed serious in one area which results in a significant or fundamental recommendation may not affect the overall control environment. Similarly, a few significant recommendations in a small number of areas would not result in a limited opinion if most of the areas examined were sound.

Audit assurance opinions and recommendations delivered in 2023/24

Audit Area	Assurance level	No. of Recommendations made				Total
		Best Practice	Requires Attention	Significant	Fundamental	
Debtors System	Good	0	1	0	0	1
Finance System	Good	0	2	0	0	2
Corporate Governance and Risk Management	Good	0	1	0	0	1
Procurement	Good	0	1	0	0	1
IT Strategy	Reasonable	0	0	1	0	1
Total for the period		0	5	1	0	6

Audit Area	Assurance level	No. of Recommendations made				
		Best Practice	Requires Attention	Significant	Fundamental	Total
Total to date numbers		0	5	1	0	6
percentage		0%	83%	17%	0%	100%

7.11 The Internal Audit team has achieved 100% of the plan. Four good assurance levels were issued during the financial year and one reasonable assurance. No recommendations have been rejected in the year by management.

Audit Performance

7.12 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

7.13 All Internal Audit work is reviewed by a principal auditor to ensure it complies with Internal Audit's standards and that the recommendations made are supported by the work undertaken before any audit reports are issued. This is a fundamental part of ensuring audit quality and that clients receive reports which are both informative, useful and add value to their work processes and procedures.

7.14 All audit assignments are subject to formal feedback to management. Draft reports are issued to the managers responsible for the area under review for agreement to the factual accuracy of findings and recommendations. After agreement, a formal implementation plan containing management's agreed actions and comments is issued to relevant officers. Follow up reviews capture evidence of implementation of recommendations.

Quality Assurance/Customer Feedback Survey

7.15 A customer feedback survey form is sent out with all audits completed. These provide key responses on the quality of audit service in relation to the following areas:

- Pre-auditing arrangements;
- Post audit briefings;
- Audit coverage/scope of the audit;
- Timeliness of production of report;
- Accuracy and clarity of the report;
- Practicality of recommendations;
- Professionalism of approach;
- Communication skills and
- Timeliness of audit to your business.

7.16 The surveys are a key part of ensuring the work meets our client expectations and that the quality of audit work is maintained. The results have been analysed over the last year and the percentage of responses are identified in the table below:

Customer Feedback Survey Forms - percentage of excellent and good responses

Item Being Scored	2023/24 (%)
Pre-audit arrangements	100%
Post-audit briefing	100%
Audit coverage/scope of the audit	100%
Timeliness of production of report	100%
Accuracy and clarity of report	100%
Practicality of recommendations	100%
Professionalism of approach	100%
Communication skills	100%
Timeliness of audit to your business	100%
Number of forms returned	2

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

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p> <ul style="list-style-type: none"> • 2023/24 Internal Audit Plan - Joint Committee on 21st March 2023. • Public Sector Internal Audit Standards. • Accounts and Audit Regulations 2015.
<p>Member Councillor Gwilym Butler of Shropshire Council (Chair of the Joint Committee)</p>
<p>Appendices: None</p>

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<u>Committee and Date</u>	<u>Item</u>
West Mercia Energy Joint Committee 20 th September 2024	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 retentions to be held and the amount to be distributed to the Member Authorities from the accumulated surplus held on 31 March 2024.

2. Recommendations

- 2.1 It is recommended that the Joint Committee;
- a) Approve the retention of accumulated surplus of £1.805 million
 - b) Approve the distribution of accumulated surplus of £2.438 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

	£'000s
General Fund Balances as at 1 April 2024	4,243
Recommended Surplus distribution	<u>2,438</u>
General Fund balance after distribution	<u>1,805</u>

5 Background

- 5.1 Following on from the completion of the Statement of Accounts 2023/24 and the External Auditor's finalised Audit Findings Report 2023/24, 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 The Joint Agreement outlines the distribution formula as follows:

The amount of the accumulated surplus to be distributed to each Member Authority in a Financial Year shall be calculated in accordance with the following formula:

$$DA = A + B - C (+ \text{ or } -) D (+ \text{ or } -) E$$

Where:

- DA is the distribution amount from the accumulated surplus to be paid to an individual Member Authority in a Financial Year;
- A is the gross profit contribution generated by that Member Authority's transactions with WME during the previous Financial Year;
- B is 25% of the gross profit generated by non-Member Authority customers during the previous Financial Year;
- C is 25% of the expenditure incurred by WME during the previous Financial Year;
- D is 25% of the amount allocated in WME's accounts for movement in the retention sum during the previous Financial Year, which may be a positive or negative figure;
- E is 25% of the amount allocated in WME's accounts for other movements in WME's General Fund during the previous Financial Year, which may be a positive or negative figure.

6 Retention of Surplus

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

Table 2: Retention 2024

	£'000s
Capital at Risk (gas and electricity)	1,705
General	<u>100</u>
	<u>1,805</u>

The Capital at Risk retention is held to support within year trading activity.

7 Distribution of Surplus

7.1 The accumulated surplus at 31 March 2024 was £4,243 million. Should the Joint Committee agree with the recommendation in this report as to the amount to be retained as surplus, consequentially £2.438 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

	£
Herefordshire	551,990
Shropshire	656,789
Telford & Wrekin	626,315
Worcestershire	<u>603,369</u>
	<u>2,438,463</u>

7.3 If approved it is proposed to pay these amounts in October 2024.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Statement of Accounts 2023/24
Member Councillor G Butler of Shropshire Council (Chair of the Joint Committee)
Appendices None

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Committee and Date

West Mercia Energy Joint
Committee

20th September 2024

Item

10

Public

RISK MANAGEMENT UPDATE

Responsible Officer

Nigel Evans

e-mail: nevans@westmerciaenergy.co.uk

Tel: 0333101 4353

1. Summary

- 1.1 In accordance with the WME Risk Management Strategy, the purpose of this report is for the Joint Committee to receive details of any medium and high risks that have been identified by WME.

2. Recommendations

- 2.1 The Joint Committee are asked to consider and endorse, with appropriate comment the medium risks presented (no high risks identified).

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.2 There are no direct environmental, equalities or climate change consequences arising from this report.
- 3.3 Given the subject matter of this report, the assessment of risk forms a fundamental part of the risk strategy.

4. Financial Implications

- 4.1 The financial implications of each risk are considered when the impact of the risk is assessed.

5. Background

- 5.1 The WME Risk Management Strategy is reviewed and presented to the Joint Committee on an annual basis. This was presented and endorsed by the Joint Committee in March. WME Risk Management Strategy states that the Joint Committee are to receive details of all medium and high risks at each meeting.
- 5.2 The risk register is kept under constant review and is formally reviewed by the management of WME twice a year. The current risk register comprises of eighty-three highlighted risks.
- 5.3 The majority of the risks within the risk register are operational with controls in place which mitigate the impact of the risks to an acceptable risk level.
- 5.4 The table below identifies the four current medium risks as well as two risks that been reduced from a medium to low level since the last meeting.

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

L – likelihood of the risk

I – impact of the risk

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

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

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

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Joint Committee 22 nd March 2024 – Risk Management Update
Member Councillor G Butler of Shropshire Council (Chair of the Joint Committee)
Appendices None

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Committee and Date

West Mercia Energy Joint
Committee

20th September 2024

Item

11

Public

STANDING ORDERS

Responsible Officer

Nigel Evans

e-mail: nevans@westmerciaenergy.co.uk

Tel: 0333101 4353

1. Summary

- 1.1 This report is to present to the Joint Committee the updated Standing Orders for WME for approval.

2. Recommendations

- 2.1 The Joint Committee are asked to approve the updated WME Standing Orders.

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 The current Standing Orders of WME were approved by the Joint Committee on 27th September 2022.

- 5.2 In light of the new Procurement Act 2023 a review of the WME Standing Orders has been necessary. The initial review work was undertaken by WME officers with a secondary review by the Commissioning Development & Procurement Manager at Shropshire Council who provides procurement advice to WME via a Service Level Agreement that is in place.
- 5.3 The key changes to the document are the required updates to the definitions including threshold limits and updating references to the new regulations. A tracked changes version is attached to this report.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Joint Committee 27 th September 2022 – Standing Orders
Member Councillor G Butler of Shropshire Council (Chair of the Joint Committee)
Appendices Standing Orders



STANDING ORDERS

October 2024

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1 – Introduction

- 1.1 [These Standing Orders have been updated to incorporate the changes relating to the Procurement Act 2023 effective from 28th October 2024. All contracts procured under earlier regimes will continue to be governed by the relevant regulations.](#)
- 1.2 The aims of these Standing Orders for the Regulation of Contracts are to:
- i ensure compliance with all legal requirements, including that contracts are awarded fairly and that all potential bidders are treated equally
 - ii achieve value for money
 - iii ensure transparency, openness, non-discrimination and fair competition
 - iv demonstrate probity, consistency, accountability and integrity
 - v support the WME and its Member Authorities aims
 - vi protect Officers.
- 1.3 WME (as a Joint Committee of its four member Local Authorities) is a ‘Contracting Authority’ for the purposes of the Procurement Regulations and is thereby legally bound to comply with certain practices and procedures in the award of its contracts.

2 - Application of these Standing Orders

- 2.1 These Standing Orders apply to contracts being let by WME for the purchase of goods, works and services, including the establishment of Frameworks or ~~Dynamic Purchasing Systems~~ [Dynamic Markets](#) for use by WME customers. They do not apply to contracts of employment or for the acquisition of land.
- 2.2 Where WME is purchasing on behalf of itself or a customer from a Framework, ~~or~~ Dynamic Purchasing System [\(DPS\) or Dynamic market \(DM\)](#) established by another organisation, provided that Framework, [DPS or DM](#) ~~or DPS~~ is established in accordance with the Public Contracts Regulations 2015, [or if established on or after 28th October 2024, the Framework or Dynamic Market is established in accordance with the Procurement Act 2023,](#) a purchase using that procurement facility will [be](#) deemed to comply with the procurement processes within these Standing Orders.
- 2.3 WME customers will need to comply with their own governance arrangements or standing orders when entering into contracts for the purchase of goods, works and services.

3 - Definitions of terms used in these Standing Orders

In these Standing Orders:

“Acceptance Letter” means the letter advising a [T](#)~~t~~enderer that their bid has been accepted and that WME wishes to enter into contractual relations based on the bid submitted by the [T](#)~~t~~enderer, subject to those contract terms being agreed.

“Aggregated Value” means the total value of a series of purchases made of similar items or groups of items during the term of the contract or over a period of at least 12 months or the relevant definition as set out in the Procurement Regulations, Statutory Instruments or amendments thereto.

~~“Concessions Regulations” means the Concessions Contracts Regulations 2016.~~

“Central digital platform” means the online system provided by the Cabinet Office for the publication of notices, documents and other information in relation to the Procurement Act.

“Consideration Payable” means the total value of consideration payable by or to WME under the contract or any series of contracts of which it forms a part.

“Contract” means any contract in writing or otherwise for the supply of goods, materials or services but shall exclude contracts of employment or contracts for the sale or purchase of any interest in land.

“Contractor” means any person or organisation awarded a Contract. This includes any consultant appointed by WME to advise on any project.

~~“Contracts Finder” means the UK’s e-notification service used to search for contract opportunities.~~

“Estimated Value” means the estimated value of the contract over the whole intended period of the contract to be let (included any anticipated extension periods).

~~“Find a Tender Service (FTS)” means the UK’s e-notification service used to post and view public sector procurement notices.~~

“Framework Agreement” means an agreement or other arrangement with one or more suppliers which establishes the terms (in particular the terms as to price and, where appropriate, quantity) governing contracts to be awarded by WME with the supplier in the period during which the framework agreement applies. A framework agreement does not generally give rise to a binding obligation on a supplier to supply, or on a contracting authority (or other public purchaser for whose benefit the framework agreement has been set up) to buy.

“Invitation to Tender” means the document(s) containing the specification, proposed terms and conditions and other appropriate information as issued to Tenderers to solicit Tenders as part of a Procurement Exercise.

~~“Most Financially Favourable” means the lowest financial sum if the payment is made by WME and the highest financial sum if payment is made to WME.~~

“Most Advantageous Tender” (MAT) means the tender that provides the best overall value to WME, taking into account a range of criteria beyond just the price. These criteria can include quality, social value, environmental considerations, and the economic benefits to the community.

“Negotiation” means any alteration in the terms of a tender offered to WME and shall include any variation in the terms of a tender whether by deletion of any requirement or provision or the rectification of any error or omission or otherwise.

“Over Threshold Tender” means a formal written offer to execute works or supply goods, materials or services following an advertisement in the Find a Tender or other relevant publications, the value of which meets or exceeds the relevant Procurement Threshold as set from time to time.

“Person” includes a partnership, body corporate or unincorporated association.

“Post Tender Negotiations” means the ability to negotiate with a Tenderer after a Tender has been opened and evaluated in accordance with the published evaluation criteria for the purposes of securing an improvement in the delivery of the contract including but not limited to improvements in price.

“Procuring Officer” means any Officer, acting under the delegated powers of the Director, who is responsible for the procurement of goods and services.

“Procurement Exercise” means any process conducted by WME by which goods, services and/or works are to be procured.

“Procurement Regulations” means the ~~Public Contracts Regulations and/or the Concessions Regulations as applicable.~~[Procurement Act 2023](#)

“Public Contracts Regulations” means the ~~Public Contracts Regulations 2015.~~[Procurement Act 2023 \(previously Public Contracts Regulations 2015\).](#)

“Procurement Regulations Threshold” means the Estimated Value thresholds set within the Procurement Regulations above which compulsory compliance with the Procurement Regulations is triggered. As of 1st January ~~2022~~[2024](#), the published thresholds are inclusive of VAT, however they are listed below net of 20% VAT as follows:

Public Contracts Regulations

- Supplies and Services - ~~£170,781.60~~[£14,904](#) (net of VAT)
- Works - ~~£4,269,549.60~~[£5,372,609](#) (net of VAT)

~~i. Concessions Regulations~~

- ~~• £4,269,549.60 (net of VAT)~~

but as may be amended from time to time (threshold amounts are updated every 2 years).

“Quote/Quotation” means a formal written offer to execute works or supply goods, materials or services the value of which is below ~~£50,000.~~[£30,000](#)

“Tender” means the formal offer from a Tenderer, which is capable of acceptance ~~by~~[by](#) WME, which is a response to an Invitation to Tender. It shall include all documents comprising the submission including pricing, technical specification and method statements as well as information about the Tenderer.

“Tenderer” or **“Tenderers”** means the person or persons invited to participate in a Procurement Exercise.

“The Register” means the register referred to in section [6-13](#) containing records of action taken under these Standing Orders.

“Under Threshold Tender” means a formal written offer to execute works or supply goods, materials or services the value of which is above ~~£50,000~~[£30,000](#) but falls below the relevant Procurement Threshold as set from time to time.

“WME Member Authority” means the owning Authorities who combine to form the WME Joint Committee

“WME Thresholds” are the thresholds adopted internally by WME and detailed in the table below.

Value of Order	Process
£0 - £10,000	Obtain at least two verbal/written quotes where practical and retain a written record of details of verbal quotes and retain on file. (If two quotations cannot be obtained a record of the reasons for this must be maintained.)
Between £10,000 and £50,000 <u>£30,000</u>	Obtain at least three written quotations (noting that for contracts of £25,000 and over, if advertised by another means other than obtaining quotes, the ‘below threshold’ requirements set out in paragraph 3.1 below must be followed)
Between £50,000 <u>£30,000</u> and Procurement Regulations Thresholds	Competitive tendering (noting that the ‘below-threshold’ requirements set out in paragraph 3.1 <u>3.19</u> below must be followed)
Above Procurement Regulations Thresholds	Procedure compliant with the Procurement Regulations

4 - Responsibilities of Officers

All WME Officers are responsible for complying with these Standing Orders. This Section 4 outlines the responsibilities of all Officers as follows:

4.1 Director:

- 4.1.1 To keep these Standing Orders up to date and under review;

- 4.1.2 To approve and sign as applicable contracts in accordance with the WME Scheme of Delegation;
- 4.1.3 To act in accordance with the WME Scheme of Delegation;
- 4.1.4 To ensure that Procuring Officers receive appropriate training before exercising powers to negotiate/agree contracts;
- 4.1.5 to ensure that contracts and tendering processes follow these Standing Orders and WME's Financial Regulations.

4.2 Procuring Officers:

- 4.2.1 Must ensure they understand these Standing Orders and their obligations under them before commencing a Procurement Exercise.
- 4.2.2 Must ensure that all procurement processes undertaken are carried out in accordance with these Standing Orders and the Procurement Regulations and other applicable legislation in force at the relevant time and that any actions taken are within their level of authorisation in accordance with any delegations in place.
- 4.2.3 Must ensure that there is a suitable WME Joint Committee or Director approval for each contract for which they are responsible.
- 4.2.4 Must work with WME's procurement advisors at the commencement of any procurement process to which the Public Contracts Regulations apply to ensure:
 - ~~o contracts over the relevant value can be published on Contracts Finder in accordance with the requirements of the Public Contracts Regulations and~~
 - ~~o all required notices are published during the lifetime of the contract notify the procurement advisors of the contract award, to enable the publication of relevant awards to be added to Contracts Finder and to enable details of all contracts to be made available for publication in accordance with Central Government's transparency requirements~~
 - o all requirements of the Procurement Act 2023 are adhered to
- 4.2.5 Should prepare and document an estimate of the whole life cost of the contract including, where appropriate, any maintenance and on-going costs for the purposes of correctly assessing the value of a contract and to ensure that there is sufficient budget for the Contract.
- 4.2.6 Must ensure that discussions/correspondence with suppliers do not inadvertently commit WME to contractual relationships.
- 4.2.7 Subject to the nature and value of the intended contract, where there are any concerns arising, consult with the Director to arrange advice from WME's procurement and legal advisors as appropriate for guidance as early as possible in the procurement process.
- 4.2.8 Identify and allow a sufficient timescale for a procurement process to be undertaken prior to the anticipated commencement of a contract.

4.3 All Officers must:

- 4.3.1 Understand these Standing Orders and the processes they must follow when agreeing contracts or ordering goods, work or services.
- 4.3.2 Follow the national and local code of conduct for local government employees, a copy of which is included in the WME Staff Handbook.
- 4.3.3 Declare to the Director any interest which could influence their judgement in contracting matters. Legal advice must be obtained by Officers where any conflict has potential to impact on contractual relationships.
- 4.3.4 Make sure that WME obtains value for money.

- 4.3.5 Follow these Standing Orders and any codes of practice, guidance or instructions provided by the Director.
- 4.3.6 Follow all relevant laws.
- 4.3.7 Follow WME's Financial Regulations to follow the systems and procedures that are in place to control budgets properly.

4.4 General Points to Note by all Officers:

- 4.4.1 Third parties acting on behalf of the WME (e.g. consultants) must also comply with these Standing Orders. Officers instructing third parties to procure contracts must supply them with a copy of these Standing Orders and ensure that they are followed.
- 4.4.2 Corruption is a criminal offence. All Officers who let, manage or supervise contracts must ensure adequate records are kept and act in accordance with the highest standards of propriety and in accordance with the WME Employee Code of Conduct, particularly with regard to relationships between contractors and suppliers and the separation of roles during tendering processes.
- 4.4.3 The WME Director will be responsible for any interpretation of these Standing Orders.
- 4.4.4 In all instances, procurement shall be undertaken in accordance with the principles of obtaining value for money, and in a manner that is non-discriminatory, transparent and fair.
- 4.4.5 In accordance with ~~Part 4 of the Public Contracts Regulations 2015 and guidance issued by the Cabinet Office and, The Local Government (Transparency Requirements) Regulations 2015; the Procurement Act 2023~~
 - ~~○ All contract opportunities with a value of £25,000 and above must be published on 'Contracts Finder' where WME has advertised such opportunity in the form of a Contract Notice or public advertisement.~~
 - Publication of a Tender Notice is mandatory when undertaking an open or competitive flexible procedure (including to establish a framework and awarding a contract under a dynamic market) or procuring a regulated below-threshold contract
 - ~~○ All contract opportunities for which a Contract Notice was sent to the Find a Tender Service for publication must also be published on 'Contracts Finder'. Publication of notifiable below-threshold contract opportunities should be made using a below threshold tender notice on the central digital platform, before publication on any other medium~~
 - Publication of notifiable below-threshold contract awards should be made using the contracts details notice on the central digital platform
 - ~~○ Contracts awarded of £25,000 and above must be published on Contracts Finder. This includes awards made following a call off/s from a Framework Agreement and contracts that may not have been openly advertised.~~
- 4.4.6 Contracts for goods, services and works shall be structured, where appropriate and within the legislative framework, to support and promote the policies and corporate priorities of WME and their Member Authorities. In particular, where appropriate and subject to procurement law, Procuring Officers, when procuring contracts of values up to £50,000 must invite at least one WME Member Authority based contractor to bid for ~~Council~~ contracts. Invitations to tender should not be framed in such a way as to unnecessarily debar small and medium sized companies, the voluntary sector and social enterprises from bidding. Further details relating to offering tendering opportunities to local contractors and suppliers are set out in Sections ~~7 and 8.9~~ of these Standing Orders.

- 4.4.7 All goods, services and works must comply with any relevant quality and safety standards or specifications, code of practice, British Standard Specifications or Codes of Practice applicable in the UK current at the date of the tender together with the WME's own Terms and Conditions (where applicable).

4.5 Consequences of failing to comply with these Standing Orders:

- 4.5.1 It is an implied condition of employment of all staff of WME with responsibility for the administration of contracts that they should at all times observe the provisions and the spirit of these Standing Orders.
- 4.5.2 Failure to comply with any of these Standing Orders may result in disciplinary action and legal proceedings against the Officer or third parties concerned. Any Officer who fails to follow these Standing Orders may lose the protection of the indemnity given to Officers by the Council and therefore may have personal liability for a contract or any losses.
- 4.5.3 Where it becomes apparent that an Officer has failed to comply with these Standing Orders then the Director must compile a report outlining the reasons for the non-compliance and the steps taken to prevent a re-occurrence. The Director shall provide a copy of the report to the Joint Committee's Secretary and Treasurer (in their capacity as Shropshire Council's s151 Officer and Monitoring Officer) for them to consider and take action as appropriate.

5 - Extent of Contract Standing Orders

- 5.1 The Director's delegated authority to enter into energy purchase contracts on behalf of WME is set out in the Director's current Scheme of Delegation.
- 5.2 The objective of these Standing Orders is to ensure that any contract or series of aggregated purchases is properly regulated. In particular, it is to ensure that contracts for the supply of goods, materials and services are obtained on the basis of the Most Advantageous Tender Financially Favourable terms having due regard to quality, service and fitness for purpose.
- 5.3 The Procurement Regulations apply to all public sector procurement where the value of a contract, or the Aggregated Value of a series of purchases within a contract or series of contracts, exceeds thresholds as set from time to time and published by the Cabinet Office. In such cases the requirement for a Procurement Regulations compliant procurement procedure shall apply in full to WME as set out in paragraph 8 of these Standing Orders.
- 5.4 Where the value of a contract, or the Aggregated Value of a contract, is deemed to be below the relevant Procurement Regulations thresholds, ~~paragraphs paragraph- 9 to 16~~ of these Standing Orders shall apply.
- 5.5 Subject to the provision of paragraph 9.4 these Standing Orders must be observed on every occasion WME enters into a contract except where goods and services are being obtained on behalf of another public sector body when their Standing Orders will apply.
- 5.6 In addition to the obligations under the Procurement Regulations WME officer(s) undertaking the procurement should also have regard to other legislative obligations on contracting authorities when conducting procurement, such as the requirements of the Public Services (Social Value) Act 2012. This Act requires contracting authorities, at the pre-procurement stage, to consider how what they are proposing to procure may improve the economic, social and environmental well-being of their area (the areas of the Joint Committee's Member Authorities), and how it can act to secure that improvement in conducting the procurement process. This obligation applies to the procurement of service contracts (including those which may also involve goods) under the Public Contracts Regulations.

6 - Starting the Procurement Process

6.1 Introductory Note:

Before commencing a procurement activity all of the steps on the pages of these Standing Orders must be addressed or considered as appropriate. The requirements of this Section 6 apply to all procurement activity. Depending on the value of the contract to be awarded, the requirements that will need to be fulfilled with regard to each stage of a procurement process will vary.

6.2 There are effectively six stages to the procurement process:

- i preparation (pre-contract requirements) which may include [preliminary market engagement and](#) Pre-Qualification –Questionnaires
- ii invitation of tenders/quotations
- iii evaluation of tenders/quotations
- iv acceptance and award
- v finalisation of contract documents
- vi monitoring of performance [including publication of Contract Performance Notices](#)

For every contract that is to be let, Officers must ensure that they can, as a minimum, comply with the requirements of Sections 7-16.

7 - Establishing a Business Case

- 7.1 The extent of the [Business Case](#) will depend on the value and associated risk of the procurement activity. The responsibility for preparing the Business Case lies with the Procuring Officer. Procuring Officers must take the following into consideration when preparing the Business Case;
 - i Identification of need
 - ii What are the planned results/improved outcomes
 - iii Identify the estimated cost and the budget available
 - iv An options appraisal
 - v An assessment of risks and how to manage them
 - vi The preparation of a specification/brief and timetable
 - vii Where the planned procurement is estimated to be over £50,000 in value, you must contact Shropshire Council's Procurement Team for assistance with the preparation of the criteria to assess tenders.
- 7.2 Once the Business Case has been prepared, the Procuring Officer should present it to the Director in order to obtain the necessary authority in accordance with section 8 and 9 below.

8 - Over Threshold Tender Procurement Procedures

- 8.1 Where the contract value or Aggregated Value of the contract is likely to exceed the relevant Threshold for the class of contract required the procedures set out in the relevant Procurement Regulations must be followed in full. The Procurement Officer MUST contact WME's procurement advisor at the beginning of the Procurement Exercise to obtain advice

on the appropriate procurement process to be followed, and consult at each stage of the Procurement Exercise where required including contract evaluation, award and performance monitoring.

- 8.2 It is very important that these Standing Orders are followed. The Procurement Regulations set out remedies available to a Tenderers or who "has suffered, or is at risk of suffering loss or damage" "economic operators which, in consequence, suffers or risks suffering loss or damage" who wish to challenge the award of a contract above the relevant Threshold which has not been subject to a compliant procurement process under the Procurement Regulations. Remedies available include
- An order to set aside a decision of a contracting authority in the course of a tender procedure.
 - ~~The award of damages to an operator which has suffered loss or damages as a result of a breach.~~
 - ~~A declaration of ineffectiveness of the contract awarded where the relevant grounds are met (for example, failure to advertise an awarded contract, or breach of the procurement rules matched with a breach of the standstill or suspension provisions).~~
 - ~~A financial penalty imposed on the contracting authority.~~
- 8.3 Before the award of any contract, financial checks must be carried out on the preferred bidder to ensure that they are of sufficient financial stability to undertake the contract.

9 ~~Under-Below~~ Threshold Tenders

- 9.1 Where contracts below the Procurement Threshold figures are being procured, WME officers shall follow the appropriate process for the value of the contract being let as set out in the WME Thresholds.
- 9.2 Where contracts below the Procurement Threshold figures are being procured the relevant Procurement Regulations should also be checked in order to comply with any 'below-threshold' requirements.
- 9.3 ~~The Public Contracts Regulations require procurements with an Estimated Value below the Threshold, but with a value of £25,000 and over, to comply with the requirement of Part 8 of the Regulations (Below-Threshold Procurements) requiring:~~ The Procurement Act 2023 identifies a "notifiable below-threshold contract" as a regulated below-threshold contract with an estimated value of not less than £30,000, requiring that:
- 9.3.1 ~~that where the contract opportunity is being advertised (i.e. put in the public domain or generally brought to the attention of suppliers, although this does not include obtaining quotes), an advert should also be included in Contracts Finder (Regulation 110); A contracting authority may not advertise for the purpose of inviting tenders in relation to the award of a notifiable below-threshold contract without first publishing a below-threshold tender notice~~
- 9.3.2 ~~that the procurement process shall not include a pre-qualification stage, and any "suitability assessment questions" must be relevant to the subject matter of the procurement and proportionate" (Regulation 111); Before inviting the submission of tenders in relation to the award of a regulated below-threshold contract, a contracting authority must—~~

- (a) have regard to the fact that small and medium-sized enterprises may face particular barriers in competing for a contract, and
- (b) consider whether such barriers can be removed or reduced.

~~9.3.29.3.3~~ the publication of information about the contract award on Contracts Finder (Regulation 112); If a contracting authority invites the submission of tenders in relation to the award of a regulated below-threshold contract, the authority may not restrict the submission of tenders by reference to an assessment of a supplier's suitability to perform the contract.

~~9.3.39.3.4~~ certain terms to be included in the contracts, including payment of undisputed invoices within 30 days, verification of invoices submitted by contractors in a timely fashion, and requiring any sub-contract awarded by the contractor to include such provisions and ensure they are passed on through the supply chain. (Public Contracts Regulation 113);

~~9.3.49.3.5~~ In any procurement of a value not requiring a quotation or tender process, the spirit of these Standing Orders shall be followed and although not required, whenever practicable at least three quotes or prices should be obtained from potential suppliers to ensure value for money is obtained.

9.4 A contract may be entered into by WME other than in accordance with Standing Orders 9.1 to 9.3 above in the following circumstances:

- i Where the Director is satisfied that there is only one supplier and no acceptable alternative;
- ii Where the Director is satisfied that it is in the best interests of the business to standardise by buying from only one supplier;
- iii For the extension addition to or maintenance of existing goods, materials or services where the Director is satisfied that this can only be done satisfactorily by the original contractor or supplier;
- iv For the urgent supply of goods where the Director is satisfied that the tender process is likely to prevent the supply of goods or services within the required timescale;
- v For the supply of used or second hand goods or materials where the market for such goods or materials is such that it would be unreasonable to obtain quotes or tender or where the time required to complete the tender process is likely to lead to the loss of the opportunity to purchase a used or second-hand item which, in the Director's opinion, represents value for money;
- vi For the supply of used or second hand goods, materials or services in any other circumstances where the Director is satisfied that there are proper service reasons for not obtaining quotes or tendering for the supply of goods, materials or services and where the Director is satisfied that it represents value for money and there will be no financial disadvantage as a result of not going through a competitive process.

~~vi~~ All contracts let in accordance with Standing Order 9.4 shall be recorded in the Register referred to in paragraph 13 which shall show the Standing Order under which action has been taken and which in the case of 9.4 (vi) shall contain a statement of reasons as agreed by the Director.

10 - Submitting and Opening Tenders

- 10.1 All Procurement Exercises for contracts in excess of the WME Threshold of ~~£50k~~ £30k shall be issued and submitted electronically via Shropshire Council's (as WME's procurement advisor) secure e-tendering system and overseen by Shropshire Council's Procurement Team in order to provide a full audit trail of the activity undertaken. Tenders will be opened in accordance with Shropshire Council's formal receipt and opening of tenders process within the e-tendering systems and be forwarded on to WME for analysis after the time for receipt of tenders has expired. Shropshire Council shall keep the tenders secure and unopened until the expiry of the allocated tender return date and time. The Director or his delegated representative shall be automatically notified by e-mail when the tender submissions are opened and available for viewing and analysis. Under no circumstances may a tender be opened prior to the allocated return date and time for that tender process. The use of Shropshire Council's e-tendering system does not allow tenders to be opened prior to this time.
- 10.2 The Director or his delegated representative must keep a record of these tenders which record shall be retained for a period of 5 years.
- 10.3 Late tenders must be recorded in the Register when they are received.
- 10.4 No tenders received after the time and date specified for its opening shall be accepted or considered by WME unless agreed by the Director in exceptional circumstances and in accordance with the procedure below.
- 10.5 In exceptional circumstances the Director, in consultation with WME procurement and legal advisors, may:
- i extend the deadline for submission of tenders. All known potential ~~T~~tenderers should be notified of the amended submission date and time as soon as possible following the decision to extend the deadline;
 - ii allow a late tender to be submitted after the deadline provided:
 - The ~~tenderer~~ Tenderer has contacted Shropshire Council's Procurement Manager and provided them with evidence that a genuine attempt to submit the tender prior to the deadline was made which was prevented by matters outside of their control, and
 - None of the tenders submitted in respect of the subject of the procurement have been opened at that time. If a submitted tender has already been opened, no later tenders shall be permitted.

The reasons for any extension of the tender deadline or for allowing a late tender to be submitted shall be recorded ~~-~~ in the Register

11 - Evaluation of Quotations and Tenders

- 11.1 All Quotes and Tenders shall be evaluated in accordance with evaluation criteria notified in advance to those submitting quotes/tenders. Over Threshold Tenders shall be evaluated in accordance with the Procurement Regulations.

12 - Accepting Quotes and Tenders

- 12.1 Only those Quotes and Tenders that comply with the published evaluation criteria shall be considered for acceptance. The Director shall accept the Quote offering the best value to WME.
- 12.2 The Director may approve the amendment of a tender after it has been received and before it has been accepted only to enable the correction of an arithmetical or other error made in good faith (subject to the procedures for establishing explanation of abnormally low tenders as set out in the Procurement Regulations being followed for contracts so governed.)
 - i In such circumstances the Tenderer shall be given details of the error or discrepancy found during the examination of the tender and shall be given the opportunity of confirming the tender with the amendment or withdrawing the tender.
 - ii A record of any such alteration must be kept in the register.
- 12.3 Where the Director considers it appropriate he may enter into Post Tender Negotiations with the lowest ~~T~~tenderer (or the ~~T~~tenderer whose tender is to be accepted under clause 12.6 below) with a view to reducing the Consideration Payable in cases where payment is being made by WME or secure other improvements for WME, subject always to the Procurement Regulations where applicable.
- 12.4 The Director may also negotiate if he considers it appropriate with the highest ~~T~~tenderer, where payment is to be made to WME, with a view to increasing the Consideration Payable, subject always to the Procurement Regulations where applicable.
- 12.5 If any negotiation takes place under clauses 12.3 or 12.4 above then that fact and a statement of reasons shall be made in the Register.
- 12.6 In respect of quotes or Tenders which are not subject to the Procurement Regulations, the Director is not bound to accept the lowest price and may accept other than the lowest price where:
 - i There is a material improvement in specification in contrast to the lowest priced offer and where the Director is of the opinion that by virtue of the improved specification an offer other than the lowest quotation or tender represents the best value for money and should be deemed the Most Advantageous Tender Financially Favourable.
 - ii The goods, materials or services tendered for are not available for immediate supply with the lowest offer and where in the opinion of the Director by reason of their non-availability another tender might reasonably be regarded as the Most Advantageous Tender Financially Favourable tender.

All action taken under this Standing Order shall be recorded in the Register together with particulars and a statement of reasons.

- 12.7 For contracts subject to the Procurement Regulations, no negotiations will take place except as allowable under the relevant Procurement Regulations. In the case of all other contracts, no negotiations with ~~T~~tenderers after the receipt of tenders shall take place except as authorised by the preceding paragraphs of this Standing Order without the prior approval of the Director and the fact that such negotiations have taken place shall be recorded in the Register with an indication of the reasons therefore.

13 - The Register

- 13.1 The Register shall be maintained by the Director and shall contain a record of any action under clauses 9.4, 10.5, 12.2, 12.3, 12.4 and 12.6

- 13.2 The Register shall be open for inspection at each meeting of the Joint Committee.
- 13.3 The Director will present a verbal update to the Joint Committee of any entries in the Register since the previous meeting.

14 - Forms of Contract

- 14.1 Every contract shall be made or confirmed in writing and signed in accordance with any authorisations included within the Scheme of Delegation.

15 - Corruption: Cancelling Contracts

- 15.1 Every contract must contain an appropriate Anti-Corruption and Bribery clause providing WME with the ability to cancel the contract and recover any resulting losses if the contractor or his/her employees or agents with or without his/her knowledge does anything improper to attempt to influence the award process.

16 - Compliance with Standing Orders

- 16.1 It shall be a condition of employment of the staff of WME that they should at all times observe the provisions of these Standing Orders. Failure to observe these Standing Orders will be regarded as a disciplinary matter.
- 16.2 When outside consultants or technical officers, excepting staff of WME, are employed to supervise contracts they must similarly follow these Standing Orders. Their contract for services must include this requirement.

17 - Review and Changes to these Standing Orders

- 17.1 These Contract Standing Orders shall be reviewed by the Director and updated on a regular basis. Save as set out below, amendments to these Standing Orders shall require approval of the WME Joint Committee and shall only be made after due consideration of a written report from the Secretary, the Treasurer and the Director.
- 17.2 The Director is permitted to make revisions to these Standing Orders to maintain compliance with and reflect changes to the Procurement Thresholds or legislation and is permitted to undertake such non-material amendments as a result of business changes from time to time.

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