

RISK MANAGEMENT UPDATE

Responsible Officer Nigel Evans

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

1. Summary

- 1.1 The Joint Committee annually reviews the WME Risk Management Strategy and at each meeting receive details regarding the key risks identified.

2. Recommendations

The Joint Committee are recommended to:

- 2.1 approve the WME Risk Management Strategy attached at Appendix A;
2.2 accept the position as set out in this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

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

4. Financial Implications

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

5. Background

- 5.1 The current WME Risk Management Strategy was approved by the Joint Committee on 21st March 2023 a copy of which is attached in Appendix A. The WME management team have conducted their annual review of the Strategy document and no changes are being proposed.
- 5.2 The risk register is kept under constant review and is formally reviewed by the management of WME twice a year and the current risk register comprises of eighty four highlighted risks.
- 5.3 The majority of the risks within the risk register are operational with controls in place which mitigate the impact of the risks to an acceptable risk level.
- 5.4 The Strategy states that the Joint Committee are to receive details of all medium and high risks at each meeting The table below identifies the six current high and medium risks and the two risks which has been downgraded since the last meeting.

Ref	Risk	Risk Owner	L	I	Rank	Rank Change
Current High and Medium Risks						
1	Market conditions pre-pricing leading to less competitive prices	Julie Wassall	5	3	Medium	No Change
2	Breach of trading risk levels due to significant within year spikes in market prices or supplier reforecasting of volumes	Julie Wassall	2	5	High	No Change
3	Central government policy or Regulative initiative	Nigel Evans	1	5	Medium	No Change
4	Unexpected consequences of a change of supplier e.g. diminishing levels of service, transfer delays and/or potential financial implications	Julie Wassall	3	4	Medium	No Change
5	Bad debts / delayed payment	Jo Pugh	3	4	Medium	No Change
6	Dealing with suppliers whose ownership, structure, investments or general business activities are not deemed satisfactory by customers.	Nigel Evans	5	2	Medium	No Change

Reduced Risk						
1	Poor performance by a key supplier leading to customer service issues including a) billing issues, b) information - pricing/budgets,	Julie Wassall	2	2	Low	Reduced risk from Medium to Low
2	Loss of key staff	Nigel Evans	2	3	Low	Reduced risk from Medium to Low

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

- 5.5 In light of market conditions over the past quarter Risk Ref 1 remains at a medium level. Whilst volatility levels have decreased, Risk Ref 2 remains at a medium level and continues to be monitored closely.
- 5.6 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.
- 5.7 Risk Ref 4 relates to the risks associated with a change of supplier and with a new electricity supply arrangement commencing formally from 1st April 2024, this risk remains at a medium level. There is a detailed transition plan in place to mitigate the risks here but as we haven't had a major move in supplier since 2016 the likelihood level remains higher than from 12 months ago.
- 5.8 Risk Ref 5 relates to the concerns around delayed or non-payment of bills by WME customers. For the financial year to date, our cash and debt management continues to be excellent but with the increasing financial pressures experienced by our customers, this risk remains at the medium level. Risk Ref 6 has been viewed again as a medium risk.
- 5.9 The risk relating to poor performance from a key supplier has been reduced from medium to low as we have seen an improved performance over recent months. We will continue to closely monitor this to ensure that this improved level is maintained. In light of staff recruitment and development over the past year, the risk relating to the loss of key staff has been reduced also from medium to low.

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

Joint Committee 21st March 2023 – Risk Management Update

Joint Committee 26th September 2023 – Risk Management Update

Member

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

Appendices

Appendix A - WME Risk Management Strategy