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:

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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.

West Mercia Energy

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	2022/23
		£000	**£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 £000		31 March 2024 £000	Notes
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**	
	Financed by:		
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			
	Cash outflows			
819	Cash paid to and on behalf of employees	861		
222	Other operating costs	246		
108,473	Cost of goods sold	168,125		
109,514			169,232	
	Cash inflows			
-121,939	Turnover	-171,632		
-683	Other trading operation income	-912		
-122,622			-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	-	236

4b. Analysis of income and expenditure by nature

Income received on a segmental basis is analysed below:

	2023/24 Income from Services	2022/23 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	Number of Employees 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 £000	2022/23 £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 £000	2022/23 £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 £000	Plant, Equipment and Motor Vehicles 2022/23 £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 £'000	2022/23 £'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 1st April 2023	Movement During the Year	Closing Balance 31st March 2024
	£000	£000	£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.

Comprehensive Income & Expenditure Statement	2023/24 £000	2022/23 £000
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.

Movement in Reserves Statement:	2023/24 £000	2022/23 £000
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 2023/24 £000	Liabilities 2022/23 £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**

West Mercia Energy

Pension Scheme Assets

	Fair value of Scheme Assets 2023/24 £000	2022/23 £000
Cash & Cash Equivalents		
• Cash Accounts	41	12
Cash Total	**41**	**12**
Equity Instruments		
• UK Quoted	-	-
• Global quoted	1,657	1,322
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	-	153
Bonds Total	**428**	**483**
Property		
• Property Funds	103	86
Property Total	**103**	**86**
Private Equity	241	230
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	48	39
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 1st April 2023 £000	Contributions To £000	Contributions From £000	Closing Balance 31st March 2024 £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 1st April 2022 £000	Contributions To £000	Contributions From £000	Closing Balance 31st March 2023 £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**

West Mercia Energy

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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