



Committee and Date

West Mercia Energy Joint  
Committee

24<sup>th</sup> September 2018

Item

9

Public

## Distribution of Surplus

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### 1. Summary

- 1.1 The purpose of this report is to recommend the level of distribution of surplus held at 31 March 2018 to the Member Authorities.

### 2. Recommendations

- 2.1 It is recommended that the Joint Committee;
- a) Approve the retention of accumulated surplus of £0.630 million
  - b) Approve the distribution of accumulated surplus of £0.843 million, in accordance with the provisions of the Joint Agreement.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

- 3.1 There is a risk to the Member Authorities and the business of WME if a distribution is made to the Member Authorities without retaining sufficient funds for the proper operation of the business, to maintain a contingency fund and general reserves or provide for future investment. This risk is mitigated as the amount recommended for retention has been calculated taking into account future capital commitments and energy trading reserves (Capital at Risk for gas and electricity).
- 3.2 There are no direct environmental, equalities or climate change consequences arising from this report.

#### 4. Financial Implications

- 4.1 The effect of the amount recommended for distribution as surplus on WME's General Fund is detailed below;

**Table 1: General Fund balance**

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

#### 5 Background

- 5.1 Following on from the completion of the Statement of Accounts 2017/18 and the External Auditor's finalised Annual Governance Report 2017/18, it is appropriate to consider distribution to the Member Authorities of the surplus held at the year end as described in the Joint Agreement;

Paragraph 7.3.

- a) The Joint Committee shall determine the level of accumulated surplus that shall be retained for contingency, for future investment or for other reserve purposes, having considered the recommendations of the Treasurer and Director and
- b) The whole or any part of any remaining accumulated surplus balance (not otherwise retained for contingency, future investment or reserve purposes) shall be distributed to the Member Authorities in the manner described in clause 8 hereto.'

- 5.2 Paragraph 8.6 provides

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

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

## 6 Retention of Surplus

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

**Table 2: Retention 2017**

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

## 7 Distribution of Surplus

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

- 7.2 If the amount for the distribution of surplus is agreed the amounts to be distributed to each Member Authority are:

**Table 3: Owners element of distribution**

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

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

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

Statement of Accounts 2017/18

**Member**

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

**Appendices**

None