



<u>Committee and Date</u>	<u>Item</u>
West Mercia Energy Joint Committee	9
28 September 2021	Public

Distribution of Surplus

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1. Summary

- 1.1 The purpose of this report is to request the Joint Committee to defer the distribution of surplus to the Member Authorities due to exceptional circumstances.

2. Recommendations

- 2.1 It is recommended that the Joint Committee approve the deferral of the distribution of surplus until the next Joint Committee in February.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Due to unprecedented trading conditions and gas prices being at a historically high level, the implications of this on the 2021/22 financial period are not yet known. Delaying the distribution will assist in managing the risks associated with this.
- 3.2 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).
- 3.3 There are no direct environmental, equalities or climate change consequences arising from this report.

4. Financial Implications

- 4.1 By deferring the distribution until February it means the General Fund reserve within WME is maintained at a higher level until this time to support the trading conditions within 2021/22. The General Fund as of 31st March 2021 stands at £1.47m.

5 Background & report

- 5.1 Following the completion of the annual accounts and the external audit, it is usual at this meeting to consider the distribution to the Member Authorities of the surplus held at the year end as described in the Joint Agreement. The distribution is conducted in line with the provisions set out in the Joint Agreement.
- 5.2 It is being recommended that the distribution is deferred for consideration until the February Joint Committee for two reasons.
- 5.3 The primary reason for the deferral until February is that this would allow a greater view of the trading for the current financial year 2021/22 to enable a better insight to the level of retentions to be made within the distribution in light of the current unprecedented market conditions.
- 5.4 The second reason is due to a change in the distribution formula which is ongoing at this time. A change in distribution formula was discussed and initially agreed with the Member Authority Key Officer Group (s151 officers) in January 2020 and reconfirmed in February 2021. The amended formula allows an equitable distribution for the scenario of Member Authorities adopting differing pricing approaches.
- 5.5 It was agreed that the next distribution would be under the updated arrangement and by deferring to February this allows all of the Member Authorities to ensure that the updated Joint Agreement be considered and agreed by their Cabinet/Executive.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Statement of Accounts 2020/21
Joint Committee 29 th September 2020 – Distribution of Surplus
Member Councillor Rae Evans of Telford & Wrekin Council (Chair of the Joint Committee)
Appendices None