



<u>Committee and Date</u>	<u>Item</u>
West Mercia Energy Joint Committee	8
29 November 2021	Public

Distribution of Surplus

Responsible Officer James Walton - Treasurer
e-mail: james.walton@shropshire.gov.uk Tel: 01743 258915

1. Summary

- 1.1 The Joint Committee in September approved the deferral of the distribution of the accumulated surplus to the Member Authorities until the next Joint Committee meeting. Given the continued unprecedented conditions within the energy markets within the current financial year, it is recommended that any distribution is deferred until the Joint Committee on 1st March 2022.

2. Recommendations

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

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 these factors on the 2021/22 financial year are not yet fully 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 WME business 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 usually mitigated by the retentions being calculated taking into account future capital commitments and energy trading reserves (Capital at Risk for gas and electricity). This risk can be more fully assessed by deferring the decision regarding the level of retentions and any associated distribution until later in the current financial year.
- 3.3 There are no direct environmental, equalities or climate change consequences arising from this report.

4. Financial Implications

4.1 By deferring any distribution of surplus until March it means the General Fund reserve fund 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 the September Joint Committee meeting to consider the distribution to the Member Authorities of the accumulated surplus held at the year end as described in the Joint Agreement.

5.2 At the September Joint Committee it was approved to defer the distribution of surplus until the next Joint Committee.

5.3 The reason to defer any distribution until March is that this would allow a greater view of the trading and financial position of WME for the current financial year 2021/22 in light of the exceptional energy market conditions. By adopting this prudent approach it enables a greater insight to the level of retentions to be made within the distribution in light of these unprecedented market conditions.

5.4 The previous agenda item on risk management referred to the increased risks to the business in light of the unprecedented market conditions.

5.5 Monthly trading information is issued to Members and key officers of the Member Authorities outlining financial performance. In addition Members will have been provided a briefing note separately regarding forecasted scenarios for 21/22 and a later agenda item will cover the trading update for 21/22.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p>
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<p>Risk Management Update</p>

<p>Joint Committee 28th September 2021 - Distribution of Surplus</p>

<p>Joint Committee 28th September 2021 - Statement of Accounts 2020/21</p>

<p>Joint Committee 29th September 2020 – Distribution of Surplus</p>

<p>Member</p>

<p>Councillor R Evans of Telford & Wrekin Council (Chair of the Joint Committee)</p>
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<p>Appendices None</p>
