



Committee and Date

West Mercia Energy Joint  
Committee

20<sup>th</sup> September 2024

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 retentions to be held and the amount to be distributed to the Member Authorities from the accumulated surplus held on 31 March 2024.

### 2. Recommendations

- 2.1 It is recommended that the Joint Committee;
- a) Approve the retention of accumulated surplus of £1.805 million
  - b) Approve the distribution of accumulated surplus of £2.438 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**

	£'000s
General Fund Balances as at 1 April 2024	4,243
Recommended Surplus distribution	<u>2,438</u>
General Fund balance after distribution	<u>1,805</u>

## **5 Background**

5.1 Following on from the completion of the Statement of Accounts 2023/24 and the External Auditor's finalised Audit Findings Report 2023/24, 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 The Joint Agreement outlines the distribution formula as follows:

The amount of the accumulated surplus to be distributed to each Member Authority in a Financial Year shall be calculated in accordance with the following formula:

$$DA = A + B - C (+ \text{ or } -) D (+ \text{ or } -) E$$

Where:

- DA is the distribution amount from the accumulated surplus to be paid to an individual Member Authority in a Financial Year;
- A is the gross profit contribution generated by that Member Authority's transactions with WME during the previous Financial Year;
- B is 25% of the gross profit generated by non-Member Authority customers during the previous Financial Year;
- C is 25% of the expenditure incurred by WME during the previous Financial Year;
- D is 25% of the amount allocated in WME's accounts for movement in the retention sum during the previous Financial Year, which may be a positive or negative figure;
- E is 25% of the amount allocated in WME's accounts for other movements in WME's General Fund during the previous Financial Year, which may be a positive or negative figure.

## 6 Retention of Surplus

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

**Table 2: Retention 2024**

	£'000s
Capital at Risk (gas and electricity)	1,705
General	<u>100</u>
	<u>1,805</u>

The Capital at Risk retention is held to support within year trading activity.

## 7 Distribution of Surplus

7.1 The accumulated surplus at 31 March 2024 was £4,243 million. Should the Joint Committee agree with the recommendation in this report as to the amount to be retained as surplus, consequentially £2.438 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**

	£
Herefordshire	551,990
Shropshire	656,789
Telford & Wrekin	626,315
Worcestershire	<u>603,369</u>
	<u>2,438,463</u>

7.3 If approved it is proposed to pay these amounts in October 2024.

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

Statement of Accounts 2023/24

**Member**

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

**Appendices** None