

# **Schools' Energy Co-operative Ltd**

## **ANNUAL GENERAL MEETING 18th September 2018**

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7<sup>th</sup> August 2018

**The Schools' Energy Co-operative Limited  
Chairman's Report - Year ending 31<sup>st</sup> March 2018**

I am pleased to make my report to members of The Schools' Energy Co-operative Limited (the "Co-op"). It principally covers the financial year ending 31<sup>st</sup> March 2018, our third full year of trading. It also updates you on developments since the year end during which we have constructed solar pv systems at four further schools (at the time of writing), with at least seven more, we hope, to be undertaken later this summer, and with further installations currently being considered.

In this year, we had a full year of performance from solar pv systems installed at 26 schools and a part year of performance at the 7 schools where we installed solar pv during the 2017/8 year.

We will be holding our Annual General Meeting on 18<sup>th</sup> September at 7pm at Guildford Baptist Church, Millmead, in central Guildford, a short walk from the railway station. There will be ample opportunity to ask questions, to discuss and agree our future work and to meet the Co-op's board of directors. More of our members live in Surrey than in any other county so we hope this will be a convenient location.

We are particularly keen to agree with members the Co-op's future development plans and their funding. More details on this are given below. We encourage you to engage on this issue by participating at the AGM if you can, or by letting us know your views.

**Highlights and key issues of the year**

As agreed at our annual general meeting last year, the prime focus of our work this year has been to install solar panels on more schools whilst the Feed-in Tariff exists. The financial benefits to schools are much less than before, so this is a more challenging ask. During the year we:

- Installed solar panels on 7 schools, and on 4 more schools since the year end;
- Agreed to install solar panels on a further 6 schools and on a children's hospice, with more discussions in progress;
- Entered into a partnership with Ealing Council to install solar panels on their schools;
- Operated solar panels on 33 schools (and 4 more since the year-end);
- Resolved the outstanding issues with OFGEM on the FIT due to us, which was paid in full;
- Suffered particular operational difficulties with inverter failures and with installing export meters, which has reduced our income.

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## 1. 2017/8 Financial Performance and Accounts

Financial performance in 2017/8 represents a full year of trading from our first 26 installations, funded by our first three share issues. We also had some limited generation – varying from nearly a full year to a few days - from our seven new installations built in 2017/8. Aggregate generation from our first 26 schools was below our projections, mainly due to inverter breakdowns described below, and due to the year being less sunny than average.

The accounts have been prepared in accordance with the principles set out in our share offers and previous accounts. The cost of installing the solar arrays has been capitalised and allocated to the capital cost of the successfully built sites. This includes the costs of surveys, EPC certificates, grid charges and various project management expenses incurred. We wrote off £1,000 of work-in-progress on abortive projects. As discussed in last year's report, we have accrued about £4,200 for an estimated liability for business rates although we have only been assessed for rates on one site. It is not clear whether we will be liable for rates and if so what the amount will be, but we consider this the most prudent approach to adopt.

During the year we replaced a number of faulty inverters where we were unable to get the manufacturer to honour their warranty; this resulted in an expense of £3,934.

We depreciate the value of our solar arrays over the 20-year duration of their Feed-in Tariff. Depreciation commences in the financial year after commissioning. So the 2017/8 accounts include a depreciation charge of £64,080 for the 26 schools where we had a full year of generation, compared to a depreciation charge of £28,566 in the previous financial year.

Interest paid in the profit and loss account represents the interest paid on our loans from Pure Leapfrog and Baywind and Boyndie Co-operatives. Interest paid to members approved at the 2017 Annual General Meeting is shown on page 6 in the Statement of Changes in Equity. Interest payable in respect of the 2017/8 surplus, as agreed at the Annual General Meeting, will be shown in the 2018/9 accounts in the same manner. The £2,000 "dividend" we paid to two schools in respect of the 2016/7 accounts is treated as an expense in the 2017/8 accounts.

We received great support during the year from Baywind Energy and Boyndie Wind Farm Co-operatives, like us members of the Energy4All family of community energy organisations. They provided us with a loan facility of £300,000 (of which we had borrowed £159,000 at the year-end; and we have since borrowed the balance of the facility). This has enabled us to continue our development programme pending our making a share offer to fund the solar panel installations planned for this summer, as well as those we have done since about December last year. We are grateful for their support.

During the year we resolved our FIT applications with Ofgem, after many months of delay and chasing from us. The matter was settled fully in our favour as we thought it would be. We also resolved most of the outstanding issues with Camden Council, which has paid us the entire sum due on one school and 95% of the sum due on the other. We continue to work with them to resolve this last outstanding claim by us.

We have not yet managed to resolve the issues of installing export meters cost effectively at some schools. Privatisation of the electricity metering system has led to a group of meter operators who charge disproportionate sums to consent to the installation of export meters. This affects 8 of our schools in this financial year where our installation is over 30kW and we anticipate the school is not consuming all or nearly all the electricity generated. We have installed export meters at Glenleigh, our main exporting site. Whilst we do not have an export meter we are unable to be paid for the electricity which is generated by the panels but not used by the school and is thus "exported" to the grid. This then becomes "free" electricity to the "Big 6"! The amounts involved are not that material – currently about £3,887 gross on an annualised basis, much of which would be offset by the operating costs of the meters once installed – but it is frustrating and until we have export meters we cannot register those schools in Co-op's Energy's User Chooser scheme which enables their customers to buy electricity exported from that particular school (on a matching basis). It will take some time to resolve this. Our application for export meters at Kings Park school, for instance, involves dealing with six companies, including four of the Big 6, Edf, Eon, NPower and SSE!

## 2. Interest payable to members for 2017/8, dividends to schools and retained earnings

As set out in our report to you last year we propose that interest payable to members this year should not differentiate between shares issued before and after June 2015.

The Board proposes that £64,922 be paid as interest to members, representing an interest rate of 5%. This achieves the target interest rate we indicated in the share offers for those shares.

Going forward we propose that a permanent distinction be made between shares subscribed for under our 2018 share offer, where we are targeting to pay an interest rate of 4.5% in respect of the 2019/20 financial year and subsequently, and shares issued under previous share offers where a slightly higher interest rate is targeted, reflecting the different conditions (particularly the higher Feed-in tariff rate) when those share offers were made.

Distribution of interest and dividends is determined by members at the annual general meeting. A resolution to pay interest as described above will be put to members. If members pass the resolution, we anticipate that interest will be paid in October.

We also propose that £2,000 is paid as a dividend to our school members and the balance of our surplus (£996) is retained to develop the Co-op and to provide us with additional reserves to deal with the uncertainties we face. The dividend will be allocated between schools broadly in their contribution towards that sum.

Our business mission is to develop more renewable energy, primarily on schools. When the Co-op decides how to apply its surplus we have to balance paying interest to members in a manner consistent with the terms on which shares were issued and which reflects the principles of co-operation (which limit the returns on capital), paying dividends to schools which are the source of our surplus, and retaining earnings to develop the Co-op. We need to reflect current conditions, inflation and interest rates and changes in regulation. On the latter, the FCA, our regulator, now appears to object to co-operatives distributing their entire surplus and to “high” interest rates which vary according to performance (which does not apply to us). So, for this reason too we propose retaining some of the surplus for development of new projects.

## 3. Taxation on interest – up to £1,000 interest payment can be tax free

From 6<sup>th</sup> April 2016 basic rate income tax payers can receive £1,000 interest per annum tax free and 40% income tax payers can receive £500 interest per annum tax free. Interest paid by the Co-op may now be tax free for some members.

## 4. Installations in 2017/8

During 2017/8 we installed the following solar pv arrays. All the schools are members of the Ambitions Academies Trust and are in Bournemouth, Poole or Christchurch. We were introduced to the Trust by Bauder, a major manufacturer of flat roofs which has been supportive of our work.

| School           | Month of commissioning | Solar Panel Array Capacity, in kW | Anticipated annual output in kWh |
|------------------|------------------------|-----------------------------------|----------------------------------|
| Longspee, Poole  | April 2017             | 29.97                             | 28,358                           |
| Manorside, Poole | May 2017               | 29.97                             | 28,382                           |
| Nigel Bowes      | September 2017         | 28.62                             | 24,690                           |

|             |                |       |         |
|-------------|----------------|-------|---------|
| Elm         | September 2017 | 49.95 | 46,453  |
| Queens Park | October 2017   | 29.16 | 28,500  |
| Kings Park  | December 2017  | 49.95 | 46,750  |
| Oak         | February 2018  | 95.58 | 87,961  |
| Total       |                | 313.2 | 291,145 |

Since the year end we have installed solar panels on the following schools:

| School                     | Month of commissioning | Solar Panel Array Capacity, in kW | Anticipated annual output in kWh |
|----------------------------|------------------------|-----------------------------------|----------------------------------|
| LeAF Studio, Bournemouth   | April 2018             | 49.95                             | 45,554                           |
| Throop, Bournemouth        | June 2018              | 11.07                             | 10,770                           |
| Great Totham, Essex        | June 2018              | 29.97                             | 24,972                           |
| Kettlefields, nr Newmarket | Aug 2018               | 21.6                              | 19,548                           |
| Total                      |                        | 112.59                            | 100,844                          |

Both Throop and LeAF Studio are members of Ambitions Academies Trust.

By the time of the AGM we should also have installed systems at Horsenden, Mandeville, Fielding, Lady Margaret and Wood End schools in Ealing (with Montpelier and (probably) Wolf Field School in Ealing to be installed in the October half term), and possibly others.

Our solar installers, Joju Solar, have also been true partners in this venture. Their performance in the summer of 2016 to install at so many schools was extraordinary. They have also supported us financially so we did not need to borrow to fund VAT, and provided extended credit to support our development in 2017.

We model all our new projects to target to deliver on average a return of slightly more than 6%. We aim to pay members 4.5% interest on new shares issued to fund these new projects, and so have a “buffer” against underperformance, which, if not needed, is paid to our member schools.

## 5. Generation and operations in 2017/8

The appendix to this report sets out details of performance of our sites. Most of our solar panel arrays are currently working well.

In a full year annual generation from these sites should exceed 1,227,340 kWh.

However, we have had two particular operational difficulties during the year. The first concerns the difficulty in installing export meters, as described above. The second is that one brand of inverter we have used, Samil, has proved unreliable. Following all the changes in Government policy Samil has also withdrawn from the UK market. We have had considerable delays and difficulties in obtaining repairs to our Samil inverters under warranty, which

would involve making a claim in China. This has affected performance this year at 5 schools. We have also had difficulty in getting one of our Fronius inverters promptly repaired under warranty. Having tried for most of the year to get Samil to honour its warranties, we replaced the inverters at 3 schools with Solis inverters and paid for the replacement ourselves at a cost of £3,934. This amount will be recovered quickly now the affected sites are generating again.

Most of the electricity we generate is sold to and used by our school members. The remainder is sold to Co-operative Energy and “exported” from the school via the grid. The panels at Glenleigh school in particular generate more electricity than the school uses. This electricity is available for customers of Co-operative Energy to buy under its “user chooser” system, so our members could buy power generated at this school and we hope you will consider this. If you wish to receive more information about this, please contact us.

## **6. Carbon Savings in 2017/8**

Our work in 2017/8 resulted in carbon dioxide savings of approximately 483 tonnes from generation using the same “grid average” carbon emissions as last year (52.8g/kWh). In practice our carbon savings are higher than grid average because we will to a large extent have displaced coal from the generation system, and coal is the most carbon intensive of the major forms of generation. Grid average emissions, however, are dropping sharply, as more than half of electricity is now produced from low carbon sources and coal in particular is being driven off the system. In 2017/8 we also generated the equivalent of the electricity consumption of 241 average households. Our individual members together comprise about 235 households.

## **7. Developments since April 2018 and their funding**

Since last winter we have been working closely with Ealing Council, with the support of Transition Ealing, to develop a programme to install solar panels on their schools. We were supported on the development work by a grant of £15,000 from the Greater London Authority, and so far six Ealing Schools have agreed to participate. In April we also commenced working with Harrow Council on a similar basis. We may have insufficient time to undertake installations on Harrow schools this summer, but we hope that it may yet result in some installations later in the year. We have also continued to work with Ambitions Academies Trust, a multi-academy trust based in Bournemouth, Poole and Christchurch and hope to install solar panels on two further school members of that Trust, in addition to the nine schools we have already installed panels on.

So far, we have funded these recent new installations by using the loan facilities granted to us by Baywind and Boyndie Co-operatives, which we will repay from the proceeds of our 2018 share offer.

## **8. Return of Members’ capital**

An investment in the Co-op is in principle is for up to 20 years and is for a minimum of three years in order to remain a qualifying investment for EIS tax relief. The effect of the November 2015 share issue is that the Co-op must comply with EIS rules until the end of November 2018.

Under the EIS rules there can be no arrangements or binding commitments in place to enable a realisation of shares, but the Co-op can give an indication of an exit route. As such an indication the Co-op currently envisages, if it has sufficient funds and members agree, that about 15% of its shares might be bought back by the Co-op in March 2019 or, more likely March 2020 (to allow all the capital raised to be used for at least three years in the business) and about 5% of its shares might be bought back each year thereafter. The financial modelling we have done indicates that this is a reasonable expectation. The funds for this come in effect from the depreciation charge, assuming that the Co-op has either ceased to invest in new projects or any such investments are separately funded. We also have scope to issue new shares to fund the withdrawal of members.

We anticipate members who wished to redeem their shares would be given priority, and any remaining shares would be redeemed in proportion to Members’ shareholdings. All redemptions would be at the par value of £1.

## 9. Our future strategy - developments after March 2019

At the Annual General Meeting we will consider the future development of the Co-op. Our mission is to deliver more community owned renewable energy, primarily on schools. The Feed-in tariff is due to close to new applications at the end of March 2019. Most school solar installations are currently not financially viable without the FIT. So the Board is keen to use this window of opportunity to build as much school solar as we can whilst the FIT is available.

The Government has recently announced, as part of the transition to the end of FIT next March, that it might permit community energy organisations such as the Co-op to pre-register schools for FIT prior to the end of March 2019, and then allow a further year for the pre-registered solar array to be installed and still qualify for FIT. This would give the Co-op scope in particular to install more solar arrays in the 2019 school summer holidays.

After next March some particularly suitable school installations will remain financially feasible. New schools will pay more for their electricity than our existing schools and arrangements with them will continue for longer – typically 25 years rather than 20 as at present. We will continue to target an average return (IRR) of about 6%, based on various assumptions. In practice most of the risk is on underperformance, so we need to raise long terms funds for about 4.5% or less, to provide sufficient margin. For worthwhile projects which remain marginal we can subsidise the installation cost from the retained part of the Co-op's surplus referred to above. Nevertheless, we expect the number of installations to drop significantly from next April apart from any we are able to pre-register.

Since the financial savings to schools are already fairly modest, fewer schools are interested in participating. However, a number of schools have expressed an interest in being supported to install LED lighting.

Most of the commercial sector has withdrawn from funding solar panels on schools – we are aware of only two other businesses still continuing to offer funding. So we are needed!

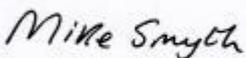
We also intend from next March to invest in improving our asset management, monitoring and systems and we have as priorities:

- to complete the installation of export meters where feasible;
- to monitor all our installations closely to ensure that they are operating satisfactorily and to undertake any necessary repairs or changes promptly, including dealing with the inverter issues;
- to continue to develop the systems we need for our efficient operation;
- to work with Co-operative Energy to develop our export arrangements and “user-chooser”;
- to develop relations with our school members and to support them in their use of the panels, their educational role and other energy related matters. A number of the schools we work with would benefit from LED lighting and are interested in our funding that;
- to improve our communications with our schools and other members.

There is still plenty to do!

I look forward to meeting you and welcoming you to the AGM on 18<sup>th</sup> September.

Yours sincerely



Mike Smyth  
Chair, The Schools' Energy Co-operative Limited  
[info@schools-energy-coop.co.uk](mailto:info@schools-energy-coop.co.uk)

The Schools' Energy Co-operative – details of generation by school to end March 2018

| School                     | Capacity (kWp) | Budget (kWh) | 2015/6 (kWh) | 2016/7 (kWh) | 2017/8 (kWh) |
|----------------------------|----------------|--------------|--------------|--------------|--------------|
| Acland Burghley, Camden    | 48.36          | 41,430       | -            | 14,240       | 37,630       |
| Ashlyns, Berkhamsted       | 49.92          | 37,190       | 5,200        | 35,627       | 33,833       |
| Castlebar, Ealing          | 19.76          | 16,262       | -            | 5,394        | 10,914#      |
| Courthouse, Maidenhead     | 47.84          | 39,372       | 27,687       | 37,644       | 35,100       |
| Duckmanton                 | 29.64          | 24,638       | -            | 10,112       | 21,092#      |
| Elm                        | 49.95          | 46,453       | -            | -            | 10,970*      |
| Fullbrook, West Byfleet    | 42.9           | 36,656       | 5,142        | 37,432       | 24,009#      |
| Glenleigh, Bexhill         | 150            | 142,411      | 150,701      | 150,529      | 140,549      |
| Gospel Oak                 | 29.64          | 24,393       | -            | 5,329        | 20,169       |
| Grange, Ealing             | 8.84           | 7,841        | -            | 2,407        | 7,331        |
| Greenacre, Chatham         | 48.88          | 46,911       | -            | 16,891       | 44,029       |
| Hemlington, Middlesborough | 29.12          | 24,402       | -            | 10,160       | 24,007       |
| Heron Park, Eastbourne     | 29.64          | 30,351       | 4,568        | 31,979       | 28,024#      |
| Hitchin                    | 47.06          | 39,987       | -            | 12,301       | 38,540       |
| Holt Farm, Rochford        | 29.9           | 26,073       | -            | 7,859        | 22,997       |
| Kings Park                 | 49.95          | 46,750       | -            | -            | 6,866*       |
| Longspee                   | 29.97          | 28,358       | -            | -            | 20,274*      |
| Manorside                  | 29.97          | 28,382       | -            | -            | 20,311*      |
| Middleton, Leeds           | 29.12          | 24,956       | -            | 17,920       | 26,826       |
| Newmarket                  | 11.44          | 10,330       | -            | 4,688        | 11,380       |
| New Mills                  | 21.6           | 19,202       | -            | 5,522        | 17,765       |
| Nigel Bowes                | 28.62          | 24,690       | -            | -            | 7,657*       |
| Oak                        | 95.58          | 87,961       | -            | -            | 8,500*       |
| Oakwood, Eastbourne        | 47.32          | 51,295       | 21,987       | 54,298       | 45,815       |
| Queens Park                | 29.16          | 28,500       | -            | -            | 6,908*       |
| Samuel Ward, Haverhill     | 26             | 23,296       | -            | 5,591        | 18,889       |
| Shenfield School           | 49.72          | 42,479       | 6,821        | 40,452       | 18,718#      |
| Shenfield Sports Pavilion  | 29.12          | 24,984       | 2,960        | 25,005       | 10,646#      |
| Sheringham, Norfolk        | 47.84          | 41,241       | -            | 13,657       | 42,510       |
| Stalham, Norwich           | 45.76          | 36,713       | -            | 18,608       | 41,370       |
| Southend Prince Avenue     | 45.76          | 36,713       | -            | 17,424       | 29,160#      |
| UCAN, Northwich            | 28.86          | 23,780       | -            | 7,544        | 25,209       |
| Warren Wood, Rochester     | 35.08          | 33,803       | -            | 7,811        | 25,631       |
| Westfield, Haverhill       | 36.92          | 29,536       | -            | 11,021       | 30,821       |
| Total                      | 1,379.89       | 1,227,340    | 225,066      | 607,445      | 914,495      |

Notes:

\*means the solar array was installed during the financial year, so the school generated electricity for only part of the year.

#means seriously adversely affected by inverter faults described above

Insulation levels in 2017/8 were below average so the Co-op would expect generation in this year to be below budget.

## The Schools' Energy Co-operative Limited ("Co-op")

### Notice of Annual General Meeting to be held on Tuesday 18<sup>th</sup> September 2018

Notice is hereby given that the Annual General Meeting of members of the Co-op will be held at 7.00 pm on Tuesday 18<sup>th</sup> September 2018 at Guildford Baptist Church, Millmead, Guildford GU2 4BE for the following purposes:

#### Agenda

1. Introductions and welcome.
2. **Motion 1:** to approve the minutes of the Annual General Meeting held on 19<sup>th</sup> September 2017.
3. **Motion 2:** to receive and adopt the Report of the Directors and the unaudited financial statements for the year ended 31<sup>st</sup> March 2018, together with the report of the accountants thereon.
4. **Motion 3:** to approve the distribution of £64,922 of the Co-operative's surplus by way of share interest, at an interest rate of 5% on shares subscribed for by the end of March 2018.
5. **Motion 4:** to pay a dividend of £2,000 in aggregate to some of the Co-op's school members in the proportions determined by the Directors.
6. **Motion 5:** to disapply the obligation of the Co-operative to appoint auditors pursuant to Section 84 of the Co-operative and Community Benefit Societies Act 2014 so that an audit of the accounts of the Co-operative shall not take place for the Co-operative's year of account ending 31<sup>st</sup> March 2019.
7. **Motion 6:** to reappoint the firm of Melville & Co, Chartered Accountants, as the appropriate person to make a report on the accounts and balance sheet of the Co-operative for the Co-operative's year of account ending 31<sup>st</sup> March 2019 at a fee to be agreed by the Board.
8. Election of directors:  
**Motion 7:** to reappoint Rod Edge as a director of the Co-operative.  
**Motion 8:** to reappoint Andy Rolfe as a director of the Co-operative.  
**Motion 9:** to appoint Laura Moreno as a director of the Co-operative.
9. Any other business.

Close of formal business

By order of the Board:  
Annette Heslop,  
Company Secretary  
28<sup>th</sup> August 2018

Registered Office:  
Unit 26, Trinity Enterprise Centre  
Furness Business Park  
Barrow in Furness  
LA14 2PN

## **Nominations to the Board 2018**

Both Rod Edge and Andy Rolfe will retire by rotation and both will seek re-election. Laura Moreno has been co-opted to the Board and will seek election.

### **Retiring Directors Seeking Re-election**

#### **Andy Rolfe - London**

Andy is a graduate in Electrical Engineering, holds a Master's degree which focused on the social, environment and economic aspects of UK energy supply, and is a qualified electrician. Until recently he taught for the Open University, with a focus on renewable energy technologies. Andy was part of the management team that founded, grew and finally sold an IT business called Logical Networks plc. Andy is active in Ealing Transition and is a volunteer energy assessor for the South West London Environmental Network, carrying out energy assessments with a focus on schools.

#### **Rod Edge - Hambledon**

Rod is a Chartered Accountant who lives in Hambledon, Surrey. He founded and was the chief executive of Keepsafe Limited, a multi-site self-storage business headquartered in Farnham, which was sold in 2007. Over ten years he built that business into one of the largest self-storage businesses in the UK. He has particular expertise in property, property management and construction. He was a founder of this Co-op as well as of Wey Valley Solar Schools Energy Co-operative and Springbok Sustainable Wood Heat Co-operative.

### **Co-opted Director Seeking Election**

#### **Laura Moreno – Guildford**

Laura is an experienced project manager of solar installations who works for Energy4All. Previously, as a project manager for Joju Solar, she managed the installation of many schools' solar panel systems for this Co-op and other co-operatives in the Energy4All family of community energy organisations. So she knows Energy4All and its work very well. She graduated in Environmental Sciences and also holds an MSc in Renewable Energies.