

The Schools' Energy Co-operative Ltd

ANNUAL GENERAL MEETING 19th September 2023

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Introduction

This annual report to members of The Schools' Energy Co-operative Limited (the "Co-op") principally covers the financial year ending 31st March 2023, our eighth full year of trading. It also updates you on developments since the year end.

Our mission is to help tackle climate change by reducing carbon emissions. 2023 has already seen a repeat of 2022's heat waves in the northern hemisphere, and climate records for high temperatures and low Arctic sea ice "tumbling"¹. Unfortunately, we have also seen the UK's Climate Change Committee describe government efforts to scale up climate action as "worryingly slow".²

In 2022/23 our sites generated 3,249,759 kWh of renewable solar PV electricity, a 13.8% increase on the previous financial year. This generation is the equivalent of the electricity consumption of more than 1,250 average UK households.

During the financial year, carbon emissions savings from our solar PV installation were more than 1,100 tonnes (compared to generation by gas). Our total solar PV generating capacity (at time of writing) is now a shade under 3.8 megawatts, saving on average 1,200 tonnes of carbon dioxide emissions each year (compared to electricity generation from gas).

By the end of the financial year, we had solar PV systems on 91 sites. These sites include 85 schools (we have two separate systems at Shenfield School), two Children's Centres, a nursery, a College, one commercial site, and the cloisters at Salisbury Cathedral.

In addition to the above stated carbon dioxide emissions savings, your Board estimates that in the last year, our solar PV installations have saved our member schools at least £750,000 because electricity from the solar panels has been much cheaper than electricity from the grid.

We have been again supported by the Greater London Authority's London Community Energy Fund ("LCEF") for our installations in London. This fund provided grant support for three new installations in Wandsworth and one in Harrow, and in May 2023 we were awarded a further LCEF grant to support one of the 2 new installations on schools in Ealing we are working on. Both new Ealing sites are also supported by a grant from Ealing Council's Carbon Offset Fund.

I wish in particular to thank Energy4All and their member co-operatives for their support of our development. We are not a straightforward community energy organisation and have been growing very fast. Energy4All staff have supported us fully in all aspects of our work, in particular: project development and delivery, post installation management; invoicing and accounting; and raising the funds we need. We couldn't have developed the way or at the rate we have without their support.

Highlights and key issues of the year

The continuing volatility in energy prices has been something of a double-edged sword for us. On the one hand, high electricity prices, compared to what we are able to offer schools for solar PV generated electricity, have resulted in a surge in interest. However, price volatility and concern over future energy price falls has made it very difficult for schools to make decisions on our proposals.

¹ <https://www.bbc.co.uk/news/science-environment-66229065>

² <https://www.bbc.co.uk/news/science-environment-66032607>

We have quoted on more than 100 new sites over the last 12 months, representing more than 6 MWp of potential new capacity. But as yet few of these schools have been able to make the decision to go ahead. For example, over the last 18 months we have quoted on 8 sites representing around 750 kWp of solar PV capacity for schools in Ealing. Out of these quotes, two schools representing 75 kWp look set to go ahead later this year. This is in contrast to our previous experience with schools in Ealing where we were successful in better than 4 out of 10 sites which we formally quoted.

During the financial year we:

- Installed solar panels at 3 sites introduced by our latest partner Community Renewable Energy Wandsworth (CREW). These represent an additional 117 kWp, and were all supported by LCEF grants.
- Installed solar panels on a school in Harrow and commenced construction of solar arrays at Wiltshire College's Trowbridge Campus.
- Continued our successful relationship with Ealing Council and Ealing Transition. We completed a re-evaluation of Ealing school opportunities in the light of the ending of the Feed in Tariff and increases in energy prices. This was supported by a further LCEF grant, and resulted in 2 new sites which have agreed in principle to go ahead, and we hope will be installed by the end of 2023, representing an additional 75 kWp. Both sites are also supported by a grant from Ealing Council's Carbon Offset fund.
- Operated solar panels at 91 sites (and 2 more since the year-end).
- Returned £18,225 to members by redeeming shares and paid interest at 5% on the shares subscribed under our first three share offers and at 4.5% on shares issued under the fourth and fifth share offers.
- Paid £25,981 in dividends to member schools, primarily representing school dividends for financial year 2021/22.

2022/23 Financial Performance and Accounts; and grants received

Financial performance in 2022/23 represents a full year of trading from 87 sites. We also had some limited generation – varying from 9 months to 1 month - from sites commissioned in 2022/2023. Aggregate generation during the financial year was 102% of our projections.

Revenue from sales of electricity, export, feed in tariff and grant income was 15.5% above last year. The surplus before interest to members and dividends to schools of £220,200 is nearly 20% above that for the previous year, and is sufficient to fund the interest payment to members, plus an increased dividend to schools.

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, grid charges and various project management and fundraising expenses incurred. Costs incurred on abortive projects are written off, but most of our abortive costs on London sites have been funded by grants from the Greater London Authority. We accrued £15,051 in the year for an estimated potential liability for business rates although so far 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 received grants totalling £51,794 from the GLA's LCEF scheme. These supported a further pre-feasibility review of Ealing schools previously rejected as unsuitable; and capital grant support for three Wandsworth Schools.

After the year end a further £8,500 of LCEF funding was received, to support one additional school in Harrow. We also applied for a further grant under the LCEF scheme for capital support for the three viable sites resulting from the above pre-feasibility study in Ealing. Unfortunately, competition was very strong and we were only awarded a grant for one of the three schools, at £19,917. However, we were also awarded a £10,000 grant by Ealing Council from its Carbon Offset funds, which allowed us to make an offer to another school.

We depreciate the value of our solar arrays over the 20-year duration of their Feed-in Tariff. Sites without Feed-in Tariff are depreciated over 25 years. Depreciation commences in the financial year after commissioning. So, the 2022/23 accounts include a depreciation charge of £ 167,721 for the 91 solar PV installations and the LED lighting installation where we had a full year of operation, compared to a depreciation charge of £158,136 on 83 installations in the previous financial year. Depreciation and interest paid to members are by far our two largest expenses.

Interest in the profit and loss account represents the interest paid on our bank accounts. We repaid our loans from Pure Leapfrog and from other co-operatives in the Energy4All family by the end of June 2022.

Interest paid to members approved at the 2022 Annual General Meeting is shown in the page headed Statement of Changes in Equity. Interest payable in respect of the 2022/23 surplus, as agreed at the Annual General Meeting, will be shown in the 2023/24 accounts in the same manner.

Currently we are only receiving metered export income from Glenleigh, Chelmsford and King's Park schools. Progress on the issues of installing export meters continues to be slow. Once successfully concluded there should be a modest increase in our net income. However, this year we have made good progress on registering sites for the Renewable Energy Guarantees of Origin (REGO) scheme, which has the potential to increase net income by a similar amount to export payments.

Interest payable to members for 2022/23, dividends to schools

The Board proposes that approximately £142,709 be paid as interest to members, representing an interest rate of 5% on shares issued under our first three share offers, a rate of 4.5% on shares issued under the fourth and fifth share offers, and a rate of 2.5% on shares issued under the sixth share offer, as described in the terms of those offers.

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 £40,000 (2021/22: £25,000) is paid as a dividend to our school members and the balance of our surplus is retained to develop the Co-op and to provide us with working capital, additional reserves to deal with the uncertainties we face, particularly as a result of volatile energy prices, and to support the development of the Co-op. The dividend will be allocated between schools broadly in proportion to their contribution towards that sum.

Installations in 2022/23 and subsequently

During 2022/23 we installed the following solar PV arrays.

School/ site	Month of full commissioning	Solar Panel Array Capacity, in kW	Anticipated annual output in kWh
Sacred Heart Battersea RC	June 2022	54.76	46,942
Sacred Heart Roehampton RC	June 2022	28.86	24,930
St Anselm's, Wandsworth	August 2022	33.62	29,073
St Bernadette's Harrow	August 2022	40.425	33,940
Total		157.665	134,885

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

School	Month of commissioning	Solar Panel Array Capacity, in kW	Anticipated annual output in kWh
Wiltshire College Trowbridge Campus	May 2023	159.97	138,279
Wiltshire College Lackham Campus	August 2023	230	186,990
Total		389.97	325,269

These installations take our total installed capacity to just over 4 MW.

Generation and operations in 2022/23

In 2022/23 our sites generated 3,249,759 kWh of renewable solar PV electricity, a 13.8% increase on the previous financial year, and 2% over what would be expected in an average year for the capacity installed. This generation is the equivalent of the electricity consumption of more than 1,250 average UK households.

We again beat expectations in the first quarter of our financial year 2023/24, with generation up 7% on expectation, due to very sunny weather.

If any member wishes to see full details of performance of our sites in 2022/23, please contact me. Most of our solar panel arrays are currently working well. If each site generated for a full year in accordance with what we would expect for a typical year, then annual generation from these sites should be almost 3.5 GWh.

Output from solar PV systems varies for many reasons, not least the weather. So, we have focused our maintenance efforts on sites which generate less than 85% of their anticipated output. We have had about 10 sites which fall below this threshold. Repairs have been carried out at 5 sites, which seems to have improved performance. The other sites are currently being investigated or monitored. Many other sites are regularly generating more than their anticipated output.

Progress on export meters continues to be slow, but we have now begun asking sites for letters of authority from schools so that we can deal with all the various organisations involved on their behalf. We have focused on the 18 sites with the highest estimated level of export. Out of these, 8 sites do not have any form of export meter, and 2 have responded so far. The other sites have "informal" export meters, which although they do not allow us to claim export, do give us a good idea of the level of electricity being exported. We estimate that if all 18 sites were eligible for export payments, this would boost our annual income by more than £13,000 (less in the first year due to the cost of export meters).

Whilst export payments are important, we have actually focused effort this year on The Renewable Energy Guarantees of Origin (REGO) scheme. This provides transparency to consumers about the proportion of electricity that suppliers source from renewable electricity. REGOs have become much more attractive over the past year - schools currently registered could generate between £4,000 to £5,500 based on 2022 generation. If all schools were registered, potential 2022/3 additional income could have reached £20,000 to £27,000. Registration is straightforward, but there is considerable work to do to find the required information about some of our older sites for the registration process. We have now set up a process to register new sites at the time of installation.

Return of Members' capital

An investment in the Co-op is in principle for up to 20 years (25 years for the most recent share offer) but the Board anticipates redeeming shares annually to enable members to receive their investment back if they wish, subject to availability of funds. If we have more funds available for share redemption than we have requests for redemption then we may redeem the same proportion of each member's shareholding. All redemptions take place at £1 per share.

In July 2022, we made our third return of capital to members, totalling £18,225, satisfying all requests made. The Board anticipates a further share redemption at the end of this financial year.

The funds for share redemption come in effect from the depreciation charge, to the extent it has not been invested in new projects or any such investments are separately funded. We also have scope to issue new shares to fund the withdrawal of shares by members.

Occasionally we receive requests to redeem small numbers of shares. Obviously, members' circumstances can change and members may wish to redeem at short notice. Cash permitting, we will permit members to withdraw up to £1,000 a year of shares on request and occasionally larger sums, particularly for the estates of deceased members. However, larger sums will normally be dealt with by the annual withdrawal procedures. Interest will not be paid on shares withdrawn during a financial year under this arrangement.

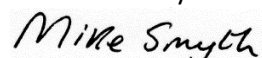
Staff/ volunteers

Zach Wishart continues to provide us with expert project management support, having joined Energy4All in November 2020. We are also delighted that Jess Dunning joined Energy4All earlier this year to provide additional project management support on roof top solar and she has been pursuing many of the new leads we have received. Helen Harker looked after issues with installed sites including maintenance, monitoring, export and FiT issues, but Helen has recently left Energy4All and Energy4All is recruiting a successor to her to look after roof top solar operations.

All our directors are volunteers. I thank them all very much for their huge commitment and contribution without which this co-operative would not have been able to thrive and grow.

I look forward to "meeting you" virtually at the AGM on 19th September.

Yours sincerely



Mike Smyth
Chair, The Schools' Energy Co-operative Limited

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

Notice of Annual General Meeting to be held on Tuesday 19th September 2023 at 6.30pm by zoom video conferencing

Notice is hereby given that the Annual General Meeting of members of the Co-operative will be held at 6.30pm on Tuesday, 19th September 2023 by zoom video conferencing for the following purposes:

Agenda

1. Introductions and welcome.
2. **Motion 1:** to approve the minutes of the Annual General Meeting held on 21st September 2022.
3. **Motion 2:** to receive and adopt the Report of the Directors and the unaudited financial statements for the year ended 31st March 2023, together with the report of the accountants thereon.
4. **Motion 3:** to apply the surplus of the Co-operative arising in the year ended 31st March 2023 (after adding back the dividend paid to schools in respect of the 2021/2 financial year of the Co-operative) as follows: to apply approximately £27,941 (being the balance of the surplus after allocation of the surplus towards the proposed sum of interest and dividends) to a general reserve for the continuation and development of the Co-operative and the furtherance of its objectives; to apply approximately £142,709 of the Co-operative's surplus by way of share interest, to be paid at an interest rate of 5% on shares subscribed under the first three share offers, at an interest rate of 4.5% on shares subscribed under the fourth and fifth share offers and at an interest rate of 2.5% on shares subscribed under the sixth share offer prior to 1st August 2022; and to apply £40,000 of the surplus as a dividend to be paid to some of the Co-operative's school members in the proportions determined by the Directors.
5. **Motion 4:** 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 31st March 2024.
6. **Motion 5:** 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 31st March 2024 at a fee to be agreed by the Board.
7. Election of directors:
Motion 6: to re-elect Mike Smyth as a director of the Co-operative.
Motion 7: to re-elect Laura Moreno as a director of the Co-operative.
8. Any other business.

Close of formal business

By order of the Board:
Annette Heslop MBE,
Company Secretary
24th August 2023

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

Nominations to the Board 2023

Both Mike Smyth and Laura Luna Moreno Morales will retire by rotation and both will seek re-election. A competitive ballot is not required as the total number of Board members will not exceed seven. Members are asked to re-elect Mike and Laura.

Retiring Directors Seeking Re-election

Mike Smyth MBE

Mike is a solicitor who lives in Milford, Surrey. He is a full-time volunteer on community energy and acts as the Chair of Energy4All, Wey Valley Solar Schools Energy Co-operative and Springbok Sustainable Wood Heat Co-operative as well as being the volunteer chair of The Schools' Energy Co-operative. Previously he was a partner of Lawrence Graham, a major London-based firm of Solicitors, for more than 20 years, specialising in corporate and commercial law. He chaired Friends of the Earth Trust until 2012. He was awarded an MBE for services to the environment in the 2023 New Year's Honours List.

Laura Luna Moreno Morales

Laura is an experienced project manager of renewable energy projects who worked for Energy4All until the end of August 2020 when she returned to Spain to take up a position as a project manager constructing solar farms for Grupo Cobra in Spain internationally. She currently works in a consultancy company managing distributed energy resources and energy transition projects for Spanish and European private and public entities. At Energy4All and in her previous job as a project manager for Joju Solar, Laura was responsible for the construction and operation of the majority of the Co-operative's solar arrays and has an extensive knowledge of the affairs of the Co-operative and of solar power. She graduated in Environmental Sciences and holds an MSc in renewable energy.