

SOUTHILL COMMUNITY ENERGY LTD

Directors' Report

Solar Production

Operation of Southill Community Energy's 4.5 MW solar farm on the outskirts of Charlbury, Oxfordshire commenced in November 2016. After an initial period of commissioning and acceptance testing, the farm was handed over to SCE in mid-January 2017. In the first year, there were a few technical problems during the course of the hottest summer days, but otherwise generation has been consistent with the sunshine falling on the panels.

To the end of the financial year at 30 September 2017, Southill generated over 3,816MWh of renewable electricity, equivalent to 1,342 tonnes of CO₂ saved. We've generated another 514MWh (180 tonnes of CO₂ equivalent) to the end of December 2017.

This is in line with the expectations of SCE's financial modelling, developed in 2015/6 when the solar farm was conceived and the funding raised.

Financial Performance

Income was received from the Renewables Obligation, for exporting the electricity to the national grid, and through other payments related to the provision of services to the grid.

Since being commissioned, the solar farm has generated sufficient income to cover its running and financing costs and is operating cash positive.

The accounts show an overall loss for this year following the loss made in the previous year. The Directors are satisfied that these losses are due to the front-loading of costs for the Society and do not reflect any cause for concern about the viability of the project.

In both years the Society has incurred setup costs, some of which cannot be capitalised and have been written off in the year they were incurred. As the solar farm became operational sometime after the start of the accounting period, some fixed costs are also proportionately higher than they would be in a full year of operation. A large proportion of the losses in the current year relate to the payment of fact that a community benefit was paid to The Thomas Gifford Trust towards the development of the community centre in Charlbury. This reflects our planning obligations and the funding commitment explained in the share offer document and was included in the financial projections of the business. This payment means the Society has already met more than two-thirds of its formal community funding commitments to 2020.

The business continues to be adequately funded and being cash positive can continue to meet its obligations to funders, Members and community benefit. The Board is comfortable that the business is a going concern. In line with the expectations described in the share offer document, it is our current intention to pay interest to Members for the first time in early 2019.

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Auditors

The auditors appointed by the last AGM subsequently declined to provide the audit. The Board appointed Third Sector Accountancy (TSA) as its auditors and fully audited group accounts are presented to this AGM. The work they have carried out is thorough and a motion is therefore presented to this AGM for SCE to re-appoint TSA as its auditor for the coming year.

Forthcoming Bond Offer

SCE's income is derived from sales of the electricity Southill Solar generates, and a significant proportion of its costs are associated with servicing the cost of the debt that it has borrowed to build Southill Solar. The lower the financing costs, the higher SCE's potential surpluses to distribute in community benefit.

SCE has commenced the process of refinancing its highest cost debt in order to lower its debt service costs. It has signed loan agreements with West Oxfordshire District Council and with The Phone Coop that has allowed us to start paying off its highest cost debt, and the Society will imminently launch a Bond Offer to raise £350,000, allowing us to pay off the remainder of the highest-cost debt.

Community Fund Payments

SCE's surpluses are used to fund community environmental projects – to the tune of around £1 million over 25 years. Making future grants to the Cotswold Conservation Board and to local community environmental projects is a requirement of our planning consent from West Oxfordshire District Council (WODC). The local projects fund will be channelled to suitable projects through Sustainable Charlbury when surpluses arise.

We have already made £68,500 available to the Thomas Gifford Trust to assist with ensuring that Charlbury Community Centre has improved energy performance.

Improving Biodiversity & the Soil

The solar farm itself only covers a third of the site. The remaining 27 acres of the field is dedicated to improving biodiversity. To this end:

- SCE has enhanced the hedgerows that border the field by planting gaps with a range of shrubs to provide food and shelter for farmland birds;
- SCE has provided food and habitat for hares, reptiles and nesting bumble bees;
- SCE is developing wide field margins of tussocky grass around the whole boundary of the site.
- SCE has sown a wildflower meadow – one of Britain's rarest and most valuable habitats – in the grassland around the site. This is expected to be a home for rare chalk-loving plants and attract a wide range of insects, birds and mammals. SCE also inherited a

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small wild flower meadow at the very north of the site which is estimated to be at least 20 years old, and every summer is abuzz with bumblebees and butterflies. SCE is working to spread this meadow across the north of the site.

- Beneath the solar panels SCE intends to establish a traditional grazing mix of fine grasses and wild flowers. To avoid the solar panels from becoming overgrown, it is our intention to use sheep to graze the wildflower meadow. The sheep will be removed through the summer months to allow wild flowers to bloom and set seed.
- SCE has planted an orchard - 56 fruit trees, including apple, pear and nut. It is hoped that will provide fruit to the community as well as food for wildlife.
- SCE's bird expert has identified 6 pairs of nesting skylarks and 48 species of bird overall. We seeded part of the site with wild bird-seed mix, to help resident linnets and yellowhammers.
- Honey will be produced on site, from the bees established in a special [thermosolar beehive](#) – with two more hives to be installed soon. Read more about this and take a video tour of the beehive on [our website](#).

The Board

Als Parker will be stepping down as a Director at this AGM and not standing for re-election. The Board wishes to extend its thanks on behalf of all the members for the very hard work Als has put in to establishing and running SCE and wishes her all the very best for the future.

The Society's Rules require one-third of directors to stand down at each election and to stand for re-election if they wish. Founder Directors Liz Reason and Tim Crisp are both re-standing for election at this AGM.

No new Members have stood for election on this occasion.