MALVERN COMMUNITY ENERGY CO-OPERATIVE LIMITED

Minutes of Annual General Meeting

Held virtually via Zoom on 1st June 2020 at 7.30pm

Present:

Ian Caldwell
Robin Coates
Brian Harper
Valerie Hart
Stephen Hart
Andrew Jameson
Melanie Jameson
Mike Munro-Turner
Clive Pyne
Dinah Sage
Ian Sage
Anna Silver

Apologies for absence were received from:

Bob Tilley
John Raine
Robert Reeves

They had all submitted voting forms agreeing with all the proposals.

Chair's Report

The Chair particularly thanked Ian Caldwell, for all his work collecting data and figures for Sharenergy.

Generation is slightly down because of a poorer first quarter with two of 120 panels down.

Costs have been well contained.

Variability in performance seems to relate more to the weather than to degradation. Login details for monitoring performance could be shared with anyone interested.

Action: Ian will provide login details for the monitoring system on request

Maintenance

David McCann was thanked for providing mini-inverters from SolarEdge which ensure that if one panel fades out, the others are not affected.

The panels were losing power after a wet spell. An electrician identified that an earth leakage fault shuts down the panels. He fixed some by lifting the cables.

Action: Volunteers to lift the rest of the cables

The electrician's fee was £400 and the panels were out of use for two days.

A shareholder asked how we know if there is a problem. The reply was that the monitoring system shows which panels are working and which are not.

1. **Agree minutes from last meeting**

The minutes of the AGM held on 03rd June 2019 were unanimously agreed, and will be signed electronically as an accurate record.

2. **Audit**

In accordance with Section 84 of the Co-operative and Community Benefit Societies Act 2014, a resolution not to undertake a full professional audit of the co-operative for the year was adopted unanimously.

3. **To receive and adopt the Report of the Directors and the Annual Accounts for the year ended 31st December 2019**

The Report of the Directors and the Annual Accounts for the year ended 31st December 2019 were unanimously adopted.

4. **To approve the repayment of £8 for each £208 of share capital, and of no interest this year**

The Treasurer's report gives an explanation for the decisions. See Appendix 1

A large pay-out for maintenance or to beneficiaries has an impact on funds available for distribution. When the number of shares is reduced, the interest earned over the life of the scheme increases, but the capital repayments slow down. See Appendix 2

A shareholder asked if there is a rule to prevent shares being sold to someone else.

A director replied that that directors have discretion on how quickly capital will be released to beneficiaries. This would normally be done as soon as possible.

Shares can only be transferred to one other person on death and cannot be sold, to make sure that control of the Co-op remains with the membership.

The Treasurer explained that the biggest constraint on repayment is the need to hold a reserve of £7000, which will hopefully be returned in the last year or two. Most investors hold one or two blocks of shares, but reserves need to cover the possibility of needing to repay several blocks in one year.

There is no time frame for repayment - it depends on how much cash is available]

Proposal

To approve the repayment o £8 for each £208 of share capital.

Proposer Anna Silver, Seconder Brian Harper, unanimously agreed.

5. **To re-elect Robin Coates as a Director of the Co-op**

A third of the directors must stand down at the AGM

Proposal
To re-elect Robin Coates as a Director of the Co-op.

Proposer Dinah Sage, Seconder Stephen Hart, unanimously agreed.

6. **To re-elect Clive Pyne as a Director of the Co-op**

Proposal
To re-elect Clive Pyne as a Director of the Co-op.

Proposer Melanie Jameson, Seconder Ian Caldwell, unanimously agreed.

In future, when the notification of the AGM is sent out, members will be asked if they would like to volunteers as directors.

7. **Other business**

A shareholder asked whether MCEC is paid more when generation is high.

MCEC receives the Feed-in Tariff for all electricity generated.

What is government thinking on renewable energy?
Before the Covid crisis, there was more government interest and public pressure on tackling some of the problems in starting renewable energy projects. Financial pressure is beginning to encourage renewables.

The Treasurer reported that the complexity of the system and the abolition of FiTs mean that small co-ops are no longer viable. He is awaiting a reply from the MP.

Some co-ops are starting up, but they need to be much larger than MCEC.

Sharenergy is working on an idea to help small co-ops cut costs enough to be viable. Before lockdown, John Halle was hoping to make a presentation.

Buying and selling energy locally will be discussed at the Community Energy England conference.

A member reported that Power to the People is working on a model for retrofitting

Malvern Hills District Council is working on a Zero-Carbon plan. Local councillors are working with stakeholders, including MCEC, Transition Malvern Hills and Extinction Rebellion.

The Government's response to climate change come under the Department for Business, Energy and Industrial Strategy.

Energy tracing has been put on hold because of Covid.

Melanie Jameson led a vote of thanks to all the Directors.

A member asked whether we are paid more for the extra electricity going to the grid while the Cube is closed.
The FiTs are paid on how much is generated, with extra for the 50% deemed to go to the Grid, so no extra.

Anna Silver volunteered to learn to do meter readings, when Covid restrictions allow.

Action: Ian show Anna how to read the meters.

When is the Cube likely to reopen? As it is used for gatherings, Robin's guess is September if there is no second wave. 25% of the income is from the U3A.

Bank transfers for the capital repayments will go out in about a week, cheques a bit longer.

Zoom worked well.

8. **Date of next meeting**

The next AGM will take place in a year's time.

Signed …….

Date ……

Appendix 1

Explanation of payments this year.

This year, the board is recommending that, for each £208 of shares, we repay £8 in capital and pay no interest.

Last year we estimated that we would repay £14.00 in Capital and £7.32 in interest. The reasons for a pay-out, which is lower than this, are 3 events that happened at the start of 2020. Although they did not happen in 2019, we took them into account in deciding the pay out from the 2019 financial year. The three events are:

1. The board agreed to the repayment of £2288 shares to the estate of a late member.
2. We had maintenance, costing £400, on the panels. The problems have not been fully fixed, but we think we should be able to fix them with volunteer effort.
3. COVID-19. In particular, the closure of the Cube. The board has agreed not to charge the Cube, while it is closed. The Cube would not be using much electricity, anyhow. However, we will still get revenue from the feed in tariffs ('FITS') and presumed export payments. Our income from the Cube is only about 15% of our income.

The £8 pay out allows for the £2288 (at 1.) and the £400 (at 2.). The reduced income (at 3.) and possibly other costs will reduce the pay out next year, as well.

As the largest cause of the reduction in pay-out is the repayment of shares, the board would like to explain how members leaving the co-op effects the future pay-outs to the remaining members. To do so, I have created a model showing how future pay outs changes with different levels of members leaving early. Please find the model output included with this document.

Appendix 2

Repayment Model

1. This model has been produced to explain to members the effect of early capital repayment on what they will receive over the lifetime of Malvern Community Energy Co-operative ('MCEC').

2. MCEC started receiving Feed in Tariffs ('FITs') on 20th September 2014. As a consequence of the way in which the government designed the FITs scheme, MCEC will cease to receive FITs after 2034. Consequently, MCEC will trade till until the end of 2034.

3. My model looks at the years 2020 to 2034 (15 years).

4. The amount of interest given and capital repaid annually depends on how well MCE did during its financial year, which runs from January to December. So the pay-out in 2020 is based on the Report and Unaudited Financial Statements, 31 December 2019.

5. When we started the MCEC, we sold shares in multiples of **£250**. For ease of explanation, I have called each of these original £250 shares a ***block***. As we repay capital, the number of *shares* owned by each member goes down but the number of *blocks* does not. Also, the *percentage* of the MCEC you own does *not* go down. A member that bought 1 block of 250 shares now has 208 shares and that number will go down to 200, *if* the planned capital repayment is approved.

6. The model is based on payments for 1 block of shares. Members with larger holdings will need to multiply by the number of blocks they have. The model also shows how much of the co-op each block of shares owns.

7. If a member dies or leaves[i] the MCEC then all their shares are repaid. In this case the percentage of the co-op owned by the remaining members goes up

8. The following assumptions are inputs to the model. Except for the final year, I have treated these inputs as being the same for each year. This is an approximation but trying to guess when we will repay to leavers, for example, will not, in my opinion, produce any more meaningful results:

    a. ***good year profit:*** I assumed that each good year (no maintenance) will we have £3,800 to distribute. This is based on "Net current assets" minus the £7,000 reserve. This is the average of 2018 and 2019, in which we paid no maintenance.

b. ***maintenance***: For estimating maintenance and other non-fixed expenditure or loss of income, there are two possible inputs: EITHER the £400, which had to be spent this year; OR if the £7,000 reserve is spent as maintenance over the 15 years(£467 p.a).. My model adopts the former.

c. ***Corporation tax:*** I have assumed we will start paying Corporation tax in 2025. At 19% on the *good year profit* less *maintenance*. The calculations for which year we will start paying is based on the last Corporation tax return. We are currently using up a trading loss made when we purchased the panels etc. I estimate we will use up this loss up by 2025.

d. ***Capital repaid per block for non-leavers:*** The number of share we repay per block per year to the remaining members. This is set to 14 in the model because this was the provisional number agreed upon by the Directors, to ensure that all of the shares get repaid to the members, by the end of 2034.This will leave 4 to pay in the last year.

e. ***Reserve paid at end:*** The reserve that the MCEC will pay at the end of the project (to whom? The members?). Assumed to be £7,000, adjusted for RPI.

f. ***RPI:*** I have assumed that everything is increased by RPI, except the share values. MCEC's income, and what it pays its accountants, are linked to RPI. This model assumes that all other costs increase by RPI. This is important because share value does **not** increase by RPI. RPI is assumed to be 2%.

g. ***Blocks of shares repaid per year:*** Amount of capital paid to members who leave the MCEC. Input as the number of blocks of shares repaid that year. We currently have 153 blocks of shares (currently 208 shares will be 200 shares). In the first 5 years we repaid 12 blocks of shares at 2.4 per year.

Word of caution

9. It is important to emphasise that this model only provides a *forecast* of what *could* be paid to members and in *no* way guarantees what will be paid to members, *in fact*. What will *actually* be paid to members will be dependent on actual events.

10. Below is the output of the model for three different values for repaid ***blocks of shares per year.*** The values used are: 0, 2 and 4.

[i] In exceptional circumstances, the Directors of the MCEC may agree to repay the shares of a member, who wishes to cease their membership of the MCEC.

Repayment model Number of share blocks leaving per year from 2020 0

	Year	Block Size	% owned	Interest per block	Capital repaid per block	Total
Already Paid or planned	2015	250	0.61%	£2.93	£0	2.93
	2016	250	0.61%	£5.85	£0	5.85
	2017	250	0.61%	£10.36	£28	38.36
	2018	222	0.61%	£8.00	£14	22.00
	2019	208	0.65%	£0.00	£8	8.00
Forcast	2020	200	0.65%	£8.67	£14	22.67
	2021	186	0.65%	£9.12	£14	23.12
	2022	172	0.65%	£9.58	£14	23.58
	2023	158	0.65%	£10.05	£14	24.05
	2024	144	0.65%	£10.54	£14	24.54
	2025	130	0.65%	£6.27	£14	20.27
	2026	116	0.65%	£6.68	£14	20.68
	2027	102	0.65%	£7.09	£14	21.09
	2028	88	0.65%	£7.51	£14	21.51
	2029	74	0.65%	£7.94	£14	21.94
	2030	60	0.65%	£8.38	£14	22.38
	2031	46	0.65%	£8.83	£14	22.83
	2032	32	0.65%	£9.28	£14	23.28
	2033	18	0.65%	£9.75	£14	23.75
	2034	4	0.65%	£81.80	£4	85.80
	Total			**£228.63**	**£250**	**£478.63**

Repayment model Number of share blocks leaving per year from 2020 2

	Year	Block Size	% owned	Interest per block	Capital repaid per block	Total
Already Paid or planned	2015	250	0.61%	£2.93	£0	2.93
	2016	250	0.61%	£5.85	£0	5.85
	2017	250	0.61%	£10.36	£28	38.36
	2018	222	0.61%	£8.00	£14	22.00
	2019	208	0.65%	£0.00	£8	8.00
Forcast	2020	200	0.66%	£6.24	£14	20.24
	2021	186	0.67%	£7.15	£14	21.15
	2022	172	0.68%	£8.09	£14	22.09
	2023	158	0.69%	£9.08	£14	23.08
	2024	144	0.70%	£10.10	£14	24.10
	2025	130	0.71%	£6.07	£14	20.07
	2026	116	0.72%	£6.99	£14	20.99
	2027	102	0.73%	£7.95	£14	21.95
	2028	88	0.74%	£8.94	£14	22.94
	2029	74	0.75%	£9.98	£14	23.98
	2030	60	0.76%	£11.05	£14	25.05
	2031	46	0.78%	£12.17	£14	26.17
	2032	32	0.79%	£13.34	£14	27.34
	2033	18	0.80%	£14.55	£14	28.55
	2034	4	0.81%	£101.02	£4	105.02
	Total			**£259.85**	**£250**	**£509.85**

Repayment model Number of share blocks leaving per year from 2020 4

	Year	Block Size	% owned	Interest per block	Capital repaid per block	Total
Already Paid or planned	2015	250	0.61%	£2.93	£0	2.93
	2016	250	0.61%	£5.85	£0	5.85
	2017	250	0.61%	£10.36	£28	38.36
	2018	222	0.61%	£8.00	£14	22.00
	2019	208	0.65%	£0.00	£8	8.00
Forcast	2020	200	0.67%	£3.80	£14	17.80
	2021	186	0.69%	£5.12	£14	19.12
	2022	172	0.71%	£6.52	£14	20.52
	2023	158	0.73%	£8.02	£14	22.02
	2024	144	0.75%	£9.60	£14	23.60
	2025	130	0.78%	£5.83	£14	19.83
	2026	116	0.80%	£7.36	£14	21.36
	2027	102	0.83%	£9.00	£14	23.00
	2028	88	0.85%	£10.75	£14	24.75
	2029	74	0.88%	£12.64	£14	26.64
	2030	60	0.92%	£14.67	£14	28.67
	2031	46	0.95%	£16.87	£14	30.87
	2032	32	0.99%	£19.24	£14	33.24
	2033	18	1.03%	£21.82	£14	35.82
	2034	4	1.08%	£131.34	£4	135.34
	Total			**£309.74**	**£250**	**£559.74**