

Chase Community Solar Limited

Annual Review for Year Ended 31 December 2023

Introduction

Welcome to this year's review, which covers the operations during the Society's financial year January to December 2023. We have continued to oversee the operation of the Society's PV systems successfully on the roofs of 312 properties in Cannock Chase District, providing free solar power to the occupants, while bedding in the 77 battery systems installed the previous year and exploring ways in which we could provide additional benefits to the local community.

During the year the Society:

- Reviewed our policy on the deployment of our annual surplus in relation to our policy on interest payments following discussions with the Financial Conduct Authority
- Produced a total of 678,370kWh of solar electricity
- Achieved a surplus of £57,207, which will support an interest payment of 6% and a Community Fund contribution of £21,375
- Worked to ensure the effective operation of the new battery systems

According to Orsis, who manage the portal for tracking our systems, we have now generated a total of 6,604,437 kWh of energy and avoided 3,365,090 kg of carbon emissions since establishment.

Board of Directors

Our former Treasurer, Elaine Berry stood down at last year's AGM in June, Dave Crosby having already stepped into the role and we were delighted to welcome Tom Bedford to the Board as an External Independent Director. Tom did an excellent job as Project Manager for the Battery installation project and is now Net Zero & Smart Energy Training Manager at Keele University. He has a great reservoir of knowledge on climate and energy issues and will provide a welcome input of expertise to our Board.

There are still a number of vacancies on the Board and we are keen to recruit new Directors. We would welcome new member additions to the Board, either by election at the AGM or alternatively we do have the ability to co-opt during the year.

Performance

2023 was a disappointing year for insolation and this is reflected in our poorest level of output yet by some distance. In addition to the lack of sunshine, void properties again contributed to the lower than projected output. The battery installations have had a small effect on the solar power output from the properties concerned as power from the systems feeds the routers used to provide information to the monitoring portal.

Year	Actual	Original Projection*	Adjusted Projection	%age of original	%age of adjusted
2023	678370	778068	743833	87.2	91.2
2022	758346	778068	748501	97.5	101.3
2021	733260	778068	753170	94.2	97.4
2020	781088	778068	758616	100.4	102.9
2019	761985	780697	765863	97.6	99.5
2018	773492	780697	770860	99.1	100.3
2017	736396	783506	778570	94.0	94.6
2016	793930	783506	783506	101.3	101.3

Battery Project

The year saw completion of the project involving the installation of batteries in 75 of the properties funded by the Energy Redress grant. As part of the project an Afore hybrid inverter replaced the existing string inverter for the solar PV system and a DC-coupled Afore LFPWall-2500 battery was installed with a total capacity of 2.56kWh and usable capacity of 2.3kWh.

Follow-up calls were made to tenants who received the batteries by Beat the Cold and a sample were surveyed for their views and the data for generation and consumption analysed by our evaluation partner, National Energy Action (NEA). NEA produced an evaluation report for the project.

A detailed analysis was undertaken regarding the usage of 30 of the households receiving the batteries. The self-consumption was typically between 36% and 66%. This compared with an estimated average self-consumption in the range 20-25% for households without batteries, which was a driving force for undertaking the project. The associated battery savings using a unit rate of 30p/kWh were between £101.19 and £221.43 per household per year with an average of £156.32.

There were high levels of satisfaction with the installations and project with 43 households out of 52 who responded saying the overall installation was very good, 7 saying it was good and 2 average; out of a monitored group of 30 households, 27 were happy with the installation and 29 would recommend a similar installation to their friends.

A key recommendation emerging is that any future battery installations should ideally have a larger capacity which should enable a higher level of self-consumption and therefore financial benefit to tenants.

Community Fund

The Board's intention is to use the majority of funds in the current Community Fund to offer energy advice sessions to tenants with PV but no batteries. It had been intended to commence this work during 2023 but it had to be delayed because our partner Beat the Cold (BtC) did not have sufficient resource to undertake the work over the winter period. This issue has been resolved and we are now in the process of putting in place data-sharing arrangements so that Beat the Cold can contact the appropriate tenants regarding the offer.

Future Interest and Capital Repayments

In our January Newsletter we informed Members that future annual decisions on interest rates would need to be based on an assessment of the rate necessary to attract and retain capital. The Newsletter also stated that the Board would provide Members with more information and recommendations on future interest and capital repayments at the AGM in June 2024.

The change in basis - from an Internal Rate of Return target of 7.0% across the project lifetime to a discretionary target of 6.0% to be reviewed each year arose from discussions conducted with the Financial Conduct Authority (FCA) to ensure that our current interest rate policy is in keeping with their Community Benefit Society guidelines. Their guidance was that interest rates must be aligned with the minimum rate deemed necessary to attract or retain capital when compared to similar alternative investments. See below for the Board's recommendation on the figure for 2023.

The Society's overall financial situation is good. Income from the Feed in Tariff increases with inflation but the total share capital is reduced each year. After payment of interest to Members, the surplus as a percentage of share capital tends to increase each year, providing for increased payments for social or community purposes within the community served by the Society and for a general reserve for the continuation and development of the Society.

The procedures for setting and paying interest and capital repayment which the Board proposes to follow are as follows:

1. In May each year, the Board will review the accounts for the previous year, and decide on the proposed interest rate to be paid to Members, based on their shareholdings at 31st December of that year. This will be based on the financial performance of the Society for the year and the Board's assessment of the lowest interest rate which will attract and retain funds, subject to constraints of cashflow and reserves.
2. The proposed interest rate will be put to Members at the AGM in June, in the form of a resolution.
3. The surplus will be retained and paid into a Community Fund or retained for the furtherance of the Society's registered aims and objectives. It will then be unnecessary to offer Members the option of waiving a portion of their interest for payment into the Community Fund as has been done for several years. (Members are still able to waive the whole of their interest payment for payment into the Community Fund, if they so wish).
4. Interest payments will be made as soon as possible after the AGM, once the Board has approved and circulated the draft Minutes. We anticipate that interest will be paid to Members by September each year, rather than in December as in the past.
5. The Board intends to have fully repaid Members' investment in the Society by the end of the roof leases with Cannock Chase District Council (2035) and therefore aims to reduce the Society's share capital steadily by redeeming a proportion of the shares each year, subject to constraints of cashflow and reserves.

6. Members can request withdrawal of some or all of their shares at any time. Repayment is entirely at the Board's discretion, subject to funds being available, and made at the original amount paid for the shares. Members may choose to retain the minimum shareholding of 100 shares (£100) in order to remain members of the Society.
7. In November each year the Board will review any withdrawal requests received and current cashflow projections, and confirm the number of shares to be withdrawn, made up of specific requests from Members and any balance spread proportionately across all shareholdings.
8. Capital repayments will then be made in December each year.

Financial Results

The income for the 2023 year was £135,487 - up by approx. £3,500 as a result of increased FiT Tariff (+13.4%) but offset by lower generation (-10.5%) during the year. In addition, a new source of income was created from the panels installed on the roof of Rugeley Community Centre. The Society income comprised £111,012 from Feed-In Tariff payments and £23,683 from Export Tariff payments, with the balance from the new Rugeley CC panels.

The largest contributors to changes in cost on the year were:

Type	Changes vs 2022 (+/-)	Description
Maintenance	+£3400	Several invoices from previous Y/E arrived early in 2023
Depreciation	+£11700	New equipment (batteries)
Insurance	+£1800	New equipment plus inflation in insurance costs
Administration	+£1000	Shareenergy charge increase
Consultancy, Legal & Professional Fees	-£13,700	Non-repeating costs in 2022

The tax provision arises because of funds that have accumulated in the Community Fund leading to a "taxable profit" which will reduce as and when those funds are deployed to projects or charitable donations.

The Operating Surplus for the year was £57,207 compared with £58,925 in the previous year. After reviewing Community Benefit Society share offers for new projects currently seeking investment the Directors believe that 6% is an appropriate return to members compared with 9.7% for 2022. This means that, subject to members' approval, £35,832 will be made available for distribution as interest, and the remainder of the Operating Surplus (£21375) will go to the Community Fund.

The Board of Directors
Chase Community Solar Limited