Annual General Meeting of Lochbroom Community Renewables Limited

 Saturday 30 October 2021

  **Treasurer’s Report**

**Dear Member(s)**

The draft accounts for the financial year ending on 31 May 2021 are attached. For last year’s report reference was made to a record dry year followed by an exceptionally wet one. For a number of reasons the appropriate meteorological description for the past year might be “rather gloomy, with the promise of brighter times ahead”.

**Income Statement (page 4)**

Some of the aggregate figures shown here are perhaps misleading. At face value turnover is down a little but in operational terms it was down much more. Administration expenses are much higher despite normal operating expenses being lower.

**Turnover** in 2020 was £95k and was made up of £26k in electricity sales plus FiT payments of £69k. The equivalent figures this year are electricity sales £15k and FiT payments of £64k for a total of £79k. The comparative operational shortfall is therefore £15k. The causes were reduced electricity output, a big reduction in the kWh hour payment rate on sales and a near standstill in the FiT rates due to low inflation.

The headline £88k includes almost £9k of Members’ donations which we will come back to later.

**Administrative Expenses**

The apparently high figure and a 10% deterioration in a year appears concerning. This situation is better explained when we look at the Detailed P & L Account later.

**Interest Payments** This is thetotal interest paid out to members.

**Balance Sheet (page 5)**

The drop in current assets is down to normal depreciation. Of real significance is the reduction in current assets from £140k to £119k and much of this is accounted for in the trading shortfall of £15k referred to earlier. We need a high level of current assets to meet annual operating costs of circa £20k plus around £25k for interest payments to members. Remaining funds need to provide Community Benefit contributions and shares capital repayment costs. In the early years there is always pressure on CBF payments due to the need to build up funds for the shares capital repayments. It is probably fair to say we must have at least £70k available for shares capital repayments at the end of each financial year. This year this figure is £74k.

**Equity (page 7)**

The key column here is the Called up share capital. In 2019 this stood at £907,540 and reduced to £895,840 in 2020. Significantly, last year this figure reduced by nearly £59k. This figure includes the Donations of nearly £9k referred to earlier.

A number of members very generously gave their shares or part of them back to Broompower. This is greatly appreciated by the Board for a number of reasons. Most importantly, it reduces the amount due to members and it also reduces the interest that would otherwise be payable annually.

The main reason for shares being bought back was stated to be the consequences of Covid, by the members involved. In contrast, we have only had a small request from one member this year to date. These payments are made from our 3 months’ notice interest bearing account at Triodos Bank and we therefore pay out around 3 months from receiving a “buy back” request.

The Capital redemption reserve represents thoe total value of the shares donated or bought back from members.

**Expenditure (Page 12)**

There are 6 key items of expenditure as follows:

**1. Depreciation of fixed assets of £20,799.**

This is not really an operating cost at all. Is an unavoidable paper loss, hence my caveat over the implications of the £50k in “Administrative Costs” earlier.

 **2. Community benefit donations of £5,000 (plus the £2k referred to above)**

This is not really an operating cost either. It includes members’ donations but not of course any tax reclaimable by UCT who were paid the £900 noted above to cover their admin costs.

**3. Insurance costs of £6,327**

This excessive cost is driven by the terms of our lease with Forest & Land Scotland. Indications are there will be a significant increase for the current year.

**4. Lease of land for £2,920**

This is based upon our good sales income in the previous financial year to May 2019.

**5. Accountancy £2,099**

Here we see a welcome reduction in costs after moving to a local firm of accountants who charged £2,000. The Glasgow firm used previously charged £3,324 two years ago and provided a lesser service. The small difference is for a related systems cost.

**6. Legal Costs £9,051**

This substantial payment and some costs in the previous year relate to serious and ongoing issues with our lease with FLS which had to be done again from scratch at our cost. Indeed whilst the lease has now been agreed its registration has yet to be concluded. The recovery of these costs from our former solicitors is being considered by the Board. The likely recommendation is to proceed with a claim on their Professional Indemnity insurance cover. The full case has to be drawn up before a final decision can be taken.