

# Lochgoil Community Trust Ltd

## ANNUAL GENERAL MEETING MINUTES

Held in the Village Hall 1<sup>st</sup> March 2017

**Present:** Tom Murray – (Chairman), Iain MacInnes, Elizabeth Bain, Matt Wynne, Anne Livingstone, Sheron Hambly (Minute Secretary).

1. **Welcome:** Mr Murray welcomed all to the AGM of Lochgoil Community Trust. He noted that Pete Clarke was in attendance to report on the Donich Hydro. He requested that all reports were uninterrupted with questions from the floor immediately after each report.

For clarification: Lochgoil Trust is a Limited Company registered with Companies House and also a charity registered with OSCAR. It is answerable only to its members and to Companies House. It is a separate entity to the Community Council. The main role of the Trust is to provide funding for community projects through grants from charitable and government bodies including lottery funding. The Community Council is part of Local Government and unable to access such funding.

2. **Apologies:** Alison White, Irene Campbell, Alistair Alexander, Dennis and Lynn Bolt, Douglas Locke, Liz Evans, Len and Fiona Gow, Mr J Sim, Mr and Mrs M Masino, Margaret Phillips, Eleanor Phillips, Sadie Mckenzie.
3. **Approval of minutes of the last AGM on 16<sup>th</sup> March 2016:** Approved by Rod Phillips, seconded by Betty Bryce.

#### 4. **Chairman's Report:**

**River Walk:** Following the completion of the River Walk in 2015-16, a funding application for a bridge at Pole Cottage was unsuccessful, as was the funding application for the village hub.

**Bus:** The bus continues to be funded by Argyll & Bute Council for 2017-18 but as bus maintenance costs will increase with age, we are applying to fund a 9-seater bus. A smaller bus would be easier to drive and with no 70+ age limit, it would be available to more people.

**Action Plan:** We successfully applied to Community Futures for funding to update our Action Plan which is essential for funding applications. Work will start shortly.

**Funding:** The Trust has no annual income apart from an administration grant of £431 from the National Park which is used to pay accountancy fees, insurance for the Children's playpark and hall hires for the Trust and Monday club.

**Hydro:** The original plan was to take 40% investment in Cormonachan and 10% in the Donich Hydro at a cost of £400k each. When Cormonachan was put on hold until 2020, we increased investment in the Donich scheme to 20% with an investment of £3-4 million received in March 2016. Our financial advisors raised concerns around the project's ability to generate enough income to repay the loan, but rather than abandon the scheme and the potential financial benefit to the community, lengthy negotiations with Forestry Commission Scotland (FCS) resulted in a rent reduction while the loan is being repaid, thus making it a safer investment. Due to the delay in planning consent we missed the original feed in tariff date (FIT) so the available FIT was reduced by 5%.

From March Lochgoil Energy Ltd (LEL) took a full part in the project attending monthly site meetings with Broadlands, Hydroplan and the contractor D.A. McDonald. The scheme was up and running by 7<sup>th</sup> September, meeting the deadline for the feed in tariff, thus ensuring the viability of the Hydro. The scheme was completed £500k under budget. In November, the scheme was one of three nominated for a Green Energy Award and it will also feature in a HIE film.

Mr Murray proposed that the distribution of any income should be overseen by a committee comprising of a representative from each of the Community Council, Lochgoil Community Trust, Carrick Castle Community Trust, one of our Argyll & Bute Councillors and chaired by LEL. This is one possibility and is based on a template used by Colintrave and Glendaruel to distribute windfarm money in a fair and efficient manner to their community.

For the last 10 years, the Hydro scheme has been a major undertaking for the Trust. It was essential to ensure the financial stability of our community in a climate where there is ever increasing pressure on diminishing financial assistance from the public and private sectors. Mr Murray highlighted the work undertaken on behalf of the community by his fellow directors, who are all volunteers, and thanked them for their time, effort and commitment.

5. **Treasurer's Report:** copies of the accounts were distributed. The River Walk/Paths project mentioned in the Chairman's report is being worked on by Roger Brook, Elizabeth Bain and representatives from FCS and the National Park. A further funding application should be submitted by the end of March. If this is unsuccessful there are no other avenues to pursue. Due to the reduction in funding received by the Trust, the Community Council contributed 50% of the insurance costs for the Children's Play area. Accounts approved by Roger Brook and Irene McAllister. Proposal to retain existing auditors accepted.
6. **Donich Hydro Report:** Pete Clark provided a summary handout of net income estimates for a 40 year period. These are only projections and may vary subject to

changes in planned costs, amount of energy generated and the energy selling price. Estimates are based on an assumption that the hydro will be generating electricity 29.61% of the time, which is fairly standard for this type of scheme. The figures represent net payments to LEL, which exists purely as a vehicle to receive payments, settle costs and transfer the remaining monies to Lochgoil Trust.

The estimated income varies over the 40 year period due to a number of factors:

- Reduced ground rent payments to FCS in years 1-15
- Additional Feed in Tariff (FIT) income for years 1-20
- Secondary distribution payments start in year 11
- Reduced income from year 20 due to higher rent payments and removal of FIT

Key points:

- The figures are in addition to the annual £6750 community payment.
- Total estimated sum over 40 years payable to LEL is £1,132,877 after all costs, tax and loan repayments have been made, subject to caveats mentioned above.
- The secondary distribution payment estimated at £73k may be paid earlier from year 6 rather than year 11. This will not affect the overall sum payable to the community.
- The bulk of the payments will be made between years 11-20 when the loans are significantly reduced and then paid off and the FIT is still in place.
- Based on these estimates, the community would receive an average of 14.5k in years 1-10, £43k in years 11-15, £94.9k in years 16-20 and £14.7k in years 21-40.

The proposed changes to Business Rate Tax increase could impact the estimates. There are several scenarios under discussion including capping the rate increase for key sectors such as renewables and applying discounts for fully or partially community owned assets.

The Trust needs to ensure that money is dispersed in a fair and transparent way. If the Trust ceases to exist then the money returns to Renewable Energy Investment Fund (REIF), it cannot be transferred to another community organisation. REIF and the Scottish Investment Bank can intervene if the money is accumulating in the bank rather than being spent to benefit the community. The likelihood is they would work with the Trust to ensure monies were spent rather than closing it immediately.

The £500k underspend mentioned by the chairman was used towards repayment of the loan. This will not mean a reduction in the interest rate or term of the loan but it will mean an increase in the distribution payments.

Pete Clark stated that he is currently not intending to continue as director of LEL beyond May. He recommended that the Trust consider purchasing the land as rent payments over the 40 year period are substantial. Community purchase of land would also provide an additional income stream as we could charge Broadlands rent. It is unlikely that cost of purchase would be the full 3 million rent due over the 40 years. Elizabeth Bain is already looking into the required changes to Mem and Arts.

### **Questions received**

**Who receives the community payment?** The first community payment of £6750 has been made to LEL to defray expenses for accountancy fees and amend the Trust Mem and Arts for Community Land Purchase. The community payment will in future be paid direct to Lochgoil Trust. The primary and secondary distribution payments will continue to be made to LEL. After paying expenses the remainder will be transferred to Lochgoil Trust.

**What proportion of future costs is LEL liable for?** LEL is liable for 20% of costs, for example maintenance or replacement of the turbine, which could be required at Year 20 however it has been engineered for 40 year lifetime. There should be no extra foreseeable costs, as snagging has been built in to the estimates.

**How does the feed in tariff (FIT) work?** The first 20 years of the income forecast includes a FIT of 19.1p per kilowatt generated, in addition to whatever price we sell electricity to the grid. The price we get for electricity may vary, for example, if there is over supply of electricity to the grid the price could be reduced. The FIT is fixed for the 20 year term.

**What are the scenarios for the business rate increase?** If business rates increase at 20% this could increase costs by an additional £30k p.a. resulting in a 6k reduction in income. There are various initiatives being discussed including capping the rate for sectors such as renewables and discounts for assets fully or partially owned by communities. This could mean no increase or a 50% reduction. Another scenario is increasing the current Rateable Value limit from £145k, if this happens, we could benefit as our R.V. is £158k.

**What are the factors affecting the secondary distribution payment?** There are primary and secondary distributions because we cannot pay out more in any period than cash held in the bank as generated by the scheme and we also need to hold

sufficient funds for loan repayments. LEL are trying to bring forward the secondary distribution payment from Year 11 to Year 6 but will need to assess the change in business rates and see how the scheme performs against the operating assumption of 29.61%. Bringing forward the payment would not impact the distribution of ground rent payments or the overall income received.

**The grid stop taking power from wind farms if there is over supply, will this be a factor for the Hydro?** Over supply could affect the price we are paid for electricity generated.

**How much rent do Scottish Water receive?** They own a small strip of land and therefore receive 4.5% of the £30k p.a. ground rent.

**Should the Community Council be represented on the committee - Carrick Trust and Lochgoil Trust are protected by their charitable status, so there are fewer risks if they form the board. As the Community Council is likely to be applying for funding will there be a conflict of interest if they are involved in decision making for the dispersal of funds?**

Both Trusts are likely to be applying for funds as well as the Council. Committee members with an interest in a funding application would be expected to stand down from the decision-making process for that application. All the representatives of the proposed bodies are elected providing accountability. To ensure transparency and fairness, the model is based on good practice used in other community renewable energy schemes such as Colintrave. Elizabeth Bain is producing an application form similar to those used by other grant funders. Each application will be marked against criteria based on the priorities of the new Action Plan. The process will be auditable and subject to scrutiny.

**Could the dispersal of money be handled by the Lochgoil Trust rather than setting up a new committee?** Including representatives from Carrick Trust and the Community Council will make the committee more representative of the community.

**Could the committee report back for the Trust to make the final decisions, giving the Trust overall responsibility?** The decision of the grant allocating committee will be final.

**How will the applications be scored and prioritised, what is the schedule for applications?**

Applications will be scored against criteria derived from the new Action Plan. Applications will be invited as the money is received. This may be annually or quarterly.

**Other income streams are reducing but will people still be expected to look for funding elsewhere to avoid over-reliance on the hydro?** One of the criteria will be proof that other funding sources have been considered.

Paul Livingstone thanked those of the Trust who had worked to secure the Hydro project for the community for their determination and efforts.

7. **Election of Directors to Board:** Alistair Alexander, Irene Campbell and Anne Livingstone are standing down this year. No new nominations were received, therefore the Chairman welcomed them back onto the Board of Directors.
8. **Any Other Business:** Mr Murray put forward the suggestion that members would be invited to opt-in to email as their preferred method of contact. Those members wishing to continue to be contacted by post would be unaffected. No objections were raised and therefore the Mem and Arts will be amended and members notified of the change.
9. The chair thanked all for coming and subsequently endorsing the work of the directors of Lochgoil Community Trust Ltd, and invited people to partake in a glass of wine kindly supplied by Patricia Phillips.