# HARBOROUGH ENERGY LIMITED

#  Business plan

# October 2015

 HARBOROUGH SOLAR ONE

# Business Plan

## Executive Summary

### Aims

Harborough Solar One Ltd is the first of a number of community energy projects being established by Harborough Energy. Harborough Energy is a cooperative set up to provide affordable, clean energy to the communities of Market Harborough. Our local energy projects offer investment opportunities as well as returns for landowners and landlords.

We will help to give Harborough more control over its future energy costs and surety of supply, making it an even better place to live.

Harborough Energy is a Co-operative that has an overarching objective to:

* Co-ordinate the energy co-ops around Harborough
* Provide support e.g. through marketing, consultancy services etc
* Provide membership and benefit which will be limited to those who are energy co-operatives locally, directly involved in the provision of their services

We believe that it’s time to create sustainable energy at a local level because:

* We get clean, cheap energy
* Investors get good returns (typically 2 – 9%)
* Landlords, building owners and landowners get additional income
* The community gets a fund to support community efforts to heat and power homes more effectively

And the added bonus of bringing down our Green House Gas emissions

**Introduction**

Harborough Energy has been made possible through lottery funding and wide local engagement. In January 2013 the lottery funded Sustainable Harborough project started work in Market Harborough with the aim of creating projects to support each other to bring about a more vibrant, inclusive community with lower carbon emissions. A focus on energy (and particularly Community Owned Energy) was always intended to be a key area of work towards this aim. One of the early events initiated through Sustainable Harborough was an Energy Forum which brought people together to discuss what we wanted to achieve in and around Market Harborough and how we would start working towards a more sustainable Harborough. The forum resulted in two working groups, one of which formed into Harborough Energy. There has been considerable officer time along with marketing support, governance and other development support and of course volunteer time spent developing Harborough Energy and this first share offer. Sustainable Harborough has progressed this project as part of its initiation of local projects – this has involved partnership development, governance, promotion, event management and liaison with infrastructure bodies – including introducing Community Owned Energy and Harborough Energy to thousands of people at events over the past year. Sustainable Harborough has also sought expertise, legal advice and other support detailing the structure which this sits within so that as Harborough Energy grows, the sustainability of the whole town and surrounding area improves. For more information on Sustainable Harborough including the partners involved in managing the project please see [www.sustainableharborough.co.uk](http://www.sustainableharborough.co.uk). We feel that the development of Sustainable Harborough over the past 3 years, along with the partnership has given Harborough Energy a solid and reputable grounding from which to launch this first share offer.

See diagram 1 for a representation of the relationship between Sustainable Harborough, Harborough Energy and Harborough Solar One.

**Harborough Energy**

**Vision**

Our vision is that Market Harborough and surrounding is an exemplar of locally managed and owned renewable energy.

### Ambitions to 2020

To install 5MW of community owned renewable energy (electricity and heat) in and around Market Harborough (enough to supply 1000 homes)

To realise a community benefit fund of £50,000 p.a. to be support action on community action on energy in Harborough

3,000 residents in Harborough are share holders in the Community Energy Programme

1,000 local people directly benefit from the Community Benefit Fund

To create 4 direct jobs from the delivery of the community owned renewables

### Ambitions to 2030

To install 20MW of community owned energy (equivalent to the electricity needs of Market Harborough)

To establish a community owned energy supply company providing heat and power to Harborough residents and businesses

To realise a community benefit fund of £200,000 per year

Half of the share holders in the Community Energy Programme are Harborough residents

10,000 people benefit from the Community benefit fund

To create 20 direct jobs and support training in energy related disciplines to 10 local people each year .

Harborough Energy has been established to help local people to take control of their energy.

## Market analysis

Community led action can often tackle the challenges more effectively than Government and the private sector alone. Putting communities in control of the energy they use can help maintain energy security and tackle a change; help people to afford their energy bills; and have wider social and economic benefits. At least 5,000 community energy groups have been active across the UK since 2008 (Community Energy in the UK:Part 2, DECC, 2014)

## Notes and assumptions

Based on the government Community Energy Strategy the following information has been used -

National delivery potential of community renewable electricity is estimated at between 500 and 3,000 MW. This represents 2.2% to 14% of renewable electricity installed in the UK

This would be between 0.3% and 1.4% of all electricity generation in the UK

Each MW of installed capacity is estimated to realise £10,000 per year in community benefit

Each MW of installed capacity will require an investment of £1 million

## Harborough Solar One

## We envisage that Harborough Energy will manage a portfolio of local energy generation projects by way of individually incorporated special purpose vehicles. Harborough Solar One, our first proposed share offer has been set up as a Community Benefit Society. We aim to recruit 50% of our shareholders local to Market Harborough.

See diagram 1 for a representation of the relationship between Sustainable Harborough, Harborough Energy and Harborough Solar One.

**Purpose**

 Inspiring local people to take control of their energy Harborough Solar One will ensure our community benefits from

* clean, cheap energy
* Good financial returns. Our projected return for Harborough Solar One is 5%
* The community gets a fund to support community efforts to heat and power homes more effectively and reduce fuel poverty. We are projecting that this will be worth £109,500 over the 20 years of the installation
* With the added bonus of bringing down our Green House Gas emissions

In common with all charities, charitable community benefit societies such as those that will provide investment vehicles for Harborough Energy’s locally managed and owned renewable energy installations must devote their resources to the pursuit of charitable objects.  Surplus income should either be re-invested in the society or used to support its charitable objects in some other way. It is the intention that the existing members of both Harborough Energy and Harborough Solar One be consulted before the development of further share offers to ensure compliance and that future interest rates are set at a level which is not in itself a motivation to buy shares and which the charity trustees can justify as being in the interests of the charity by reference to available commercial rates for borrowing.

Market Harborough is a relatively affluent town but it has pockets of deprivation and many of the surrounding areas have a preponderance of off-gas, solid walled properties. Therefore despite the apparent wealth of the areas there are nevertheless many households that would be considered to be fuel poor and unable to afford to heat their homes adequately. Harborough Solar One’s financial projections suggest that a community fund of around £109,500 could be accumulated over the 20 years of the scheme.



## How does it all work?

## HE Investment model idea large

Harborough Energy has spent the past year developing promotional material, governance structures and delivery partners to work towards its aims as set out above. Part of this work has involved putting together a local installer framework to enable identification of companies best placed locally to deliver installations identified.

This background work has led to wider publicity locally to identify sites applicable for Community Energy along with accurate quotes for delivery of an installation.

Once we have identified a project, and applied for permission to connect to the National Grid through our District Network Operator this is paired with a quote to ascertain the economic viability of a scheme.

We will enter into negotiations with the site owner to agree both Roof Lease and Power Purchase Agreement (PPA) to cover the 20 year period of the project. Following the end of the 20 year period further negotiations will determine what happens with the array – decommissioning, agreeing a new rolling lease and PPA or gifting the array to the site owner.

Electricity generated is generally used first by the site owner before it is fed into the National Grid – metering this electricity usage allows us to determine how much of the generated power is used.

Therefore, income to Harborough Solar One comes from three sources –

* The Government backed Feed In Tariff – paid for everything that is generated by the array whether it is used or not
* An Export Tariff – like the Feed In Tariff this is government backed and pays for the energy exported into the national grid
* A Power Purchase Agreement with the site owner – a charge for energy used on site as determined by a usage meter (these contracts have been drawn up by a local firm of solicitors, Josiah Hincks)

The Feed in Tariff and Export Tariff are guaranteed for 20 years – hence the project running over that timescale. The Power Purchase Agreement also aims to run for that period, usually with an annual review to ensure both parties are content with the charges proposed – PPA’s are designed to offer a cost saving on energy used so that the site owner benefits from the project.

In order to provide the up-front capital that allows all of the above to happen, Harborough Solar One Ltd will raise Community Shares offering a return to investors. As well as a financial return to investors, there is also a planned social return locally, surplus generated is put into a Community Benefit Fund which is used to bring energy savings to local householders and businesses (this is described in more detail below).

Therefore expenditure for Harborough Solar One comes as follows –

* Capital install
* Operations, maintenance and administration of the installation and scheme and its share offer needs (i.e. Reports and return to investors)
* Insurances
* Capital and interest payments to investors
* Community Benefit

Withdrawable share capital can be withdrawn by members subject to conditions laid down by the society. According to our rules, members must provide three months’ notice before withdrawing shares and withdrawals cannot be made until three years after the initial share offer.

The assets of Harborough Solar One will be protected by an asset lock that ensures the assets of the Society are used to support the aims of the Society. This prevents the disposal of any assets to the sole purpose of private gain by any shareholder.

Due to the effects of inflation, much of the income used to repay investors initial capital will be earned in the later years of the project. As a result, shares will only be able to be withdrawn early where enough income has been earned to do so and approval to allow withdrawals will be at the directors’ discretion. This kind of share (exclusively available to cooperatives and societies) cannot be transferred (and therefore does not increase or decrease in value as shares in a for-profit company). It is best viewed as a long term investment in the community whose dividends are principally social rather than financial.

Whilst the principle returns will be social, each project will provide a return to investors above the capital that they invest. Our first project aims to provide 5% interest per annum on an ongoing basis in addition to returning the original capital over 20 years. In the first instance these will be the Seed Enterprise Investment Scheme (“SEIS”) this provides additional incentives to eligible members by allowing them to offset 50% of their investment against income tax that would otherwise be owed. For those members who are eligible this could provide a material saving on their investment. HM Revenue and Customs have been approached to provide advanced assurance of our ability as a company to issue shares that are eligible for SEIS shares. The first £150,000 of the share offer are designed to be eligible for SEIS, these will be offered on a first come first served basis, subsequent share applicants should be eligible for EIS.

## Organisation & Governance

### Structure

Harborough Energy is a co-operative that will act as an overarching organisation that procures and delivers community energy projects. This community energy project is set to be the first in its portfolio. A new company, Harborough Solar One has been set up as a special purpose vehicle to deliver our first community share offer. The new company will be a Community Benefit Society established under the Co-operatives UK community finance model.

### Our Team

Our team comprises individuals with the experience and track record in business management to provide:

* Expertise in renewable energy and energy efficiency
* Business experience
* Share offer experience
* A history of working on local community projects

The founding Harborough Solar One Board members came together in 2014. Since then additional directors have been appointed to strengthen the Board and broaden its range of expertise. The current directors are also the Founder Members of Harborough Solar One.

### **Darren Woodiwiss**

## With over 25 years experience of delivering software systems to business and a keen environmentalist, Darren is a Founder Member and Director of Harborough Energy and Harborough Solar One. Co-founder of [Transition Town Market Harborough](http://www.transitionharborough.org.uk/) he initiated the lottery funding application that eventually established Sustainable Harborough. Darren has strong local contacts and his desire is to improve the sustainability of the town and deliver clean efficient energy and improve the wealth and outcomes of the local population. Darren will provide a strategic lead to the project and ensure it adheres to its community benefit ambitions and obligations.

### Peter Jones OBE

After retiring formally after 25 years in the waste sector Peter T Jones is a Founder Member and Director of Harborough Energy and Harborough Solar One. Now retired from Biffa he works in various support roles within the waste and renewable energy arenas. Peter is a Member or Fellow of CIM , CIWEM, CIWM , CILT. He was awarded an OBE for services to the environment in 2007 and brings exceptional business experience to the project and will therefore provide strategic oversite of the viability of the project and development of future projects.

### David Robbins

David is a Founder Member and Director of Harborough Solar One. He has been working with Harborough Energy (HE) on a part time voluntary basis. He has lived in Harborough for nearly 30 years but been busy working across England in service management, information sharing, energy and transport related initiatives.  He has had a keen interest in fuel conservation, process efficiency, sustainability and environmental issues since the early 80s.
***‘Working with HE allows me to get involved locally and apply some of my business experience and technical skills to help improve sustainability for Harborough people and businesses'***

David has strong experience in process management and will provide support for the effective administration of the share offer.

### Gavin Fletcher

Gavin is Company Secretary of Harborough Solar One and project manager for Sustainable Harborough. As Project Manager for Sustainable Harborough Gavin’s activities include delivery of renewables projects, local food projects, community gardening/orchard projects, local sustainability events and business/household energy efficiency projects. Gavin reports to the Partnership Board as well as the Lottery. Gavin oversees the day-to-day operation of Harborough Energy.

### Denise Marsdon

As Community Energy Development Officer, Denise has day-to-day responsibility for the Harborough Energy project. With a masters’ degree in Climate Change and Sustainable Development she has worked extensively in both the renewable energy sector and in delivering community engagement including managing the Energy Saving Trust advice service for the Midlands, providing strategic energy support for local authorities across the UK and working on renewables within the agricultural sector. Denise is responsible for day-to-day co-ordination of the project and will be instrumental in developing new project streams.

The Society shall retain a register of Directors and Officers. There are currently 3 directors of Harborough Solar One. The current Board intends to appoint additional directors at the first annual general meeting from the Members that subscribe to this share offer to ensure the quorum necessary for the transaction of business.

The Board meets on a monthly basis and meeting minutes are published on the website <http://harboroughenergy.co.uk/about/governance/board-meetings/>

The Society shall ensure that a Register of Members is maintained in accordance with requirements of the Rules – a copy may be found at <http://harboroughenergy.co.uk/projects/harborough-solar-one/governance/>

All Members agree to participate in and take an active interest in the operation and development of the Society.

The Society is based on the principle of one member one vote regardless of size of the investment

All Members will be invited to an Annual General Meeting (AGM) at which our annual report and accounts will be considered, auditors appointed, directors elected and decisions made on the use of profits of the Society.

The good governance of Harborough Solar One depends on it having an active board of directors. These will be elected by the members at the AGM.

The Rules of the Society may be found at [**http://harboroughenergy.co.uk/projects/harborough-solar-one/governance/**](http://harboroughenergy.co.uk/projects/harborough-solar-one/governance/)

Members will be encouraged to participate in meetings and shall be given not less than two months’ notice in order to do so. Any member expressing an interest in volunteering their time to promote the Society will be encouraged to attend the monthly board meeting. The officers of Sustainable Harborough will also be available to guide them on the opportunities that volunteering may provide. In this way we would hope to increase our strength in terms of legal and accountancy support.

The team also wish to acknowledge the invaluable support given by Dan Vivian who worked with us early on but moved away from the area before this share offer could be released.

## Strategic Partners

Harborough Energy has been made possible by Sustainable Harborough - a project funded through the Big Lottery Fund’s ‘Communities Living Sustainably’ programme, working with householders, businesses and local producers to raise awareness of sustainability in the community. The organisation offers practical support to individuals and groups who want to reduce their carbon footprint and enhance the environment in which they live and work.

Partners involved in Sustainable have offered their support to this project and approved officer and financial assistance, the partners are –

RCC Leicestershire and Rutland, Transition Town Market Harborough, Seven Locks Housing, Leicestershire County Council, Harborough District Council, De Montfort University, Severn Trent Water, Welland Rivers Trust and the Environment Agency.

Harborough Energy works closely with Harborough District Council. Local authorities can provide a valuable source of information and advice and can help co-ordinate community activity in the area.

In November 2014 DECC and the Cabinet Office launched a peer mentoring programme to enable experience community groups to benefit from peer-to-peer support to newer entrants such as Harborough Energy. Harborough Energy is privileged to be supported by Green Fox. However, it should be noted that there is limited nationwide experience of community share offers, notable exceptions are Bath and West and Plymouth Community Energy. However, this is a rapidly developing business sector and advice on gove4rnance has been provided through

The Renewables Obligation and Feed in Tariff schemes continue to play a crucial role in supporting the accelerated deployment of commercial and small scale renewable electricity capacity in the UK, and will continue to do so for the foreseeable future (although the RO will close to new capacity on 31 March 2017). Contracts for Difference which are being introduced will provide future support for low carbon technologies. Feed in Tariff will be available for the duration of the Harborough Solar One project providing installation and commissioning take place before December 31st 2015..

## SWOT analysis

|  |  |
| --- | --- |
| Strengths | Weaknesses |
| Experienced Board with expertise in renewable energies and marketingExperienced officersSupport of Lottery funded Sustainable HarboroughPentair roof good size for share offer | Community Energy is relatively new so little external support is availableNo specific community share issue expertise (though being mentored by Green Fox)No specific legal/accountancy expertise in the current board |
| Opportunities | Threats |
| Good business demo project.Involvement from business in HE going forward and community benefit pot. Not many examples of Commercial COE partnerships such as the Archway House installation | GRID connectivity - export is not currently offered due to grid constraintsInsufficient investment for share offerFalling/removal of FiT rateProject takes too long to materialiseTime constraints due to the FIT consultation are very tight |

## The Project

Our first community energy project comprises two rooftop photovoltaic solar arrays located at Robert Smyth Academy and Archway House. Subject to receiving planning consent and raising the required capital investment of £183,600 pursuant to this share offer, we anticipate that the installation will be operational by 31st December 2015.

Harborough Energy has established the Community Benefit Society (referred to as Harborough Solar One or ‘the Society’) to own the solar PV array at the identified sites and will have a 20 year roof lease agreement with the host organisations, under which we will agree to maintain the solar system and provide the hosts with electricity produced at the site. The organisations hosting the panels will benefit from reduced electricity cost through a Power Purchase Agreement with the Society.

As Harborough Energy’s first community project, Harborough Solar One will seek to install 150kW photovoltaic cells to the roof of a local school, the Robert Smyth Academy and 10kW to local alternative health practice Archway House Natural Health Centre.

Robert Smyth Academy was founded in 1607 as the Market Harborough Grammar School and has served the young people and community of Market Harborough and surrounding villages for over 400 years. Today, Robert Smyth is a thriving converter Academy with over 1000 students on roll, aged 14-19. “From the start of the Autumn Term 2016, we will become an all through 11-19 Academy and we are looking forward to welcoming our first Year 7 students at that time”.

Archway House Natural Health Centre was established in 1997 and helps people from Market Harborough and across Leicestershire, Northamptonshire and the Midlands.

A team of skilled and experienced practitioners offer a wide range of services including **Acupuncture, Aromatherapy, Chiropractice, Counselling, Psychotherapy, CranioSacral therapy, Health Kinesiology, Homeopathy, Hypnotherapy, Herbal Medicine, Nutritional therapy, Reflexology, Reiki, Shiatsu, Sports Massage, Structural Integration**and **Zero Balancing.**

Following a competitive quotation process, **Environmental Energies Limited**, a well established local company, was selected to be our partner installer.
The selection process involved an extensive evaluation of cost and quality criteria together with financial stability and health and safety practices.

Harborough Energy manages a pre-approved supplier framework. Key criteria against which suppliers are assessed include:

 Company details

 Previous work

 Health and safety

 Trade bodies and accreditation

 Insurance

 Environmental policy

The installation has been subject to a transparent competitive tendering process and Environmental Energies were deemed to offer best value to the project.

**The project financial model projects the following:**

**Installed Power 160kW**

**Interest payable to members 5%**

**Minimum share offer raise £46,000**

**Maximum share offer raise £183,600**

A 20 Year roof lease agreement specifies the terms and conditions of our relationship with each landlord of the host buildings. The lease agreement covers issues such as insurance, repairs, access to the sites and also the circumstances under which the lease may be broken. In negotiating the lease the Board has been supported by professional legal advisors, Josiah Hincks.

A Power Purchase Agreement has been put in place between Harborough Solar One and Robert Smyth Academy and Archway House respectively. Finance to cover the capital and start-up costs will be raised through the community share offer. We would like to attract a significant number of investors from the local area to create a strong connection between the Society and the community it will serve.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Timeline to share offer** |  |  |  |  |  |
| 2012 |  |  |  |  |  |  |
| Partnership established to bid for National Lottery funding |  |  |  |  |  |  |
| 2013 |   |  |  |  |  |  |
| January | March |  |  |  |  |  |
| Sustainable Harborough project established | Energy Forum held to decide community priorities |  |  |  |  |  |
| 2014 | 2015 |  |  |
| December | January - December | January - April  | April | July |  |  |
| Harborough Energy co-operative registered | Board of Harborough Energy consider potential projects | Project selection process begins | Project co-ordinator appointed | Harborough Solar One (HS1) registered as a Community Benefit Society |  |  |
| 2015 |
| July | August | September | October | October - November | December |
| HS1 - solar PV project agreed. Roof host partners established | Installer selected following competitive tender | Planning consent, EIS/SEIS applied for | Chartermark accreditation begins | Share Offer document agreed | HS1 Share offer seeks to raise £183,600 | HS1 Solar array installation |

The financial projections are illustrated below

## Projected member returns

The primary purpose of Harborough Energy is the successful development of renewable energy resources for the benefit of the community. Harborough Solar One may use its profits to pay interest to members on their shareholdings sufficient to obtain and retain the capital required to carry out its objects. We aim to pay members a real return in excess of long term RPI. We are projecting an annual return of approximately 5% but this could change if RPI changes - as income from the Feed-in-Tariff (‘FIT’) is linked to RPI for the lifetime of the solar PV FIT Scheme (20 years)

## Harborough Solar One Financial Projections

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Summary for Share offer document** |  |  |  |  |  |  |  |
| **Year** | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Years 6 - 10** | **Years 11 - 20** |
| **Dates** | **Jan 2016-Dec 2016** |  |  |  |  |  |   |
| **Income** |   |   |   |   |   |   |   |
| Feed in Tariff | 14,281 | 14,536 | 14,794 | 15,056 | 15,322 | 80,740 | 183,731 |
| Export Electricity sales | 1,615 | 1,644 | 1,673 | 1,703 | 1,733 | 9,132 | 20,781 |
| Power Purchased on site | 12,249 | 12,589 | 12,938 | 13,296 | 13,662 | 74,153 | 181,725 |
| Total Income | 28,146 | 28,769 | 29,405 | 30,055 | 30,718 | 164,026 | 386,237 |
| **Expenditure** |   |   |   |   |   |   |   |
| Operations, maintenance, insurance, inverter replacement and admin | -8,386 | -8,576 | -8,770 | -8,968 | -9,170 | -56,379 | -142,858 |
| Development costs | -20,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax | 0 | 0 | 0 | 0 | 0 | 0 | -40,117 |
| Total Expenditure | -28,386 | -8,576 | -8,770 | -8,968 | -9,170 | -56,379 | -182,975 |
| **Cash movements** |   |   |   |   |   |   |   |
| Net income generated through operations | -241 | 20,193 | 20,636 | 21,087 | 21,548 | 107,647 | 203,262 |
| Community benefit fund generated | 0 | 0 | 0 | -2,000 | -2,000 | -17,000 | -88,500 |
| Surplus available | -241 | 20,193 | 20,636 | 19,087 | 19,548 | 90,647 | 114,762 |
| **Cashflow** |   |   |   |   |   |   |   |
| Opening Cash | 0 | -241 | 10,772 | 22,228 | 32,135 | 32,244 | 33,790 |
| Surplus available through operations | -241 | 20,193 | 20,636 | 19,087 | 19,548 | 90,647 | 114,762 |
| Member capital repayment  | 0 | 0 | 0 | 0 | -10,800 | -54,000 | -118,800 |
| Member interest payment | 0 | -9,180 | -9,180 | -9,180 | -8,640 | -35,100 | -29,700 |
| Closing Cash | -241 | 10,772 | 22,228 | 32,135 | 32,244 | 33,790 | 53 |

|  |  |
| --- | --- |
| **Total share capital raised** | **183,600** |
| **Total return to investors - interest** | **-100,980** |
| **Total return to investors - capital** | **-183,600** |
| **Total Community fund generated** | **-109,500** |

## Notes on the financial projections

1. Harborough Solar One is projecting a return of 5%. Whilst the management of Harborough Solar One will seek to ensure that the project is run in compliance with SEIS rules we cannot guarantee that the investment will be eligible for the relief. Investors should therefore seek independent financial advice if they intend to claim SEIS relief.
2. All profits, subject to the maintenance of a contingency reserve, are paid to members as interest. Capital is repaid to members from the end of year 3 with all capital paid back by year 20.
3. The total installed capital cost is £183,600
	1. This comprises
		1. Capital cost - £163,600
		2. Operational set-up costs - £20,000 which will be repaid to Harborough Energy
4. Inflation is set at 2.5% over the 20 year period.
5. Income is based on the value of the Feed-in-Tariff generation reflecting relevant FIT levels
6. Equipment depreciation is straight-line over the 20 year period
7. The Society will produce annual accounts and as a small business will apply for exemption from audit
8. Normal monthly cash expenditure is expected to be small and will be covered by the FIT generation tariff
9. To minimise risk to our Members we will acquire comprehensive insurance to cover damage to or theft from the installations.
10. Panel degradation – This is the rate at which panels become less productive. We use an industry standard of 0.7% per annum.
11. Inverter Life – Our inverters will be under warranty to last at least 10 years however, replacement has been factored into the financial forecasts
12. Generation – Environmental Energies has estimated the generation productivity of the sites in accordance with industry standards.
13. Operational maintenance such as electrical testing and cleaning panels will be undertaken annually – this is covered in our financial project*i*ons

## Development cost

Harborough Solar One has incurred a number of costs in setting up the Community Benefit Society and this share offer. These include the cost of registration of the Society, technical assessments and structural survey, in-kind officer support from Sustainable Harborough, professional and expert support. These costs are to be repaid to Harborough Energy through the Development budget line in this share offer.

## Tax relief

An investment in the Harborough Solar One scheme is designed to be eligible for tax relief under the Enterprise Investment Scheme (EIS) /Seed Enterprise Investment Scheme (SEIS).

Harborough Solar One has applied to HM Revenue and Customs for the Offer to be recognised for EIS and SEIS relief.

EIS relief offers various tax benefits to Applicants:

 a. Under EIS, income tax relief is available to individuals who subscribe to Shares. If you are a qualifying taxpayer you will be able to claim back 30% of the money you invest, increasing your effective rate of return.

b. The shares must be held for a minimum of three years for individuals to qualify for income tax relief.

c. For more information on EIS see: <https://www.gov.uk/government/publications/the-enterprise-investmentscheme-introduction>

SEIS relief offers the following :

If you are a qualifying taxpayer you will be able to claim back 50% of the money you invest, increasing your effective rate of return. Please note that the tax regime is currently in transition. Further information is shown under Tax Risks. More information on SEIS can be found at: <https://www.gov.uk/guidance/seed-enterprise-investment-scheme-background>

The first £150,000 invested will be eligible for SEIS (subject to approval), this will be allocated on a first come, first served basis. The remaining investors will still be eligible for EIS (subject to approval) which allows 30% of the money to be claimed back as above.

Your investment will be used to complete the financing of our first community energy project. Shares are valued at £1 each. Investors may invest between £250 and £20,000 (the minimum investment is reduced to £100 for people living within 5 miles of Market Harborough). Each investor will receive one vote regardless of the amount invested.

*Whilst the management of Harborough Solar One will seek to ensure that the project is run in compliance with EIS and SEIS rules we cannot guarantee that the investment will be eligible for relief. Harborough Solar One is unable to give advice to individuals on whether they would be able to claim tax relief on their investment. Investors will therefore be advised to seek independent financial advice.*

**SEIS Income Tax Relief Example**

Peter is a qualifying tax payer who invests £1000 in SEIS qualifying shares. The SEIS relief available is £500 (£1000 at 50%) If his income tax liability for the year (before SEIS relief) was for example £2000 he could reduce it to £1500 as a result of the investment. For further information please see www.hmrc.gov.uk/seedeis

## Market Summary

Community energy refers to the delivery of community led renewable energy, energy demand reduction and energy supply projects, whether wholly owned and/or controlled by communities or through partnership with commercial or public sector partners.

Where successful, community energy has the potential to draw people in, not just as consumers but also as active participants, or partners, in a process of change. Partners because people share in the benefits, have some say in how things happen, are actively involved and feel a connection with the outcomes.

Community energy has the potential to do this by creating a sense of collective purpose where:

I see ‘People Like Me’ involved, whether family, friends, neighbours, community members, work colleagues

I keep hearing about opportunities for involvement through many different local routes, its stops being unusual and becomes ‘What Happens Around Here’

I trust the people delivering the projects, I see them around, they’re local

I can see tangible benefits for my local area

I can see tangible benefits for me

This sense of collective purpose can help to normalise the adoption of demand reduction behaviours and encourage the take up of energy efficiency measures.

If successful community energy can also help to underpin the more rapid role out of a decentralised energy supply system by giving local people a stake in the outcome. In response to the growing interest in and involvement with community energy, Harborough Energy has been established as a social enterprise set up as a cooperative (with a limited company registration) with the specific charter aim to deliver benefits to the local community of Market Harborough and returns to investors in its renewable energy projects.

## Communication Strategies

### Targeted Consumer Demographics

Market Harborough is a [market town](https://en.wikipedia.org/wiki/Market_town) within the [Harborough](https://en.wikipedia.org/wiki/Harborough) district of [Leicestershire](https://en.wikipedia.org/wiki/Leicestershire), [England](https://en.wikipedia.org/wiki/England) and is the administrative headquarters of Harborough District Council. It sits on the Northamptonshire-Leicestershire border. The town was formerly at a crossroads for both road and rail; however the [A6](https://en.wikipedia.org/wiki/A6_road_%28England%29) now bypasses the town to the east and the [A14](https://en.wikipedia.org/wiki/A14_road_%28England%29) which carries east-west traffic is 6 miles (9.7 km) to the south. The town is served by [East Midlands Trains](https://en.wikipedia.org/wiki/East_Midlands_Trains) with direct services to [Leicester](https://en.wikipedia.org/wiki/Leicester), [Nottingham](https://en.wikipedia.org/wiki/Nottingham), [Sheffield](https://en.wikipedia.org/wiki/Sheffield), [Derby](https://en.wikipedia.org/wiki/Derby) and [St Pancras International](https://en.wikipedia.org/wiki/St_Pancras_International). Rail services to [Rugby](https://en.wikipedia.org/wiki/Rugby%2C_Warwickshire) and [Peterborough](https://en.wikipedia.org/wiki/Peterborough) ended in 1966.

Market Harborough is located in an area which was formerly a part of the [Rockingham Forest](https://en.wikipedia.org/wiki/Rockingham_Forest), a royal hunting forest used by the medieval monarchs starting with William I. Rockingham Road takes its name from the forest. The forest's original boundaries stretched from Market Harborough through to Stamford and swallowed up [Corby](https://en.wikipedia.org/wiki/Corby), [Kettering](https://en.wikipedia.org/wiki/Kettering), [Desborough](https://en.wikipedia.org/wiki/Desborough%22%20%5Co%20%22Desborough), [Rothwell](https://en.wikipedia.org/wiki/Rothwell%2C_Northamptonshire%22%20%5Co%20%22Rothwell%2C%20Northamptonshire), [Thrapston](https://en.wikipedia.org/wiki/Thrapston%22%20%5Co%20%22Thrapston) and [Oundle](https://en.wikipedia.org/wiki/Oundle%22%20%5Co%20%22Oundle). The town is relatively wealthy. At Local Authority level, Harborough experiences the lowest levels of deprivation of the districts in Leicestershire. It is ranked only as the 336th most deprived district in England (out of 354, where a ranking of 1 = most deprived, and a rank of 354 = least deprived). Table 18: ID2004 District Ranking Source: ODPM Indices of Deprivation 2004 The districts are ranked 1=most deprived, 354=least deprived

Total population of Market Harborough 22,911

Total East Midlands population 2,913,000

These residents represent our preferred investors. Information from Ben Dodd at Green Fox has suggested that the results of an earlier share offer at John Cleveland College showed the average investment to be £2,250. We recognise that high net-worth individuals are likely to offer our fastest means of raining the capital we require and will therefore rightly be the main focus of our communication activities. However, we recognise the fact that despite there being significant wealth in and around Market Harborough, there are nevertheless areas of lower affluence. We are therefore setting a local minimum investment level of £100. As this is our first project there is no data to suggest what our median investment is likely to be. Future analysis of the current project will enable much greater accuracy in forecasting future share offers.

We anticipate that with the support of Ideal Marketing and Sustainable Harborough’s existing marketing channels that the greater share of the investment generated will come from local individuals. We have a pledge already from Peter Jones of £10,000 and other directors and people involved have already indicated their interest.

Research indicates a preponderance of males in share ownership with some studies indicating a ration of 3:1. A database of service organisations such as Rotary Club, Round Table, Women’s’ Institute has been compiled for direct marketing purposes and a number of presentations initiated. Further recent research by Nesta ( <https://www.nesta.org.uk/sites/default/files/understanding-alternative-finance-2014.pdf>)

When deciding to invest through community shares, the factors identified as being most important are the social aims of the project receiving investment. More than 90 per cent of respondents reported ‘doing social or environmental good’, ‘feeling their money is making a difference’ and that ‘the organisation or projects invested in will create a stronger community’ as important or very important factors. The prospect of achieving financial returns was only important or very important to 24 per cent of investors. 68 per cent of respondents say they invested amounts that they felt they could afford to lose.

The report found that investors in community shares tend to be in the older age bracket with 39% aged between 35-54 and 56% aged 55 or older

Through its involvement with Sustainable Harborough, Harborough Energy and its projects, including Harborough Solar One, is able to offer significant experience in leveraging community participation to deliver competitive advantage in the following ways:

* Attracting potential investors
* Keeping the community informed about our activities serves to attract local investors
* Recruitment of landowners and community organisations to benefit from the opportunity to host renewable energy technologies
* The opportunity to consult with our community about the best use of our Community Fund

## Previous Community Engagement Activity

Community engagement for our community share activities were initiated in January 2014 when an Energy Forum decided that this should be a Sustainable Harborough priority. Since that time regular community communication events have ensured good engagement of the residents.

Events to date have included:

2x I Love MH Festivals

2x Green Open Homes

Arts Fresco

Establishment of an Energy Club

There has also been regular activity on the Sustainable Harborough Website, Harborough Energy Website, Sustainable Harborough E-Newsletter (over 250 subscribers), and both Sustainable Harborough and Harborough Energy Twitter (755 followers) and Facebook (187 likes).

Alongside these activities Sustainable Harborough has introduced the subject of Community Owned Energy through local press and at meetings with various public and business groups (including the local Rotary Group, the local Small Business Alliance and the local Chamber of Trade and Commerce amongst others).

These events and activities have involved engagement with thousands of residents from in and around Market Harborough and established energy as a key local priority. The monitoring of these events has been fine honed to such an extent that we are confident that we can produce annual reporting which will detail the extent to which Harborough Solar One and other Harborough Energy Projects have benefitted the local community. This will obviously detail work carried out through the Community Benefit Fund, but will also detail the wider implications of having a focus on Community Owned Energy – the Carbon savings, the energy displaced from the National Grid, the number of people engaged through projects and other activities and we aim to carry out a detailed assessment of the local economic benefits.

## Launch Strategies

### Launch Plan

Harborough Solar One Limited is the Community Benefit Society set up to deliver HE’s first PV share offer. The Launch of our Community Share Offer is planned for October 2015

### Promotional Schedule

The Board has decided that as this is our first share offer and we do not hold a significant database of pre-interest registrations for the share offer, that we should maximise the Share Offer’s exposure through multiple channels. Specifically we have engaged a local marketing organisation, Ideal Marketing to oversee the production of the final Share Offer Document. Sustainable Harborough has a long association with the company and they are experienced in interpreting our requirements.

Ideal Marketing will produce the final version of the Share Offer Document for inclusion on the website, with 200 hard copies produced as well. These channels also offer the opportunity for investors to use paper-based systems if they wish. However we have made it clear in Share Offer document that our preference is for electronic communication.

The Board has also been impressed with Ethex Ltd share platform. Ethex recently won a prestigious award: the Community Energy Funding Award for achieving the most inspiring results in investment into the sector. Since launching in 2014, Ethex has raised over £16 million in total, helping 16 community energy projects get off the ground. The development of these renewable projects will see real community benefit and carbon savings right across the country. Clearly this will maximise the Share Offer’s exposure.

Ethex -12/10

 Local Publicity -05/10

 Ideal Marketing - 05/10

Ethex will adminster the online application process. Paper based applications will be forwarded directly to them. Administration of other activities is expected to be undertaken by an in-house team comprising Sustainable Harborough officers together with support in process development and bookkeeping from suitably qualified volunteers. However, we acknowledge that our experience in this area is limited and we may therefore need to call on more specialist support. This is budgeted for in the financial projections.

## Public Relations Strategy and Execution PR strategies.

### PR plan highlights

Press release HE Limited launch

Community Energy England

Sustainable Harborough Newsletter – ongoing coverage

Press release HS1 launch

Speaking engagements

Rotary Club

Harborough Energy Summit

Leicester Business Festival – 26 October - 03 November

The Harborough Energy Summit has been accepted as part of the Festival. Hosting an event gives our share offer and brand the chance to become an integral part of a ground-breaking Leicestershire initiative set to make a big impact across the UK.

In addition to playing a key role in celebrating business in the county, the Harborough Solar brand awareness will be enhanced by quality exposure in the regional and national media, through comprehensive advertising and PR campaigns, social media channels and the LBF’s own web presence and official programme.

Hosting our own event will deliver superb networking opportunities for you and your representatives to make connections with influential business leaders, Festival partners and entrepreneurs.

Harborough FM has already contacted us for an interview. This will be undertaken w/c 05 October

### Advertising Strategy and Execution

**Facebook**

A Harborough Energy Facebook Page has been established and regular posts have commenced

**Twitter**

Regular industry specific tweets through the Harborough Energy Twitter account and the Sustainable Harborough account

**Ethex marketing**

Ethex – Will be retained to promote and manage the share offer. It provides a direct and personal way for individuals to invest in businesses they believe in.

### Events

I Love MH Festival – May

Arts Fresco – September

Sustainable Billesdon event – October 11

Aging Well event – October 5

Harborough Energy Summit - November 3

Leafleting at Harborough Station

### Other Promotion

### Direct Marketing

Direct mail – service organizations speaking – September 2015

Direct mail – service organization investment – October 2015

Overview of response targets, goals, and budget.

Third-Party Marketing

Describe co-marketing arrangements with other companies.

Ethex brand build October 2015

Archway House will be sending out a mailer to all 2,000 of its clients. These are likely to be representative of the target demographic

Andrew Granger – has assisted us in organising the Harborough Energy Summit on 3 Nov. Andrew is an Estate Agent and will be inviting his clients. He has also introduced us to the Rotary Club

Robert Smyth will send a newsletter to all parents and staff

## Membership Rules and Rights

## Membership

The Rules of the Society may be found at http://www. arboroughenergy.co.uk/projects/harborough-solar-one/governance/

1. All Members shall have attained the age of 16 and must support the objects of the Society.
2. The shares of the Society shall be of a nominal value of £1. Such shares are only withdrawable in accordance with the Rules. Each investor will receive one vote regardless of the amount invested.
3. Investors may invest between £100 and £20,000 (the minimum investment of £100 is reserved for local investors to encourage as much local investment from around Market Harborough). Whilst Market Harborough is a relatively wealthy area, there are areas around the town where a minimum investment of £250 would exclude many potential investors. It is the aim of the Society to involve as many local people as possible as Members. However the society recognises that confirmation of eligibility need to be transparent and easy to apply. We are therefore opening the local minimum investment of £100 to residents of the counties of Leicestershire and Northamptonshire
4. Membership is open to individuals, corporate bodies or a nominee of an unincorporated body, firm or partnership who supports the objects of the Society. A corporate body shall by resolution of its governing body appoint a representative who will during the continuance of his/her appointment be entitled to exercise all such rights and powers as the corporate body would exercise if it were an individual
5. Anyone wishing to become a Member must support the objects of the Society and complete the application form at the end of this share offer document. Alternatively prospective members may complete an on-line application at or www.ethex.org.uk. Payment for the shares is due in full at the time of application.
6. Shares held under one of Harborough Energy’s community share offers cannot ve sold to a third party or traded and there is no prospect of them ever being worth more than their nominal value of £1.Each investor will receive one vote regardless of the amount invested.
7. You must have the authority to apply for shares. If you are signing the application on behalf of another person or organisation you should provide the Directors with evidence of your authority to sign if they ask to see it.
8. You will need to give proof of your identity and address if the Directors ask for it. They may need this proof for anti-money laundering purposes.
9. The shares in a Community Benefit Society are not transferable, which means that they cannot be bought and sold except through the society and the value of the shares cannot increase beyond their nominal £1 value. Whilst the expected project life is 20 years, shares may be withdrawn at an earlier stage at the discretion of the board of directors. Share withdrawal is suspended for the first three years of the project – meaning that no shares will be withdrawable until at least 2018. After this time, any members who wish to withdraw their shares, either in part or in full, can apply to the board of directors. The board will then consider applications taking into account the funds available to Harborough Solar One Ltd to make the repayment. The board will consider withdrawal applications once every three months and if applications to withdraw shares exceed the available funds, repayments will be offered on a pro-rata basis
10. You cannot withdraw your application for shares after we receive your application form. Any amounts to be invested are payable in full on application. The directors do not have to accept your application for shares. They may decide not to issue shares to you or to issue fewer shares than you applied for. They do not have to give any reason for their decision. Your application will be considered for approval at the first convenient Board of Directors meeting after the closing date of the offer.
11. In the event of this share offer being oversubscribed, preference will be given to applicants living closest to the postcode LE16 9AA.
12. Members shares will attract a payment of interest annually in arrears and there is currently no policy to pay dividends. Interest rates will vary according to financial performance. Any profits shall be applied as follows in such proportions and in such a manner as may be decided by the Society at the annual general meeting:
	1. To a general reserve for the continuation and development of the Society; or
	2. To make payment for social or community purposes within the community served by the Society
13. A Member may nominate any individual or individuals to whom any of his/her property in the Society at the time of his/her death may be transferred.

# The Risks

All investment carries risks. Investors should take appropriate advice. Those interested in investing should only do so after reading this document in full and taking appropriate financial or other advice. This share offer is not covered by the Financial Ombudsman Service or the Financial Services Compensation Scheme.

## Contingency arrangements

### Failure to complete

A failure to complete the installation, commissioning and registration of the solar arrays before the end of the current Feed in Tariff period of 31st December represents the most substantial risk to the project, Should this occur then the Archway House installation, which will have been installed will be the only viable project at a cost of £13,200. The array at Archway House has already been installed in order to secure the most advantageous Feed-in-Tariff level. This has been facilitated through our installer, Environmental Energies, with the proviso that should the community share offer be unsuccessful for any reason, then the installer will take ownership of the installation and receipt of the FiT. The installation contract for Robert Smyth Academy is based on commission before the Feed-in-Tariff drops in value on the 1st January 2016, as long as the company are given enough notice to install. The risk of this happening is very low, the company have held a window open for installation and they have an excellent track record of installing on time. If there is any risk of the company not being able to commission before the Feed-in-Tariff drops the project will not proceed and share capital will be returned.

A failure to raise the maximum investment for the project will require Harborough Solar One to scale back the installation to 40kW at a cost of £46,000 representing the most viable rooftops in the project – Archway House and the roof on the Canteen at Robert Smyth Academy.

Harborough Solar One will acknowledge the receipt of your cheque or bank transfer and application and may cash your cheque as soon as it is received. Harborough Solar One shall hold your money on trust until the directors have considered your application. The Directors will return your money to you (with 28 days of the Board of directors meeting at which it is considered) if they decide not to issue shares to you. If they decide to offer fewer shares to you they will return the balance to you (within 28 days of that Board of Directors meeting).

### Cash flow due to VAT

Due to a large capital outlay at the start of this project, there is a risk that we have a short term cash flow problem. To mitigate this we have liaised with our installer regarding invoicing for the work. Because they Archway House installation is being funded through the installer initially, they are happy to delay payment for this element.

### Planning consent

Planning consent is not required for Archway House. However, Robert Smyth Academy has a listed building within the boundary and therefore full planning consent is required. A planning application was submitted on 10th September. As the listed building will not host any part of the proposed array we have been advised that permission is likely to be granted. Determination of the application is expected by 11th November.

### Roof Lease and Power Purchase Agreement

The host organisation and Harborough Solar One have not yet formally signed these agreements. However, all terms and conditions have been agreed and we expect these to be finalised before the opening date of the Share Offer

### Theft & Damage

The installations may become damaged through vandalism or may be stolen. Harborough Solar One will take out insurance cover to compensate for any potential losses should this occur.

### Changes to the regulatory regimen

The Feed in Tariff is guaranteed for 20 years under primary legislation. The Government is currently consulting on the future of the subsidy. What this will mean for Harborough Energy is a change in delivery mechanism for future projects. It is only a risk to this project if there are significant delays.