



Green Energy Nayland – How we did it.

The formation of Green Energy Nayland proceeded very quickly, about 8 months from inception to completion of our first project, but we learned many lessons and made a fair few mistakes along the way. Hopefully this document would help anyone following in our footsteps avoid making some of these mistakes.

Our scheme is based on solar PV installation so we've written this guide based on this familiar technology but most steps are equally applicable to similar projects.

Phase I – Viability

The purpose of this phase is to build confidence in the viability of your project within your community.

1. The target building

- a. Identify a suitable community building to be the target for your group it needs to have a large, south facing roof, ideally not be listed and the roof will need to be of sound construction to bear the weight of the panels.
- b. Contact a friendly local solar PV installer and ask them to perform an initial survey to confirm the site is suitable and an estimate of the cost - it is good practice to let them know that other companies will be allowed to tender for the installation. Obviously using a local installer has many advantages.
- c. Perform a structural survey on the roof in question - this needs to be done by a qualified structural engineer and will cost in the region of £500.

2. Do your homework - contact organisations that might be able to help, read websites from other groups, try to identify anyone living locally that might offer some legal or accountancy skills. Is there any grant funding available to help cover start up costs? Remember there will be costs involved before you have demonstrated that there is a viable project.

3. Identify potential Directors for your group - you will need at least three people willing to put their name to a number of documents. Ideally these people should be well known within the community and must have some time to commit to the project. It is good to have a range of skills on the board e.g. technical, legal, finance, but enthusiasm and belief in the project are also vital.

4. Finances

- a. Identify start up funds - if grants are not available can you run a fund raising event or find a benefactor? A good source of grant information is www.greengrantsmachine.co.uk
- b. Draw up a simple model that can be used to check the financial viability of the project, this will require the latest Feed in Tariff levels and the installation estimate provided by the solar installer. We have placed our model on the website as a guide - feel free to use it as a starting point.

5. Community Support

- a. Is there interest in issues of Climate Change, Sustainability, etc within the community?
- b. Is there likely to be enough people willing to invest in the scheme? Investment



will probably start at about £200 - £250 and is a long term investment.

Phase II – Formation

In this phase you will get all of the background work done ready for the share issue.

1. Decide on your form of incorporation. There are a range of possible forms that could be chosen e.g. company limited by shares, ditto by guarantee, community interest company, industrial and provident company. The pros and cons of each are well summarised in “Investing in Social Enterprise: the role of tax incentives” by the Centre for the Study of Financial Innovation

www.nesta.org.uk/press/assets/documents/investing_in_social_enterprise

We chose an industrial and provident society as:

- a. It meant that our prospectus did not need to be approved by an FSA authorised firm.
- b. It allowed members to withdraw their money - important if a continuous flow of projects is not forthcoming
- c. It appeared to allow members to claim Enterprise Investment Scheme (EIS) relief (see below)
- d. Being a for community benefit IPS allowed us access to grants and pro bono help, which would probably not have been there had been a purely commercial body. We had access to Suffolk Pro Help.
www.bitc.org.uk/east_of_england/programmes/prohelp/suffolk_prohelp.html
- e. It just felt right given the essentially cooperative nature of what we were undertaking.

2. Form your Industrial & Provident Society

- a. You will need at least 3 Directors, ideally no more than 5.
- b. You need to work with a sponsoring organisation who will prepare model Rules - this will cost in the region of £750. To gain exemption for your prospectus, the FSA need to approve your rules. For this they charge a fee, which is much reduced if you apply via an organisation that has already registered a model set of rules with the FSA. We used Co-operatives UK who were very efficient.
- c. Co-operatives UK required us to confirm in writing that we wished to use their services, then they sent us copies of the model Rules.
- d. Review the Rules - two things to note;
 - i. modifications to the model rules increase the costs of registration quite significantly
 - ii. the Rules govern the running of your IPS but don't need to cover every aspect of your project as this will be covered by the terms of your share prospectus. We were concerned about being able to register for the Enterprise Initiative Scheme, which offers certain tax breaks (more later) but Co-operatives UK were able to confirm their Rules are suitable
- e. Return two signed copies of the Rules and FSA application form to Co-operatives UK, registration takes two to four weeks. Link to our rules:
www.greenenergynayland.org.uk/rules.html

3. With your IPS formed you can open a Bank account - all the High Street banks offer community accounts but the Co-operative Bank is most likely to share that same philosophy as your group. Bear in mind that, as you will not be paying fees for your account, getting it opened quickly may not be the highest priority for your bank. our



account took 5 weeks to set up.

4. With the IPS formed and the Bank account opened you can register for VAT. The status of our organisation meant that we need to pay 20% VAT, but as we will be selling the electricity the school uses from the solar panels at the very low export rate, we will be adding the VAT to that charge. Hence we can claim the VAT back on the install cost.

5. Develop a share prospectus - there are many other groups that have been through this process and their documents are available online. It is just a case of adapting these for your purposes. You will need to show clearly the balance that you intend to strike between providing a return to investors and pursuing the objectives of the society. Allow a good few weeks to complete this step to the satisfaction of all Directors. Our prospectus: www.greenenergynayland.org.uk/documents/GEN%20Prospectus%20-%20School.pdf

6. Once the IPS is formed and you have a prospectus, you can also apply to HMRC for "advance assurance" that your investment will be eligible under the EIS rules. The full application cannot be submitted until the IPS has been trading for four months, but HMRC state that they will be bound by their advance assurance, provided full information was disclosed at that time. Under EIS rules, eligible investors will get a refund of 30% of their investment from HMRC, provided that they have sufficient income tax liability. However, from the 2012/13 tax year onwards, business receiving feed in tariff income will no longer qualify for the EIS scheme.

7. If you intend to try for EIS, your rules must not allow withdrawals - although you can change the rules after 3 years to allow this. The rules that count for EIS purposes are those in place at the time of the share issue. We may have fallen foul of this restriction and, at the time of writing, have yet to be granted EIS clearance.

8. Publicity - posters, adverts in community magazines, leaflet drops, etc to get the word out about your organisation and proposed project. Ideally you should create a website for your project, but its just as easy to use a Facebook site for this purpose. You can direct queries and questions to an FAQ area and it gives people something to read at their leisure without the overhead of you printing leaflets. Using Google docs is great for you and your team to share documents as you go.

9. Apply for any grants that might be available from your district council, county council or other organisations that promote renewable energy. A good source of grant information is www.greengrantsmachine.co.uk

10. Draw up a short list of potential installation companies and draft a tender to issue to them describing what you expect from them, don't forget to include issues such as ongoing maintenance. The Energy Saving Trust has lists of approved installers: <http://www.energysavingtrust.org.uk/>

Phase III – Installation

1. Organise a number (we held 2) of public meetings;
 - a. Issue prospectus to interested parties, encourage people to accept an 'e' version, otherwise printing costs will have to be met.
 - b. Give presentations at the meeting and be prepared to answer a lot of questions.
 - c. Gather names and contact details of anyone that attends an event.



2. If sufficient interest is being generated and confidence is high you can apply for planning permission (this is required unless the panels are to be installed on occupied residential premises) - this costs £170 and can take a month to six weeks
3. Gather investment (membership) applications and bank cheques. We got about half of our members through public meetings and the rest through personal approaches to people we thought might be interested, getting the required level of investment might take some time.
4. With funds in the bank select your installer and firm up on the final price
5. Confirm the numbers of shares issued to each investor - if you are over subscribed this might be less than they applied for and a refund will need to be issued.
6. Set installation and commissioning dates. For systems 10kW and over, you will need Network Connection approval (G59), your installer will handle this for you, but it comes with a charge in the region of £600 and can take a number of weeks to complete after the install has finished. Remember, until it is officially connected, you can't apply for the Feed in Tariff.
7. Apply for Feed in Tariff
8. Apply for EIS
9. Maintain a high level of communication with Members. We have chosen to make all communication via email so as to keep costs and time down.
10. Hold a members meeting to meet everyone and celebrate your success.
11. Set a date for an AGM. At the AGM you can agree your account audit requirements. To keep costs down, it will be preferable to elect to a simple accounts review by a friendly local accountant. www.fsa.gov.uk/pages/doing/small_firms/msr/societies/index.shtml
12. Move on to your next project and remember to consult the members, as any future scheme will potentially impact the existing members investment return.

Good luck!
The Directors of Green Energy Nayland.