

BOARD MEETING MINUTES

Date: Board Meeting #062

Present: Sheila Clark, Chair
Andrew Swann, Finance Director
Peter Thomas, Operations Director
Carol Thomas, Hydro Project Manager
Cath Auty, DIG nominated director

Pam Stansbury, Administrator

Apologies: Sam Marshall, Company Secretary
Michael Odumosu

Meeting Details: Date Monday 19th December at 7:30pm
This meeting was conducted via Zoom and was recorded

MINUTES of the 62nd Meeting of the Board of Directors

The meeting opened at 7:30pm.

1) Apologies

Apologies for absence have been received from Sam Marshall and Michael Odumosu.

Chris Fowler has now resigned from the DIG Board and will be standing down as a DIG nominated director. DIG will decide if they wish to nominate a replacement, however they have adequate representation at the moment through Cath Auty, together with both Carol and Sheila being on the DIG board of directors.

2) Conflicts of Interest

There were no changes to the normal conflicts of interest, as per addendum.

3) Approval of Previous Minutes

- **Minutes of previous Board Meeting.**

#061 Board Meeting held Tuesday 20th September 2022, at 7:30pm. Following a correction to grammar, possibly to possible, the minutes were proposed by Cath Auty, seconded by Sheila Clark and approved by the board unanimously.

4) **Matters Arising not covered by the Agenda**

Renegotiation of contract with Armstrong Watson.

There has been no progress and this matter has been carried forward for action.

Triodos Deposit account

Triodos had advised that in order to open a deposit account with them we were to complete an application as if we were a new entity. This required a substantial amount of information and form completion which neither Andrew or Carol had yet had time to action. As the interest involved was relatively small Andrew advised that this had been placed on the back-burner for now, but would be reviewed or actioned in the future.

There were no matters arising not covered by the agenda.

5) **Board Decisions made by Email**

There were two Interim Board decisions made by the board.

1. 29th October 2022. Two applications for new shares and one request for withdrawal.
2. 17th November 2022. F&S Energy PPA price agreement for January 2023.

Both these items will be covered in their relevant sections of the Agenda.

6) **Communication since last meeting**

List of communications received has been circulated to the Board.

RWE Renewables through Foundation Scotland. They were hosting a visit for Alan Brown, the Minister with responsibility for Renewables. The meeting with Alan Brown was quite good with some interesting information regarding how RWE were now re-greening their sites amongst other things. Interesting points were raised; the levy on renewable regeneration and how that affected us. There is a 100

megawatt installed capacity level and we are well under the level to incur any levy's.

All other communication items that require attention will be covered in their relevant sections of the agenda.

7) **Chair's Report**

Sink Hole

Carol advised that the Lease Resumption is now agreed that the Lease Resumption is "as built", and as AED did not build the old power house it is agreed that it is not our responsibility. There has to be some redrawing of the plans to make it absolutely clear for the future; however no party is disputing the responsibility.

We probably still need to keep an eye on progress as it does need to be resolved.

One item that took place in October was a visit to the village and the Hydro from Reforesting Scotland attendees their AGM in Oban. They were impressed with the level of our achievement, and Peter gave a very interesting talk to them. The visit went well.

Substantial work on the Hydro with leaf clearance had been carried out, which Peter will report on in Operations.

There being nothing further, and no questions for the Chair, the meeting was passed to Carol and Pam for the Company Secretary report.

8) **Company Secretary Report**

• Forestry Resumption Lease Legal work.

Further to her comments on the Sink Hole, Carol advised that Johnny had completed his work on the lease, and had passed back to the forestry for their action.

She reminded the Board that Forestry had claimed we had not supplied the data, or the as built schematics. Carol had been able to resend her original email to Alistair from March with the required information attached. They confirmed receipt but also advised that Alistair was deceased.

This is now back with them to re-draw and make clear that the power house is not in our remit. Johnny had advised that's FLS had made two

mistakes, one was the inclusion of the Pizza Hut (the transformer) which of course is SSE's who have they own wayleave.

Carol is hopeful we should have the final documents before our next board meeting, and advised that the legal costs had all been paid prior to our financial year end.

- **Shareholder updates**

Pam advised that the total share holding was standing at £522,000. We had two payments for new shares of £5,000 each and a withdrawal of £2,000. £8,699 was transferred from interest to shareholding, which brought our total shareholding at the end of 2021/22 to £522,056.

We have had one enquiry since the new financial year regarding increasing a share holding from an existing shareholder.

- **Data Protection Policy & Data Protection Act 2018** There were no updates or changes on GDPR to report.

- **Director's Declaration**

There has been no work on the directors declarations yet; this will be undertaken for the start of the financial year.

There being no questions and nothing further to add the meeting was handed back to the Chair.

9) **Finance Report**

The Chair thanked Carol & Pam for their report and handed the meeting to Andrew.

Andrew began by giving his thanks to Pam for getting the end of year figures out so quickly, which had enable Andrew to update his Cashflow analysis prior to this meeting.

The Management reports for the year end have been distributed to the Board.

- **Management Report**

The management accounts show a fairly good picture. It has been fairly inclement in Argyll, which has helped the Hydro to keep functioning. He thanked Peter for the tour he had given Andrew and some of his friends, which showed how well things were working. As a result we are

showing a very good position at the Year End. Andrew has updated the Cashflow to reflect the report and distributed to the Board.

The Cashflow also takes into account the beneficial rate that has been agreed with PPA.

Carol advised the previous average rate was 7.9p per kWh. She reminded the board we have four rates, a winter day and a winter night rate, a summer day and a summer night rate. Summer is April to September inclusive, and winter is October to March inclusive. The new average is 25p per kWh, the variation on that is from 17p per kWh on summer day rates, to 37p per kWh on winter day rates, This means that if we see the same distribution on generation as we have previously, our average will effectively be much higher than the 37p. We can, and have previously generated huge volumes of power in the winter months with much less in the summer.

When Carol applies the figures to the budget, which has to be with SIS on their return to work in the New Year, she will list the monthly average. Our decision to go with New Stream Renewable has been vindicated on several occasions. Thanks to NSR who advised us to agree our offered deal immediately, and thanks to Andrew who responded quickly, the whole agreement was completed in less than two hours. The following day the price dropped by 3 pence.

Most power companies were not taking on new clients, so we had no option to move, and F&S (our current purchaser) were only offering 12 month contracts because of the volatility of the market.

With the very good year we have just achieved, and the good rate we have locked in for 12 months our finances are looking very easy. The revised Cashflow takes into account the benefit of the good year together with the higher rate of PPA for twelve months. We then assume everything returns to normal; interest rates drop back to where they were, inflation also drops. Inflation always benefits us as our income increases but our costs remain fairly low in comparison. Andrew has assumed a longer period on increased costs, and has returned the budget to the higher rates of corporate tax.

Taking all this into account our Cashflow shows us in a position to make a £100,000 prepayment of the loan. That prepayment would be the last prepayment we would need to make in order to insure the SIS loan is fully repaid from our current level of quarterly payments. With our current balance and the projected income we can very safely make a further £100,000 prepayment.

Carol gave an update on FIT payments, which will increase to 15.62p per kWh starting April 2023. Our Cashflow had assumed a 2% increase so this will produce a further increase in income. The assumptions built in have been conservative. On that basis in addition to the £100,000 prepayment we could afford Community Fund Benefit payments of around 41% of our profit before tax through to the end of the loan period. In respect of the year 2021/22 we would be looking at a CBF payment in the region of £57,000.

The forecast figures are reflecting and assuming a low level of inflation as far as our income is concerned, and a generation based on Low Flow Data p50.

Then model also shows that we are getting close to the £550,000 limit on share capital. This indicates that we could take a decision to recommend closing the open share offer. Andrews opinion is that the Open Share offer is now just creating additional work in administration and additional expense in interest payments on cash that is surplus to our operational needs; therefore his recommendation would be to close the offer as soon as possible.

A question was asked regarding balancing the share capital against early repayment of the loan. Andrew advised that with the lower limit of £50,000 on prepayments it was not possible to simply repay the loan against the next £20,000 share capital increase. However, it is necessary to consider the balance between capital held in shares, strong generation and sales price to the possibility of repaying the SIS loan even earlier than the loan maturity date.

This leads to a discussion on the balance between Community Benefit Fund payment, repayment of loan, and the possibility of much higher CBF payments next year. To help with this consideration Carol gave her Community Benefit report at this point. **(See Section 11)**

Peter raised the option that as DIG's project plans were normally planned well in advance due to their community consultation process. There is currently a buffer in place with Foundation Scotland so we could consider DIG's plans and increase the funding as and when needed; however when there is nothing foreseeable we could prepay more of the loan so we can generate more cash for the community in future years. By prepaying the loan we would ultimately give more money to the Community in the long run as we would save on interest costs.

Andrew's recommendation was to make the £100,000 prepayment now, to ensure we meet the maturity date in 2030. We should then consider an accelerated repayment of the loan. There is a tax implication to take into consideration; if we make a CBF payment our tax liability is reduced, whereas prepayment of the loan does not. This trade off would require a more in-depth analysis.

Carol advised that DIG was getting much closer to being able to produce their Five Year strategy, Business Plan, and the projections for future plans. This would enable the board to consider the amounts needed for each year, and consider the balance between CBF and loan payment more effectively.

Andrew confirmed that whilst prepayment of £100k would not significantly affect the Profit and Loss account, it would however, increase our profit by £7,000 as a result of our reduced interest payments.

Once we are in a position to guarantee clearing the loan by 2030, we would also be in a position to confidently assess balancing CBF payments against loan prepayments, and making money available to CBF in line with their projects.

A £100,000 prepayment now would ensure we met our maturity date and would ultimately benefit £49,000 over the seven years in saved interest.

Once that payment was made Andrew would need to take a closer look at the figures to consider AED's strategy for accelerating loan repayments, Community Benefit payments and Share redemption.

Before we consider the Share Redemption we will need to consult with Dave Hollins, Co-Operative & Mutuals Society regarding the future structure and management of the company.

The share holding option was discussed in more detail, with consideration given on when the Open Offer should be closed, share options on interest and future plans to formulate a proposal to take to the AGM in May.

Andrew called the boards attention to his final comparison where he had run a scenario based on low rain fall and a generation of only 80%, to show the effect a £100,000 prepayment now would have on the company. Whilst it would or could reduce our Community Benefit

Payment to around 30% of profit, it would not cause any hardship or concern to the operational running of the company.

Carol advised that the next years budget was currently being prepared, as it was required to be with SIS in the new calendar year,

Having considered Andrews published papers and the overall discussion the Board voted unanimously on making a prepayment of £100,000 to the SIS Loan.

It was confirmed that the legal costs for the Lease Resumption had been covered in last years accounts. Pigging costs were also agreed on a five-year plan for budgeting.

**Action: Pam to arrange the prepayment of £100,000 with SIS.
Action: Carol to prepare budget and confirm with Andrew**

• Operational costs and maintenance

Peter advised the Board that following the end of year figures he had written to the team thanking them for their hard work and reporting on the benefits their continued efforts had on our profitability. He had stressed that when good figures were reported there were two strong elements responsible; one was the strong financial management, the second was taking advantage of the water availability whenever possible, maintaining the operational performance of the plant and reacting quickly to problems when they occurred. This is where his team excelled.

It was commented that Bill, who has chosen not to invoice us, visited the site on an almost daily basis to check operation, clear blockages, and ensure things were running smoothly. This was noted as a considerable benefit to the running of the site, and was greatly appreciated both by Peter and the Board as a whole.

Various options were discussed, including an hourly rate increase, and a possible retainer, amongst other suggestions. The cost to the company was discussed and agreed to be minimal against the potential generated income an effective op's team has.

After discussion it was agreed that to acknowledge the value of the team to the board, and to accommodate those who chose not to invoice AED, a small Christmas Thank you gift (within current tax restrictions)

and an increase in hourly rate to £17.00 per hour, effective from 1st December 2023 would be made.

This was unanimously agreed by the Board, with a budget of £40 per person agreed. Peter will organise and distribute the gifts.

The option of a retainer was discussed. However, as not all the team invoice and there are some months when people hold invoicing, this could add a level of administrative complication. It was agreed therefore not to implement a retainer.

End of Year accounts

Andrew advised accounts were with Armstrong Watson, who had set aside time in January to compile the accounts, Once received Andrew will review and advise the board further when he has the more detailed information.

Peter asked a question on the Executive Summary sheet where the cash received had reduced by 2%, where our output had gone up by 40%. It was explained that this was caused by the timing difference between our generation and SSE making FIT payments. Payments are made within the quarter following generation and can be as long as five months. Income in profitability had increased in line with generated income.

A further question regarding the cash surplus of £77,000 was asked, which was due to movement of reserves and accruals, and again timings.

Andrew thanked Peter for his question, as this did highlight the need to balance our CBF payments against the timing of cash receipts.

There being no further questions, and nothing further to add Andrew handed the meeting back to the Chair, who thanked him for his report.

10) **Operational Report**

The Chair handed the meeting to Peter for the Operational Report.

- **Operational Activity and Generation Data**

Peter reported that in September we only generated 37.8k against a forecast of 91.7k. This was at the end of a fairly dry spell and well

below target. In October things picked up, generating 191k against a target of 120k, equivalent to 80% over plan. November continued the good run with 120k target and actual generation of 181k; again 150% of plan.

For the full year we were 1,491,527 kWh, against a target of 1,147,000 kWh, so we achieved 30% of plan based on low flow data.

December looks to be a low month, and will be below plan. Plan for December is 114.7k, we are currently at 32,000 but are heading into a warm spell, which should release water into the rivers. Peter anticipates this will benefit us and he predicts we will end the month around 30% below target.

This year the team visited the power house throughout the leaf fall, partly due to the shape of the river now, on a daily basis. This was either to clear the leaves or to turn the power off for a short while to allow the leaves to clear naturally. This allowed us to keep the plant running more effectively and to enable us to maintain maximum generation. There was a lot of work done this year and it has benefitted us. High winds and heavy leaf fall could cause problems very quickly; however the team worked well and the results were positive.

There are two projects outstanding; one is the Scour Valve for the water plant, and the other is extending the key for the pigging next time. As the pigging is not due for five years this is not a rush job; with the scour valve this will be of advantage to the water plant but again is not an urgent job. As the team are currently busy keeping the turbine running, that work will take place later when there is more available time.

Peter will organise gifts for the team tomorrow and get them around with thanks from the Board before Christmas.

There were no questions, and the chair thanked Peter for his report.

11) **Community Benefit Fund**

Carol reported to the Board that after considerable work and administrative changes, Foundation Scotland were now satisfied with the procedures in place, and satisfied with DIG's compliance. DIG is about to draw down some £15,000 to £20,000 for essential maintenance, and are closing in on starting work on the Jetty.

Over the next three to four years there are several projects that could use the level of income Awesome Energy are forecasting. There are some plots of land DIG are considering purchasing, there is significant maintenance work required and they are also looking to make the Community Center more definable and pay for itself.

The DIG board do not have all the answers yet but are also considering expanding the reach of the Fund, within the area.

Further to her report during Finance, Carol added that DIG has produced its policy and procedures. Although Foundation Scotland have requested a couple of modifications they are not waiting on those to begin releasing funds.

The funds which will be release early next year are for the procurement of a replacement washing machine, some £4,500, and repairs to the back road. Some funding has been provided by Carraig Gheal towards materials for the backroad, however it has been agreed that the work requires a higher level of work than locals can undertake, and this is now out for tender for better proposals and quotes. Community Benefit funds will be added to the Carraig Gheal grant to cover the cost of the work required. Some electrical work is also required, which will be funded from the CBF.

The biggest concern at the moment is with the Open Source Fund and the Micro Grant, This is in terms of either attracting applications or in the case of the Micro Grants getting applications approved by AKCC.

Tom Black and Carol will be working on this next year, as there is some conflict with the interpretation of Community Benefit and some council members. However they are moving forward and there is progress being made.

Overall Carol anticipates progress to continue and the Board to be able to see money being spent productively over the coming year.

Foundation Scotland have changed the fund management portal, which should mean that AED can download direct from the portal the reports Tom supplied for the AGM last year.

Carol will requisition admin's time to help with implementing that through the portal at the appropriate time.

There being no questions and nothing further to add Carol handed the meeting back to the Chair, who thanked her for her report.

12) **Any Other Business**

There were no other matters arising.

13) **Date and time of Next Meeting**

The date of the next board meeting was discussed and agreed as Tuesday 21st March 2023 at 7:30pm

Admin confirmed that Armstrong Watson had offered a date in January to work on the Annual Accounts, and we were therefore expecting to have final accounts for the board to agree at the March meeting.

The date for the AGM was discussed and the necessity to ensure reports were finalised in time for distribution.

It was agreed that a suitable date would be identified by Carol & Pam, and an email circulated for the Board to agree.

The Chair thanked everyone for attending, wished everyone a Happy Christmas and closed the meeting at 9:23pm.

Minutes approved at Board Meeting #063 on Tuesday 21st March, 2023

A handwritten signature in black ink, appearing to read "Sheila M. Clark". The signature is fluid and cursive, with a long horizontal stroke at the end.

Signed by Sheila Clark, Chair.

Addendum - Conflicts of Interest

Director	Conflict of Interest
Sheila Clark, Chair	Company Secretary on board of Dalavich Improvement Group
Andrew Swann, Finance Director	
Sam Marshall, Company Secretary	
Peter Thomas, Operations Director	
Carol Thomas	Treasurer on board of Dalavich Improvement Group
Michael Odumosu	
Cath Auty	DIG Nominated Director

Addendum - Glossary of TLA's (Three Letter Acronyms) and Abbreviations used.

AED	Awesome Energy (Dalriada) Ltd
AGM	Annual General Meeting
AKCC	Avich and Kilchrenan Community Council
CBF	Community Benefit Fund
CMS	Co-operative and Mutual Society
DIG	Dalavich Improvement Group
FCA	Financial Conduct Authority
FES	Forest Enterprise Services
FIT	Feed in Tariff
FLS	Forestry and Land Scotland
GDPR	General Data Protection Regulation (Data Protection Act 2018)

HMRC	Her Majesties Revenue & Customs
ICO	Information Commissions Office
LBTT	Land and Buildings Transaction Tax
LFDp**	Low Flow Data (percentage allowance)
NSR	New Stream Renewables
OSCR	Office of the Scottish Charity Regulator
PAT	Portable Appliance Testing
PPA	Power Purchase Agreement
REGO-FMD	Renewable Energy Guarantees of Origin - Fuel Mix Disclosure
SEPA	Scottish Environmental Protection Agency
SIS	Social Investment Scotland