



PUNL BUSINESS PLAN

Partnering with our community to
combat climate change together.

Business Plan

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Introduction

The purpose of this business plan is to provide information to support the share offer to be launched on 23 January 2019 the details of which are included in a separate Share Offer document. This is the second share offer made by Power Up North London Limited (PUNL). Its purpose is to raise £28,000 of funding for the installation of solar panels at the Caversham Group Practice in Camden, a project with an expected lifespan of twenty years. Our first share offer, which was completed in September 2016, raised £30,100 for the installation of a 19kWp solar array on St Anne's Church in Camden.

Although the purpose of the new share offer is to finance the Caversham Group Practice installation, the shares are in PUNL as a whole. This means that they will have the same status as those already issued, with the same benefits and risks as for existing members.

About PUNL

PUNL is a Community Benefit Society Registered under the Co-operative and Community Benefit Societies Act 2014, registration Number 7181. It was incorporated on 30 July 2015 using the Co-operatives UK Community Finance Model Rules.

Its formal objects are:

- Generating renewable energy within Camden and Islington
- Partnering with local businesses in the area described above to help them to reduce their bills and carbon footprint
- Producing a financial surplus to create a Community Energy Fund, which will be administered by a body independent to the Board of Power Up North London. The Fund will be open to bids for projects that explicitly benefit the community and our environment
- Providing the local community with the opportunity to take democratic ownership of local energy production through community share offers, ensuring that decisions are made, first and foremost for the benefit of the community
- Providing interest to investors that will not be more than a reasonable rate necessary to obtain and retain enough capital to run the business
- Engaging with the local community as stakeholders in, and beneficiaries of, the project, in response to the challenges of climate change
- Being a pioneer for green projects in London and throughout the UK
- Reducing the negative impacts of climate change in the long term
- Increasing the security of energy supply to our community

Vision

PUNL's vision is that Camden and Islington become zero carbon boroughs, driven in part by a resilient, independent and collaborative community of local residents harnessing clean energy.



Membership, share interest and asset lock

PUNL is democratically controlled by its Members. Local residents can become members by either investing in PUNL or by applying separately for membership. All members have one vote regardless of the amount invested.

In common with all Community Benefit Societies, PUNL is a not-for-profit entity and it does not distribute profits to Members. However, Members are able to receive interest on withdrawable shares invested in the Society (community shares).

PUNL's assets are protected by a statutory asset lock. Upon dissolution, any residual assets must be passed to a body or bodies with a similar asset.

What We Do

PUNL delivers PV solar projects in the community, from identifying the opportunity, to rising grant funding for the feasibility work, project managing this phase, and if the project is viable, delivering all stages through to installation. We also do lighting audits of community buildings and apply for grants to help these organisations switch over to lower energy LED lighting. We work with partners to deliver fuel poverty workshops and have also advised a housing complex on a private wire solution for sharing the benefits of solar PV between all tenants.

About PUNL

How we work

PUNL is reliant on a small number of regular experienced volunteers to deliver its work. These volunteers bring skills in strategy and business management, financial planning and analysis, engineering, marketing, policy and communications. As we bring on more projects we plan to adapt our structure and activities to take on some full-time staff and will work to provide easy entry points for volunteers to get involved, for instance, through our quarterly community meetings.

We also ask volunteers to shadow project managers on specific sites and to run information sharing sessions to train and mentor other volunteers so we can improve recruitment, engagement and retention. Greater volunteer involvement in generating leads also contributes to higher social and financial impact by scaling-up our delivery.

Business Development

PUNL is addressing its over-reliance on feasibility grant funding by seeking out more private funding and developing its own income streams. We are also working to scale-up our projects through informal partnerships with local authorities and complementary organisations in order to realise greater efficiencies. We are aware that all this will need more resources for administration and business development and we intend to bring on a member of staff this year.

In 2019, PUNL will:

- Aim to establish more large-scale projects through partnerships with Local Authorities in Camden and Islington and other public bodies, such as, health providers
- Apply to grants and trusts for core cost funding in order to buy-in some full-time assistance
- Focus on generating contracts for our energy saving advisory services, which requires a marketing proposition, for instance, savings and social impact that the service can deliver. PUNL will scope out the viability of energy saving projects to establish: demand, likely customer and/or beneficiary base, sources of funding.
- Develop a marketing strategy to target businesses as customers for an advisory portfolio including feasibility studies, technical advice and energy saving solutions
- Explore sponsorship as a potential source of income

Our Track Record of Projects

Solar Installations

St Anne's Church: In 2016 PUNL completed a project at St Anne's, a Grade 2 listed CoE Church on Highgate West Hill, raising £30,100 in community shares from 60 local investors. It incorporates 58 panels rated at 19kWp and to date over 18MWh of electricity has been generated. The project supplies 40% of the church's demand at a 22% discount to imported and 82% of the electricity is exported. Investors expect to receive a return on investment of ca. 1.5%.

The Caversham Group Practice: Caversham Group Practice is an established NHS teaching and training practice in the London borough of Camden with 15,000 registered patients. The project aim is to install 30kWp of PV solar panels on the south and west facing roofs of the Practice. The panels are estimated to generate c.25MWh of electricity annually, and to meet about half of the projected daytime electricity consumption, while displacing 8 tonnes of carbon dioxide annually. PUNL was awarded £12,940 by the GLA to undertake the feasibility study and we have now proceeded to raise funds to complete the installation.

Feasibility Studies

LUX / Waterlow Park Centre: LUX is an international arts agency located in Waterlow Park Centre which is owned by Camden Council. In February 2018 PUNL was awarded a £11,500 grant by the GLA to examine the feasibility of installing 34kWp of PV solar panels on the roof of the building. We concluded that the project would not be viable because of covenants restricting the granting of a lease.

Kentish Town City Farm (KTCF): KTCF is a farm that helps city people connect with animals, nature and the environment. The project aim is to install 11kWp of PV solar panels on the roof of the barn. PUNL was awarded £9,700 by the GLA in February 2018 to undertake the feasibility study. The project is feasible and PUNL is now working to raise grant funding for KTCF to complete the installation.

Elizabeth House Community Centre: Elizabeth House is a thriving community centre in the heart of Highbury providing a number of services and activities. PUNL supported EH in their Islington Community Energy Fund (ICEF) feasibility grant of £1,750 and a subsequent London Community Energy Fund feasibility grant of £2,700 and we have been project managing the feasibility work and the lighting review. Both areas are progressing well and EH are now applying for capital grants to fund the LED lights and the PV solar panels.



Caversham Group Practice
Prospective roof for panels

Energy Efficiency Reviews and Workshops

Whittington Park Community Association (WPCA): WPCA is a busy community centre in North Islington. PUNL helped them secure an ICEF capital grant for £5,200 to replace all existing lighting with energy saving LED lights. The new lights will deliver an annual energy saving of 6,379 kWh and carbon savings of 3.5 tonnes. WPCA should save at least £720 a year on electricity bills.

Caxton House Community Centre: Caxton House is based in St John's Way close to Archway in the borough of Islington. PUNL secured a capital grant on their behalf which enabled them to replace their remaining 82 fluorescent lights with more energy efficient LEDs thus reducing their overall electricity consumption by 30%. PUNL also partnered with Thinking Works to organise two well-attended workshops on achieving energy savings in the home.

Elthorne Pride: Elthorne Pride has been set up to service the 10-year Big Local grant aimed at residents of the neighbourhood. PUNL supported Elthorne Pride in their application for a £2,500 ICEF feasibility grant. The funds were used to run energy efficiency workshops and for initial investigations into the feasibility of PV solar for the Elthorne Pride neighbourhood.

The Caversham Group Practice

We were introduced to the Practice by a local resident who is very enthusiastic about community renewable energy and could see a good fit with the CGP site and their objectives. Given their enthusiasm to proceed with the project, and our positive impressions from a preliminary inspection of the site, we then applied to the Greater London Authority for a feasibility grant in December 2017.

In February 2018 we received the full grant of £12,940 and have since been working with specialist suppliers and advisors to:

- Assess the suitability of the roof for the panels
- Establish the energy efficiency of the building and whether it will qualify for the Feed-in Tariff for PV solar
- Calculate the viability of the PV solar financial model for this site
- Draft and agree the lease for the Caversham roof between CGP and PUNL

The feasibility study, recommended that we should install 30kWp of PV solar panels on the south and west facing roofs of the Practice. The high electricity utilisation by the Practice means that this array will supply around half of their daytime demand.

Structure

PUNL will enter into a roof lease and Power Purchase Agreement (PPA) with CGP and will receive income from the sale of the solar electricity to CGP as well as from the Feed-in Tariff. The surpluses, after paying for running costs, and paying capital and interest to shareholders, will be put towards a PUNL Community Fund that can be used for local fuel poverty projects and other community renewables initiatives that are approved by Members.

Benefits

The installation of solar panels will benefit the Practice through lower consumption of fossil fuel energy, reduced carbon emissions and lower energy bills. We estimate annual carbon savings of 8 tonnes over the 20-year life of this project. The lower bills will result from CGP receiving discounted solar electricity for the life of the project.

The community will benefit from projects supported by the PUNL Community Fund. This will help to build resilience in tackling climate change. CGP has a high footfall and this project will create a community asset that can be used to educate school children and others in the community on the benefits of renewable energy and to start a wider discussion about local ownership of energy generation.



The Caversham's Garden space

Played host to Kier Starmer and local MPs in 2018

Community Engagement

PUNL Members and the local community have been kept informed about our progress on this project through regular newsletters and updates on our website as well as events we have attended at CGP. We have been supported by Dr Warner and Sheetal Shah at CGP and have also kept in touch with the local Transition Kentish Town Group and the Patient Participation Group (PPG) about this project.

Once the panels are installed, we will have an electronic display board in the CGP reception to show how much solar electricity has been generated and used by the Practice. This can become an educational tool and a talking point for the local community.

The Caversham Group Practice

Estimated annual output

We estimate that the 30kWp array on the CGP will generate approximately 25MWh (megawatt hours) of electricity in the first year. In our financial model we have allowed for a 0.5% drop in output per year for years 1-10, and a 0.75% drop from year 11 onwards, which is in line with industry norms. The estimated output is based on industry data for solar panels and average annual sunshine hours for Camden. The arrangement of panels will be optimised to ensure that shading factors have a minimal impact on total generation. The panels will be wired to inverters within the building that convert the low voltage DC output from the panels into AC power.

This electricity will feed into the main electrical distribution point from where it will either be used to meet immediate demand from the Practice, or exported to the National Grid. A generation meter will be installed to record the total amount of electricity generated by the project.

Installation, Operation and Maintenance

The solar panels will be installed by our chosen installer following the receipt of three comparable quotes. The combined rated peak output of the Caversham photovoltaic array will be up to 30kWp. However, the actual power output will vary based on many factors including the amount of solar energy that reaches the panels dependent on season, time of day and the weather.

Solar photovoltaic panels are solid-state technology with no moving parts. As such, they tend to be robust and reliable, requiring minimum maintenance once installed and commissioned. They can remain operational for decades although their efficiency and output declines over the years. This is accounted for in the CGP financial model.

PUNL will take out an annual maintenance contract with the chosen installer for panel maintenance and monitoring. The warranties for the equipment and their installation will be provided by the manufacturers and installers respectively.



Insurance

PUNL will take out Public liability insurance cover with a limit of £10m. Insurance costs are included in PUNL's annual running costs and funded by project and other income.

Financial Forecasts

PUNL's Activities fall into two main categories: solar PV installations, and one-off project work which includes carrying out feasibility studies and running community events, such as workshops on energy efficiency and fuel poverty.

In its first three full years of operation PUNL received over £30,000 of grants and fees for projects and one-off activities. The Profit and Loss projections include the existing installation at St Anne's Church and the CGP project. When CGP is fully operational the two projects will together bring in over £6,000 of income annually. PUNL is actively seeking further such installations, but none is yet at a sufficiently advanced stage of development to be put to the Members. As PUNL's financial position strengthens over time the accumulated reserves will be used to fund its own community benefit programmes.

The costs relating to one-off projects form the largest category of expenses in the profit and loss account, but these are almost entirely variable with the level of activity. This means they can readily be reduced should there be a shortfall in grant or fee income.

The profit is forecast to drop in 2019 compared to 2018 as the necessary governance infrastructure is put in place but rise again thereafter as CGP comes fully on stream. The estimates indicate that it will be

possible to pay shareholder interest of 2p per £1 share from 2018. The projections include a capital repayment of 10% to the original shareholders in 2019 and capital repayments of 5% per year for all shareholders thereafter. As with shareholder interest payments, these are dependent on the financial position of the Society and are subject to approval by Members on the advice of the Directors.

Balance Sheet: 2016 - 2023

Fixed assets are the largest component of the Society's Balance Sheet. These represent the costs of the solar panel installations at St Anne's and CGP as reduced by the annual depreciation charge.

Cash Flow: 2016 – 2023

PUNL's annual cash flow is forecast to be positive from 2020 onwards and is sufficient to cover the payment of interest and capital repayment to members.

PUNL PROFIT & LOSS 2016-23	2016	2017	2018	2019	2020	2021	2022	2023
Solar Generation Turnover (£)								
St Anne's Church	77	2,754	3,132	2,776	2,845	2,916	2,988	3,062
Caversham Group Practice	-	-	-	2,020	3,550	3,638	3,728	3,820
Project grants & fees	12,067	2,945	19,057	15,000	15,750	16,538	17,365	18,223
Total	12,144	5,519	22,189	19,796	22,145	23,092	24,081	25,115
Solar Generation Expenses (£)								
Operating costs	97	206	412	712	916	944	971	1,001
Depreciation	-	1,858	1,487	2,786	2,786	2,786	2,786	2,786
Project related costs	10,565	2,845	17,761	14,500	15,750	16,538	17,365	18,233
Governance costs	1,343	334	282	1,420	1,607	1,655	1,705	1,756
Total	12,005	5,243	19,942	19,093	21,059	21,923	22,827	23,776
Profit before Interest & Tax	139	276	2,247	703	1,086	1,169	1,254	1,339
Interest payable	-	-	621	1,119	1,063	1,007	951	895
Profit before Tax	139	276	1,626	416	23	162	303	444
Tax	-	-	309	79	4	28	52	76
Profit after Tax	139	276	1,317	337	19	134	251	368
Interest per £1 share (p)	0.00	0.00	2.00	2.00	2.00	2.00	2.00	2.00

Note: The projected loss after interest payments in 2019 is small and is more than covered by the accumulated surplus.

PUNL BALANCE SHEET 2016-23	2016	2017	2018	2019	2020	2021	2022	2023
Fixed Assets (£)								
Tangible Assets	29,763	27,878	26,391	49,906	47,121	44,335	41,549	38,7764
Current Assets (£)								
Debtors	8,253	1,768	3,995	3,528	3,947	4,116	4,292	4,476
Cash at Bank & in Hand	4,206	3,559	18,639	13,410	14,247	14,713	15,339	16,125
Total	12,459	5,327	22,494	16,938	18,194	18,829	19,631	20,601
Creditors: amounts falling due within one year (£)								
Creditors	8,574	2,153	11,171	7,068	7,421	7,792	8,182	8,591
Deferred Income	2,845	-	4,515	3,000	3,947	4,116	4,292	4,476
Interest Payable	-	-	621	1,119	1,063	1,007	951	895
Current assets less current liabilities	1,040	3,174	6,287	5,751	5,763	5,914	6,206	6,639
Net Assets	30,776	31,052	32,678	55,884	52,884	50,249	47,755	45,403
Capital & Reserves (£)								
Share Capital	30,667	30,667	30,667	54,062	51,265	48,468	45,671	42,874
Retained Profit	109	385	1,702	1,365	1,365	1,519	1,770	2,139
Total	30,776	31,052	32,369	55,427	52,650	49,987	47,441	45,013
Creditors: amounts falling due after one year (£)								
	-	-	309	230	234	262	314	390
Total	30,776	31,052	32,678	55,657	52,884	50,249	47,755	45,403

PUNL CASH FLOW 2016-23	2016	2017	2018	2019	2020	2021	2022	2023
Cash flows from Operating Activities								
Profit before tax	139	276	1,626	416	23	162	303	444
Adjustments for:								
Depreciation	-	1,858	1,487	2,461	2,786	2,786	2,786	2,786
Interest payable	-	-	621	1,119	1,063	1,007	951	895
Cash from operation before wkg cp ch	139	2,134	3,734	3,164	3,872	3,955	4,040	4,125
Decrease in Debtors	8,253	6,485	2,187	427	419	169	176	184
Increase in Creditors	11,389	9,266	13,533	5,618	1,300	540	566	593
Cash generated from operation activities	3,275	647	15,080	2,027	4,753	4,326	4,430	4,534
Interest Paid	-	-	-	621	1,119	1,063	1,007	951
Taxation Paid	-	-	-	-	-	-	-	-
Net Cash from operating activities	3,275	647	15,080	2,648	3,634	3,263	3,423	3,583
Cash flows from investing activities								
Purchase of Fixed Assets	29,763	-	-	25,976	-	-	-	-
Cash Flows from Financing Activities								
Net proceeds of share offers	30,667	-	-	26,500	-	-	-	-
Withdrawal of shares	-	-	-	3,105	2,797	2,797	2,797	2,797
Net Cash from Financing Activities	30,776	-	-	23,895	2,797	2,797	2,797	2,797
Net Increase in cash	4,206	647	15,080	5,229	837	466	626	786
Cash at start of period	-	4,206	3,559	18,639	13,410	14,247	14,713	15,339
Cash at end of period	4,206	3,559	18,639	13,410	14,247	14,713	15,339	16,125

Note: Share withdrawals are at the discretion of the Board.

Funding Mix

PUNL presently sources funding for its feasibility work through grants from local authorities, the Greater London Authority and other funding bodies. Capital costs are raised through community share offers where it is financially viable to do so. For smaller projects it is better for the site to seek grant funding rather than have to pay a return to shareholders. This is the approach we are taking with the Kentish Town City Farm and Elizabeth House opportunities.

85% of the funding required for CGP will be sourced through the community share offer, with the balance of 15% provided by Simmons and Simmons, a private law firm.

As set out in section 4, in 2019, PUNL will seek to diversify its sources of funding, and to develop its own income streams, from providing advice and from its provision of project management services

Share offer

PUNL needs to raise £28,000 through its January 2019 community share offer for CGP. The share offer will be targeted at existing members, community groups, local businesses and people who have previously expressed an interest in becoming shareholders. The time bound Share Offer will remain open between 23 January 2019 and 15 February 2019.

We expect other share offers to follow this year especially as we will pre-register some sites in the light of the FIT being withdrawn with effect from 31 March 2019.

Risk analysis

The Directors consider PUNL to be lower risk than many long-term investments since our income from St Anne's, and now CGP, is underpinned by the Feed-in Tariff that is guaranteed by the UK Government for the first 20 years of each installation. Nonetheless, there are a range of financial, technical and operational risks to consider, and these are described in the Risk Register on page 15 along with proposed mitigations.

Governance

As a Community Benefit Society, PUNL is regulated by the Financial Conduct Authority. PUNL's day-to-day operations are governed by a Board of Directors that is accountable to its Members.

Members are invited to monthly Project Meetings where they have an opportunity to learn about progress on each project and also to suggest and hear about new opportunities. These meetings have formal agendas and both the agendas and the minutes of the meetings are shared with all Members. Members can also volunteer to support projects that they are interested in.

We also hold quarterly meetings that provide an opportunity for citizen-led opportunity spotting / "co-production". These meetings provide an entry-level opportunity for people to learn more about PUNL without being thrown into a highly technical meeting. They are also open to all and we get attendees who are Members of the Society and other stakeholders in the community.

Appendix: Risk Register

RISK FACTOR	IMPACT	PROBABILITY	MITIGATIONS
Policy - Changes to the FIT that affect project income	High	Low	Thus far changes in FIT rates have only applied to new installations
Policy - Changes in regulatory regime increase operating costs	Medium	Low	PUNL will continue to monitor its costs and to seek lower cost services. We expect to have more leverage in this area as we take on more projects and scale-up our activities
Technical - Income is impacted by lower electricity output from unexpected weather patterns or underperformance of the solar panels	Medium	Medium	By diversifying the number and type of renewable energy projects that PUNL undertakes we will reduce the impact of such variations on our consolidated financials
Technical - Temporary interruptions to electricity generation because of temporary roof repairs or maintenance works required may result in reduced Member returns.	Low	Low	We have had the St Anne's and Caversham roofs professionally inspected and they are both in very good condition. We expect short-term interruptions will not materially affect our returns particularly as we have income protections built into our lease agreements.
Financial - Retail and energy price inflation may be higher or lower than the forecast of 3% used in the financial model. Lower inflation could reduce income from the Feed-in Tariff and export tariffs that are index-linked.	Medium	Low	We expect to see some offsets from lower running costs as these are also inflation-linked
Financial - The price of electricity can go down as well as up. Lower electricity costs will mean lower income.	High	Low	The historic track record of electricity prices offers little prospect for price reductions. The price paid to CGP for the solar electricity used is linked to the market price.
Financial - The sale of energy to the site may be higher or lower than forecast.	Medium	Low	Higher sales will increase the benefits to all parties. Lower sales could result in lower returns but we will have the offsetting effect of combining two projects under one entity and one type of share
Financial - The shares are illiquid and the Board of Directors may not feel in a position to allow withdrawal if and when required, so you may not be able to have your money back when you request it.	Low	Low	We expect that share withdrawals will be gradual and we have provided for regular annual capital returns to shareholders in our financial modelling
Financial - The value of the shares may be written down so you may not receive all your money back	Medium	Low	PUNL has a professional Board or Directors who are experienced in managing investments and businesses. The Directors will be seeking opportunities to diversity risk by investing in larger scale projects with potentially higher returns.
Financial - Lack of available funding for feasibility studies	Medium	Low	PUNL has a professional Board or Directors who are experienced in managing investments and businesses. The Directors will be seeking opportunities to diversity risk by investing in larger scale projects with potentially higher returns.
Financial - The value of the shares may be written down so you may not receive all your money back	Medium	Low	GLA funding is secure for the medium term. Other sources may come on stream as energy generation and saving becomes a priority. Longer term options include: Use of PUNL Community Energy Fund/Use of reserves/operating cost to carry out feasibility as at risk activity/Ability to demonstrate returns and customers pay for feasibility work
Operations - Operational costs for insurance, administration, service and maintenance may increase over the life of the project by more than the amounts we have assumed	Medium	Medium	As PUNL invests in more projects we expect the operating costs to reduce due to economies of scale and greater buying power.
Operations - PUNL has insufficient staffing/volunteer capacity to attract sponsorship	Medium	Medium	Investment in attracting and retaining volunteers. Investment in increasing staff capacity from reserves, based on consideration by Directors of likely return



www.powerupnorthlondon.org