



# Belchford Co-op, Lincolnshire



### Location

Belchford, Lincolnshire



### Founded

2014



### Legal structure

Co-operative society



### Description of activity

The co-operative owns and maintains a solar panel array. It produces green electricity and uses the related revenues from the Feed-In Tariff to pay a return to local resident shareholders, as well as supporting local causes



### Key assets

A long lease on the roof space of a barn and the solar panel array



### Staff and volunteers

No staff. Four volunteer members of the board/committee

## Overview

Belchford village has a population of approximately 240 people and lies in the Lincolnshire Wolds. It has a legacy of local community involvement and activity through community development vehicles such as Belchford Ahead – set up with support from the Rural Challenge Fund. The village also participated in the national Village SOS programme and this led to various initiatives locally. Finally, after years of fund raising, land for a village green was purchased.

As funding for these initiatives came to an end, residents explored various projects that could be developed locally. In 2014 those active in Belchford Ahead researched the possibility of creating an energy co-operative, which would be able to raise revenue through the government’s energy feed-in tariff (FIT). 15 local residents made personal investments in the co-operative to support the purchase of a 50 kWp solar panel array. Negotiations with a local landowner led to the co-operative leasing the roof-space of an agricultural barn, upon which the solar panels could be located. Hence the co-operative has two inter-related assets; a long lease and outright ownership of the energy production facilities.

Over a 20 year lifespan, the FIT provides a guaranteed income for the energy produced, enabling the co-op to pay a return to shareholders on their investment, whilst also creating a small community fund. To date, energy production has exceeded business plan projections, putting the organisation on a strong financial footing.



## What difference community ownership makes

The primary beneficiaries of this form of community ownership are the local individual investors. Returns to shareholders vary year on year, with these decided at the AGM, but guided by the long term business plan. In addition to these local economic benefits, surpluses have been used to create a community fund which – to date – has funded community activities such as a Christmas lunch for senior citizens. This totals approximately £300 per year. When specialists were initially consulted during the planning of the scheme, the co-op was advised against budgeting for a community fund. The decision to make provision for this demonstrates clear additionality compared to existing models of using the FIT.

As the FIT has generally supported privately owned infrastructure, the co-op provides an important example of how such government funding can be channelled to deliver local economic gain, as well as revenue which can be recycled for community benefit. This demonstrates how some of the core principles of co-operation can function in practice, as member economic participation is allied with a concern for the local community and improving local places.

Aside from the benefits identified above, the project is estimated to save 480 tonnes of CO<sub>2</sub> over its lifetime, and it is this that was the primary objective for some shareholders. Interviews with co-op members reveal how for them the scheme is “*about green energy ... this is the primary motive for investing.*” The scheme has generated wider interest in renewable energy, with co-op members approached to advise other local residents on installing solar panels.

Shareholders also site a number of additional benefits, which are perhaps more difficult to quantify and articulate. Clearly, involvement in the project has solidified relations between key local activists, building collective spirit and awareness of the potential of collective action. Shareholders note how this is an “*excellent project*” that gives them “*pride ... definite pride.*” Whilst the co-operative structure is a significant part of this, it perhaps hinders the creation of wider benefits from additional initiatives (see below) and fixes the membership at the point of initiation, limiting wider community involvement. Yet the co-op has played an important role in fostering continued community activism, filling this void as other initiatives ended.

## Financial health

The guaranteed tariffs offered through the FIT scheme, as well as astute financial planning, have ensured the co-op is in a stable financial position. Incomes are relatively static and running costs are low, with the cost of replacing key equipment and components already budgeted for and allocated in the reserves. Whilst the co-op is in a sustainable position, relying on the FIT as a sole source of income allows little for reinvestment back into the community. In addition widening activity beyond what shareholders have agreed to in their share offer document is difficult, as is widening participation.

### Three key factors that have affected its development and financial health:

#### 1. The FIT scheme

As noted previously, the project is made possible by the financial incentives of the FIT. This tariff helps generate approximately £8,500 in revenue per year, on an initial investment of £57,000. There are some ongoing costs but these are relatively low, with the exception of renewing components of the array (estimated to be a one off-cost of £5,000). As the FIT is now closed to new applications, the co-op seized an important window of opportunity to maximise revenue generation for this local co-operative endeavour.

#### 2. Existing community activism

A window of opportunity was created by the FIT, but realising the collective benefits of this required more than simply applying for the funds. To access the funds an organisation had to be constituted and initial capital for installing the array had to be raised, whilst navigating the complex technical issues concerning the equipment and the process of generating and selling electricity. The legacy of community involvement in Belchford is relevant here, as a number of residents with established relations of trust and skills in developing community projects could mobilise to exploit this opportunity. Leadership of local bodies like Belchford Ahead clearly set in place the skills and confidence required, whilst also demonstrating a commitment to improving the local area.



Yet to raise the finance required, the co-op founders needed to engage a wider group of local residents, whilst also ensuring support for the project (and installation of the array) among residents. Here activity around public relations was key, and the co-op-built credibility through high profile coverage in regional and national TV news programs. However, the context for developing the project was a degree of acrimony stemming from the village’s involvement in the Village SOS programme.

Through this process those involved in setting up the co-op had experienced significant criticism. As one interviewee noted this “knocks you for six.” The resilience built through such experience is important in understanding how a simple financial opportunity was translated into a sustainable community business.

As is the case in many rural communities, community projects are reliant on a handful of individuals. Whilst community activism was at the heart of the development of the co-op, those involved worry they are not being replaced by younger, enthusiastic residents who can “take the baton.”

### 3. Skills in building a viable scheme

The co-op was developed by those with only limited knowledge of this technical field, and in a sector in which technical support can be very difficult to find. The initial efforts of the founders to identify advisors and support bodies drew a blank, as OFGEM could provide very little advice and other intermediary bodies requested large sums (£2,000) to offer advice and off-the-shelf models that could be used by the co-op. The absence of support and guidance even extended to the issue of estimating potential energy generation – a critical task if future revenues from FIT were to be predicted and used as the basis for business planning. In-depth research found certain benchmarks for kWh produced in the UK per year, but this took time to find. Those developing the co-op lamented the lack of mentors or advisors who could share their related experiences and wisdom.

The project was brought to viability by this persistent detailed research, leading to the development of a business plan which over time has proven to be robust. Having the correct site for the solar panel array was clearly another key issue, and by working with sympathetic landowners the co-op was able to secure a long-term lease on the roof of a local farmer’s barn. Existing relationships between co-op members and this local farmer were critical to unlocking the lease.

As noted above, whilst the co-op structure has its merits, and has provided the basis for raising capital for the scheme, in other ways it constrains the organisation in broadening its impacts. Those involved would like to create lots more community projects to ‘feed surpluses’, and have explored taking on other land assets, but the current rules of the co-op and the framing of its objectives seem a barrier to the development of additional projects. Nonetheless, the co-op continues to be a model for collective economic gain, with opportunities for important reinvestment in the local community.

### Financial information

The following table provides an overview of Belchford Co-op’s income, expenditure and assets for the year ending on 31st March 2018.

<b>Income</b>	<b>£8,898</b>
<b>Expenditure</b>	<b>£7,700</b>
<b>Difference between income and expenditure</b>	<b>£1,198</b>
<b>Surplus/deficit on ordinary activities before taxation</b>	<b>£1,198</b>
<b>Annual income from grant or subsidy</b>	<b>£0</b>
<b>Fixed assets</b>	<b>£40,600</b>
<b>Current assets (Debtors; cash at bank and in hand)</b>	<b>£6,095</b>
<b>Creditors: amounts falling due within one year</b>	<b>£0</b>
<b>Total</b>	<b>£46,695</b>
<b>Net assets</b>	<b>£0 (assets minus liabilities and share capital)</b>