



TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENT

15 June 2017 (date of incorporation) to 31 March 2018

Registered Charity No. SC047510

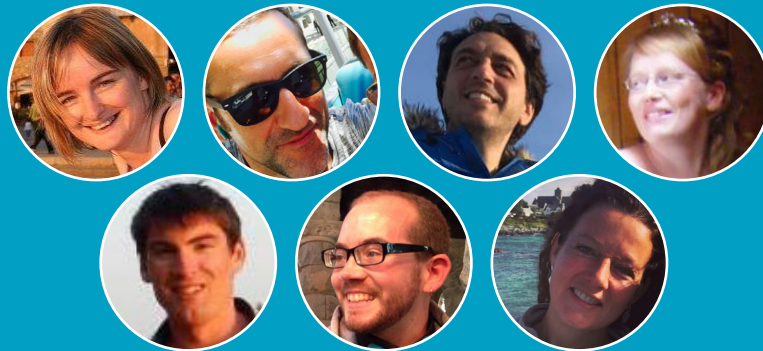
Charity Information

Charity Name Iona Renewables (SCIO)
Trustees Jane Martin (Chair)
John MacInnes (Treasurer)
Philip Ruhemann (Secretary)
Toben Lewis
Neil Jardine
Katy Russon

Stopped being Trustees:

Shiona Ruhemann — Trustee from 15 June 2017 until first Board meeting on 29 June 2017, consistent with direct legal advice on governance, in order to act at working level as Projects Lead and report to Trustees.

Toben Lewis — stood down from 13 July 2017 to 19 December 2017.



Charity Number SC047510
Principal Address Fiuran
Isle of Iona
Argyll
PA76 6SP

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Trustees report

For the period ended 31 March 2018

The Trustees are pleased to present their report and financial statements for the period from 15 June 2017 (date of incorporation) to 31 March 2018.

Structure, Governance and Management

Constitution

Iona Renewables (IR) is a Scottish Charitable Incorporated Organisation (SCIO). It has been active continuously since formation in 2015, including securing funding and delivering projects to promote its objectives. IR incorporated in its current legal form in June 2017. It has a two-tier structure consisting of the members and Board of Trustees.

Appointment of Trustees

Trustees are appointed in accordance with the Constitution.

Objectives and Activities

Charitable purposes

Iona Renewables' dual purposes are to advance environmental protection and improvement and community development on the island of Iona. Iona Renewables pursues these purposes through:

- Identifying opportunities to maximise renewable energy generation, storage and use on Iona through feasibility work;
- Securing funding and overseeing delivery of projects, for instance, for reduced energy demand and sustained carbon-saving behaviour change — or where projects involve development of an asset such as the Iona Heat Network, progressing projects to an appropriate stage where they are taken over by the trading subsidiary;
- Maximising opportunities for community ownership and benefit;
- In due course, where community benefit is generated, reinvesting resources to support social, economic and environmental sustainability of the island;
- Ensuring excellent partnership-working and community engagement and support.

The project's starting point was an island Energy Audit (2015) which demonstrated that (aside from some small-scale generation from solar panels) 100% of the island's energy is currently imported, much of it high carbon and unsustainable, and 100% of revenue from energy (approximately £330,000 per year)

is exported back off the island again. Subsequent feasibility work (2016–17) showed that a great deal could be done to change the types of energy used as well generating up to 100% of it cleanly and sustainably from local renewable resources.

As a result of Iona Renewables' activities, funds will be able to remain on the island with all profits used in due course to support local social, economic and environmental sustainability, as well as running costs being reduced. The visitor economy, which is so important to the island's economy, will benefit from significant investment and further strengthen its environmental credentials.

Activities

In this reporting period, Iona Renewables built on the *Iona Energy Audit* (CARES-funded via Scottish Island Federation, 2015) and subsequent work on *Feasibility: Maximising Renewable Energy Generation, Storage and Use* (CARES Infrastructure and Innovation Fund funded, 2016–17) to advance:

- Development of a **ground source Heat Network** to decarbonise the heat supply to 37 island buildings for installation from autumn 2018 — with responsibility taken over the by trading subsidiary from autumn 2017;
- Development of **renewable heat supply for Iona Abbey**;
- Establishment of a **wholly owned trading subsidiary** (Company Limited by Shares) to develop, install, own and maintain the Iona Heat Network, modelled on best practice from other islands (e.g., Tiree), and including formation of a Board on the basis of best practice with direct tailored advice particularly from Development Trusts Association Scotland (DTAS), Burness Paull, and social enterprise legal input;
- **Carbon literacy** training for the island residents and visitors;
- **Carbon-saving commitments** by training participants with follow up monitoring;
- **Facilitation of energy efficiency improvements** including reduction of fuel poverty, with Home Energy Scotland (HES), Resource Efficient Scotland (RES) and Argyll and Bute Council;
- Investigation of options for **renewable electricity generation**;
- 12 month employment of a **community development officer** (employed via Scene Connect as a project partner rather than IR acting directly as employer);
- Strengthening and consolidation of **Iona Renewables' Board** with strong proactive management, e.g., of finances, conflict of interest and other fundamental governance issues, guided by best practice and direct legal advice.

Achievements and Performance

I. Iona Heat Network — decarbonised heat supply to 36 buildings in Iona Village plus Iona Abbey

In 2016, Iona Renewables identified potential to decarbonise the heat supply on the island of Iona and began to take forward feasibility work for a ground source Heat Network. In the period covered by this report Iona Renewables significantly developed the Network, including establishing and handing over responsibility to its wholly owned trading subsidiary, Iona Energy Ltd. Within less than two years — as of 31 March 2018 — £1.65 million capital funding has been secured for Iona Energy Limited to install, own and operate the Network. A further ~£150K is being raised through interest free loans for businesses and direct investment by the Council, bringing total project capital funding to ~£1.795 million. The Heat Network is being developed as a community owned asset, with surpluses in due course to be gifted by Iona Energy Ltd. to Iona Renewables in support of its charitable objectives.

Funding is from: Scottish Government District Heating Loan Fund and Scottish Energy Efficiency Programme; Social Investment Scotland; Esmee Fairbairn Foundation; Russell Trust; Pebble Trust; and direct funding from Argyll and Bute Council for Council buildings, as well as Resource Efficient Scotland for interest free loans for business.

The Heat Network started as two first-phase high-impact projects to supply renewable heat to a) Iona Abbey and b) Iona Village, which are now being progressed as a single project. Overall, the Heat Network will:

- **Contribute to lower-carbon more sustainable living conditions** enabling buildings to be heated more effectively and affordably, including, where possible, improving energy efficiency;
- **Support a cross-island breakthrough on fuel poverty through delivering cost savings for end users** — levels aren't precisely known (IR has data on household expenditure on energy, but not yet on household income) but are expected to be significantly higher than the 40% Argyll average (Iona is not connected to the gas grid, depends instead on off-peak electric or oil heating, with exceptionally high fuel transport costs, and is an exposed location with poor quality pre-1950s housing stock);
- **Cut carbon emissions** by an estimated 152 tonnes CO₂e annually, with potential to save a further 90 tonnes/year if renewable electricity is used to run the heat pumps in the future;
- **Further increase carbon literacy and sustained carbon-saving behaviours**, evidenced e.g., by 100% sign up to energy efficiency surveys and 100% sign up to commitment in principle to join the Heat Network;

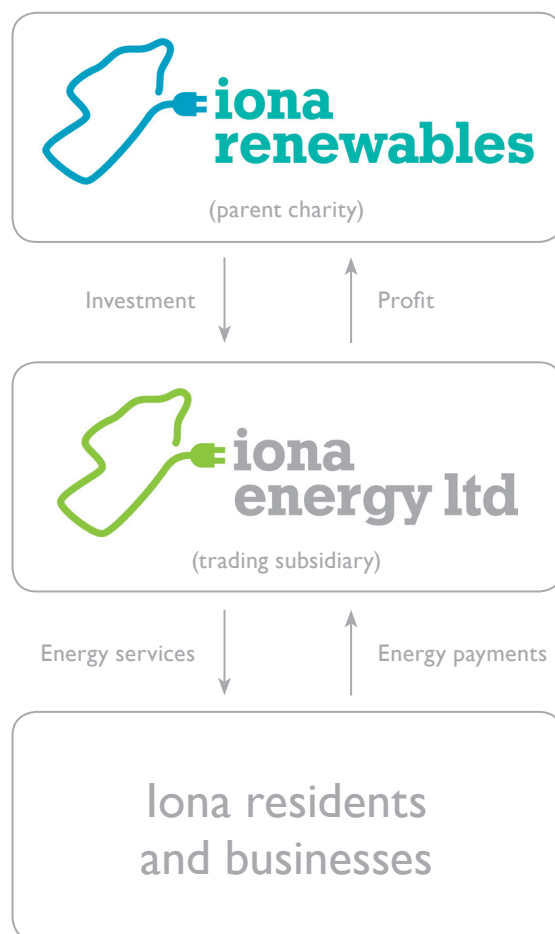
- **Support creation of employment**, e.g., directly linked to potentially supply and maintenance of renewable heat and electricity; and indirectly through boosting of businesses via enhancing and marketing Iona's brand as a 'green' island with several 'green tourism' venues, plus provision of affordable heat at better temperatures enabling a longer visitor season and better visitor experience;
- **Advance community development** by generating income for community benefit;
- **Enable the community after 15 years (depending on final funding terms) to own its own heat supply**, directly supporting community empowerment. Collectively, around £46,000 will be retained within the local economy each year rather than exiting to the mainland.

2. Creation of Wholly Owned Trading Subsidiary

Given progress with the Heat Network, Iona Renewables established in September 2017 Iona Energy Limited (IEL) as the charity's wholly owned trading subsidiary to install, own and operate the Network. IEL is registered in Scotland as a company limited by shares (SC 577246).

The structure of the parent company and subsidiary follows established precedents as implemented by, e.g., Tiree Community Development Trust and Tiree Renewable Energy Limited (wholly owned non-charitable trading subsidiary). A company limited by shares (as in the case of IEL and TREL) is the most common form of company to use for an offshoot vehicle in this context.

Establishment of Iona Energy and its relationship with IR is based on and consistent with best practice guidance from the main advisory, legal and regulatory bodies in this field, as set out in Development Trust Association Scotland (DTAS) *Guidance Note & Model Memorandum and Articles for Subsidiary Companies* — prepared by DTAS in conjunction with Burness Paull (lead specialists in charity law) and approved by OSCR. Iona Energy's memorandum and articles follows exactly the template approved by these bodies, and was independently reviewed by a lawyer specialising in social enterprises prior to registration. Governance is also based on ongoing direct advice from lawyers and DTAS as required.



The Objects of Iona Energy Ltd. are:

- (i) To carry on business to develop, operate and maintain renewable energy project(s) for the generation, storage and local supply of electricity and/or heat, and to enter into all such contracts and other arrangements, and to supply all such ancillary services and facilities as the directors may consider appropriate from time to time;
- (ii) To make donations (whether by way of gift aid or otherwise), and/or provide other forms of support, to Iona Renewables or any other charitable body (and that irrespective of whether the provision of such support advances the interests of the company);
- (iii) To promote the interests of Iona Renewables and/or any company which is at the time a subsidiary of Iona Renewables, in any manner whatever.

Following establishment of Iona Energy Ltd, responsibility for the funding and reaching financial close transitioned to the trading subsidiary, as will installation of the Network in Financial Year 2018–19.

3. 'Lightening the Load': Climate Challenge Fund project, 1 April 2017 to 31 March 2018

Iona Renewables implemented a one-year Climate Challenge Fund (CCF) project, 'Lightening the Load,' throughout Financial Year 2017–18. The project aimed to increase carbon-awareness and energy efficiency on the island, and was delivered by Iona Renewables in partnership with Edinburgh-based community renewables experts, Scene Connect.

Lightening the Load has focused on several complementary low carbon initiatives, including:

- Carbon literacy through workshops and direct engagement, to increase awareness of climate change and promote positive behaviour change;
- Low carbon behaviour change, building on improved carbon literacy — e.g. sustainable food consumption, waste reduction, low carbon travel, etc.;
- Access to energy efficiency expertise and facilitation of energy efficiency works, delivered through partnerships with others, including Home Energy Scotland and Argyll & Bute Council.

Progress on energy efficiency was particularly challenging. However, the project helped to expose clear deficiencies within home energy efficiency assessment, funding and referral processes, whilst informing a new model for energy efficiency deployment which pays closer attention to local context. The fact of having CCF support also greatly encouraged the main agencies to listen seriously to the problems identified through the project and to try to make system-wide improvements.

4. Progress on potential renewable energy generation

Iona Renewables' original feasibility study (2016–17) investigated all possible options — wind, solar, biomass, hydro — for renewable electricity generation. The only viable potential option is wind energy which would be taken forward subject to community support, and to addressing technical and regulatory challenges.

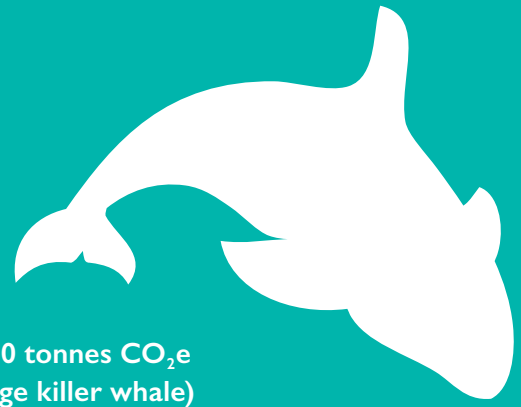
The feasibility work identified a Heat Network powered by a community owned wind turbine as an efficient and cost-effective option, and one that could in due course enable the Heat Network to be 100% renewable and a leading example of a Local Energy System. Wind energy and heat pumps operate very effectively together. Heat Pumps can use the electrical energy generated by wind to provide the input energy required for heating and hot water. There also tends to be a close correlation between energy generation from wind and demand from heat pumps — buildings tend to need more heat when it is windy (particularly with older, leakier building stock).

In this reporting period, Iona Renewables completed a CARES Start Up Grant project to examine potential options for supplying electricity from a turbine directly to the demand requirement on Iona, particularly to meet the concentrated demand of the Heat Network. This direct supply was in place of fully exporting to the grid which would require IR to fund a grid upgrade costing around £1M.

Environmental (including ornithological) surveys were also carried out to assess potential impacts of wind energy, led by the National Trust for Scotland (NTS) Ranger supported by island volunteers. We are very grateful to NTS and the volunteers for all their work, in all weather conditions!

The study demonstrated that the most promising direct supply option is to pursue a Virtual Private Network (VPN). Incoming proposed changes (April 2018) to the Balancing and Settlement Code would allow multiple connections 'behind the meter', allowing customers to get power from a community owned turbine when the energy is available, but also from their regular electricity provider to ensure continuous supply. With a VPN, local tariffs can be created that will bring significant savings to the local community as well as increased profits for the generating assets. The upfront costs to the community would be far less than a Private Wire Network as the system relies most heavily on automation and communications software and hardware that negates the need for significant physical infrastructure. There would also be far less operational burden. Overall, a VPN could be well suited to Iona.

CCF Headline Figures



Energy Efficiency Upgrades: 9.0 tonnes CO₂e
(equivalent weight to an average killer whale)

Low Carbon Pledges: 35.5 tonnes CO₂e
(equivalent weight to five average elephants)



Community Members Engaged: Over 200

Energy
Efficiency
Support: 81
Households



Fuel Efficient Driving Courses: 16

Low Carbon Workshops Delivered: 5



A turbine may therefore be considered after installation of the Heat Network based on community consideration of benefits and implications of direct supply connected to the Heat Network, and options for sensitive siting of a turbine.

Summary of Options and Recommendations

Overview of advantages and disadvantages of potential delivery approaches to using local energy generation to meet local energy demand.

Advantages and Disadvantages of Potential Delivery Options

	Private Wire	Virtual Private Network	White Labelling
Ease of Set-up	High	Low	Low
Start-up costs	High	Low	Low
Operational burden	High	Low	Low
Time commitment	Low	Low	Low
Income potential	Low	Low	High
Control	Low	Low	High
Support local generation	Low	Low	High
Ability to set own tariffs	Low	Low	High
IR Suitability	Low	Low	High

LOW DIFFICULTY / COST MODERATE DIFFICULTY / COST HIGH DIFFICULTY / COST

5. Generating lessons on community led delivery

In this reporting period, Iona Renewables’ activities — and subsequently those of Iona Energy Ltd — were formally incorporated as a Pathfinder Pilot through the Scottish Government’s Scottish Energy Efficiency Programme (SEEP). The SEEP funding relates to internal works to domestic buildings within the Heat Network, aiming to act as a demonstrator and to provide lessons for the future roll-out of low carbon heat and energy efficiency as a national priority across Scotland. The Iona Heat Network can provide an important precedent for communities taking the lead to deliver better homes with lower emissions and taking ownership and responsibility for their heating, increasing the security of supply while also reducing costs.

The Iona model can also generate lessons on how Heat Networks — using low temperature ground loop systems with individual heat pumps, rather than a centralised energy centre, insulated pipes and individual heat interface units — can be relevant in remote rural contexts, where energy costs are high and the number of people living in fuel poverty is also high. This model is potentially transformative, as up to now most work on heat mapping and Heat Networks has focused on areas of high heat density and uniformity of buildings and ownership, neglecting rural areas and diverse owners and building types.

The Heat Network has the opportunity to be the first implemented step in transforming the Isle of Iona's energy system. It will have several important economic and social impacts for the island community as well environmental impacts, helping Scotland meet its climate change targets.

6. Expansion of partnership

Iona Renewables consolidated many partnerships this year and developed important new ones, including with: Local Energy Scotland; Scene Connect Ltd; Scottish Government's Scottish Energy Efficiency Programme (SEEP), Energy Saving Trust/ District Heating Loan Fund (DHLF) and Community and Renewable Energy Scheme (CARES); Social Investment Scotland (SIS), Esmee Fairbairn Foundation (EFF), Russell Trust and Pebble Trust; and Resource Efficient Scotland (RES); Argyll & Bute Council as a partner on the SEEP component; Keep Scotland Beautiful / Climate Challenge Fund; and Development Trusts Association Scotland (DTAS).

Financial Review

Income

Donations

£100.00 – Iona Community Mull and Iona Family Group

Grants

£500.00 – Iona Community Council

£4,000.00 – Russell Trust

£8,796.00 – Local Energy Scotland

£37,006.94 – Keep Scotland Beautiful

Total: £50,402.94



Expenditure

By category

£240.00 – Training

£272.76 – Overhead (office supplies, hall rental)

£654.31 – Travel

£1,200.00 – Consultant fees (wildlife)

£3,600.00 – Bookkeeping/accounting

£ 41,647.89 – Consultant fees (community energy)

Total: £47,614.96



By project

£8,796.00 – Isle of Iona Renewable
Electrical Connections Project

£38,818.96 – Lightening the Load

Total: £47,614.96



Surplus

£50,402.94 – Income

Less £47,614.96 – Expenditure

£2,787.98 – Surplus

Reserves policy

Currently, Iona Renewables has no running costs beyond the funding secured for delivery of each project. If Iona Renewables has running costs in the future, the Trustees will develop a reserves policy.

Plans for future period

Iona Renewables has secured Scottish Government funding from the Strengthening Communities Programme (Financial Year 2018–19) to increase organisational capacity of the charity and trading subsidiary. This capacity strengthening is invaluable particularly with installation of the Heat Network, bringing a more operational phase.

Approved by the Trustees and signed on their behalf

Jane Martin
Chairperson
31 August 2018

Appendix I : Receipts and Payments Accounts

	Unrestricted Funds	Restricted Funds	15/06/2017 to 31/03/2018
Receipts			
Donations	100.00	0.00	100.00
Grants	46,302.94	4,000.00	50,302.94
Total receipts	46,402.94	4,000.00	50,402.94
Payments			
Cost of charitable activities	47,614.96	0.00	47,614.96
Total payments	47,614.96	0.00	47,614.96
Surplus/(Deficit) for the year	(£1,212.02)	£4,000.00	£2,787.98

Appendix 2 : Statement of Balances

	Unrestricted Funds	Restricted Funds	15/06/2017 to 31/03/2018
Funds Reconciliation			
Cash held in Iona Community Council bank – 15/06/2017	1,812.00	0.00	1,812.00
Cash in Iona Renewables bank – 15/06/2017	0.00	0.00	0.00
Surplus/(Deficit) for year	(£1,212.02)	£4,000.00	£2,787.98
	£599.98	£4,000.00	£4,599.98
Liabilities	£0.00	£0.00	£0.00

Appendix 3 : Notes

- 1 **Basis of Accounting** — These accounts have been prepared on the Receipts & Payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).
- 2 **Nature and purpose of funds** — Unrestricted funds are those that may be used at the discretion of the trustees in furtherance of the objects of the charity. Restricted funds may only be used for specific purposes. Restrictions arise when specified by the donor or when funds are raised for specific purposes. During the year, IR received a grant from the Russell Trust specifically to be used toward the 5% community contribution required to secure a CARES Pre-Planning Loan toward the District Heat Network.
- 3 **Related Party Transactions** — Iona Renewables constitution states *“The charity trustees may be paid all travelling and other expenses reasonably incurred by them in connection with carrying out their duties; this may include expenses relating to their attendance at meetings.”* In accordance with this policy, Philip Ruhemann was reimbursed £69.03 for his approved expenses of recording notebooks to be used during the course of the Lightening the Load project, and telephone charges incurred during meetings. Shiona Ruhemann, not a Trustee but a connected person, was reimbursed £350.91 for travel and accommodation expenses for meetings and Data Collection and Carbon Calculation training provided by Keep Scotland Beautiful and attended on behalf of Iona Renewables. Toben Lewis was reimbursed £376.73 for expenses of supplies (printer, ink, and paper) for the use of Iona Renewables and advance payment of fees for mandatory Carbon Literacy Training, undertaken by five members/attached persons of Iona Renewables. For 12 months of bookkeeping and financial management, Toben Lewis was also paid £3600 from Climate Challenge Fund (CCF) project funds. This role was outwith all Trustees’ duties, including duties for overarching financial supervision, and was required in order to address the Board’s priority need for the new SCIO and subsequently trading subsidiary to set up and establish excellent financial management systems, and for first year day-to-day financial management, including of the Climate Challenge Fund project.

Payment to Toben Lewis was agreed by the Board consistent with all requirements of section 67 of the 2005 Act (including Constitutional provisions, reasonableness of payment, written agreement and maximum amount, and confirmation in interests of charity), and with the Board also following specific legal advice (obtained June 2017) on appointing paid capacity with the right skills and experience within a small island pool, determining appropriate remuneration, and appropriateness of direct appointment.

- 4 **Bank accounts** — Prior to Iona Renewables gaining SCIO status, it existed as a subcommittee of Iona Community Council. Accordingly, any funds were held, ring-fenced, in the Iona Community Council bank account. Once SCIO status was achieved a bank account was opened with The Co-operative Bank, with new funds being received directly.

Appendix 4 : Report from Independent Examiner



		Independent examiner's report on the accounts v2					
Report to the trustees/members of	Charity name	Iona Renewables					
Registered charity number	SC 047510						
On the accounts of the charity for the period	Period start date				Period end date		
	Day	Month	Year	to	Day	Month	Year
	15	06	2017		31	03	2018
Set out on pages	15 – 18					(remember to include the page numbers of additional sheets)	
Respective responsibilities of trustees and examiner	The charity's trustees are responsible for the preparation of the accounts in accordance with the terms of the Charities and Trustee Investment (Scotland) 2005 Act and the Charities Accounts (Scotland) Regulations 2006. The charity trustees consider that the audit requirement of Regulation 10(1) (d) of the Accounts Regulations does not apply. It is my responsibility to examine the accounts as required under section 44(1) (c) of the Act and to state whether particular matters have come to my attention.						
Basis of independent examiner's statement	My examination is carried out in accordance with Regulation 11 of the Charities Accounts (Scotland) Regulations 2006. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts and seeks explanations from the trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit and, consequently, I do not express an audit opinion on the accounts.						
Independent examiner's statement	<p>In the course of my examination, no matter has come to my attention</p> <ol style="list-style-type: none"> which gives me reasonable cause to believe that in any material respect the requirements: <ul style="list-style-type: none"> to keep accounting records in accordance with section 44(1) (a) of the 2005 Act and Regulation 4 of the 2006 Accounts Regulations, and to prepare accounts which accord with the accounting records and comply with Regulation 9 of the 2006 Accounts Regulations have not been met, or to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached. 						
Signed:				Date:	10 th September 2018		
Name:	Dot Stewart						
Relevant professional qualification(s) or body (if any):							
Address:	Bishops Walk Isle of Iona PA76 6SW						

*Please delete the words in the brackets if they do not apply. If the words do apply, set out those matters which have come to your attention on the following page.



iona
renewables