



## **How to secure social investment for Community Energy Projects**

More community energy projects are being funded by social investment to bridge the finance gap since the government removed tax incentives<sup>i</sup> for local energy projects in 2015.

For many local communities the prospect of raising millions of pounds to fund commercial energy projects on this scale is a daunting task, especially if they don't have a lot of experience in the sector, but social investment can plug the gap.

One social investor in this space in recent years is Social and Sustainable Capital (SASC) who provided £9.8m of finance to support the development and community acquisition of seven renewable energy projects, ensuring that the long-term application of surpluses generated by the assets for the benefit of the local community is locked into the financing structure.

Without deciding to apply for social investment many, if not all, of the projects SASC has supported would have fallen away. SASC has been able to offer flexible solutions, specifically looking to fill the financing gap left by more traditional investors and lend to projects with potential for high social impact.

A recent investment was Gawcott Fields Community Solar Project CIC in Buckinghamshire - funding which has helped to finance a solar farm that will generate energy from local renewable sources and provide financial surplus to help members of the local community in fuel poverty.

To help fund the construction costs of the Gawcott Solar farm, SASC created an innovative blended funding package. It provided £575,000 of junior debt (debt that has a lower priority for repayment than other debt claims in the case of default), alongside a £3m commercial loan from Santander, the first time Santander has invested in a community-owned energy project.

The organisation also helped the charity obtain grants from its partner, Power to Change, a charitable trust set up to help community business across England, which will be used to support and supplement the community benefit of the project and has funded a portion of a £400,000 community bond raise.

The solar farm will power over 1,000 homes a year with green energy and will reduce CO2 emissions by 50,000 tonnes over the lifetime of the project.

The project is expected to generate around £2m of surplus income for the community over the life of the project. For the first three years, half the surplus will be used to fund a programme in the local area that helps people who are struggling with their energy bills.

Social investment offered this community a sustainable way to fund the solar farm, which will be a tremendous asset to the local area.

Other projects funded by SASC include Heart of England Community Energy, who have used social investment to acquire a 14.7MW group of solar farms; Resilient Energy Mounteneys Renewables (REMR), who financed two 0.5MW wind turbines in Gloucestershire; the Plymouth Energy Community who used the investment to take ownership of a 4.1MW community solar farm and Bristol Energy Cooperative who has developed a 4.2MW community solar farm in the Lawrence Weston area.

For local community organisations seeking funding for their community energy projects, here is some advice on how to approach securing social investment:

### **It's all about the people**

Whatever the numbers say, people are key to the success of an investment. That's why SASC has supported near start-ups and organisations doing interesting things, or entering new geographies for the first time. The ability of the team to demonstrate their relevant skills and successes is as important as a good corporate track record.

And it is not just the management team that should be considered - the ability for an organisation to demonstrate quality governance is a key consideration in their investment decisions, and the stronger the better.

Organisations should be able to demonstrate they have a motivated group of experienced people surrounding the management team. The trustee board should have a strong local community connection and a wide range of complementary skills, ideally including financial experience and operational expertise of renewable energy.

Social investors look for teams who are committed to ensuring the community group's mission is preserved for the long term.

### **Commitment to community impact**

Community energy projects seeking social investment should be able to demonstrate how they will engage with their local community and their commitment to community ownership. For example, SASC looks for a clear plan on how surpluses generated by the project will be used to benefit the local community. Typically surpluses would be used to tackle fuel poverty or give other practical help to those most disadvantaged and vulnerable in the local area.

### **Preparing the business case**

Where available SASC recommend potential investees submit 3-5 years' worth of historical financial information and a well thought through business plan and projections, with more emphasis on substance over style. And investees shouldn't worry if past performance has been mixed; SASC know this is only part of the story. An explanation will need to be provided, but SASC is really looking to understand how the situation will change in the future.

Having a good narrative is vital for potential investees. Write about the assumptions that have been made and how they were arrived at. For example, if an investee has spent time

thinking about why a technology is most appropriate for their project or choosing between different suppliers, then detail the rationale behind the choices.

### **Financial projections**

Investees need to be able to demonstrate they can pay back finance. Investors look for financial projections based on robust assumptions on income performance and costs which clearly demonstrate project viability. Remember investees will need to be able to justify and explain the numbers.

### **Working together**

For those hoping to attain finance from a number of parties – perhaps a mix of commercial loans, social investment and community shares like Gawcott, be clear about the ambitions with the social investor. Projects are most successful (and costs are minimised) when there is transparency on the financing structure, with banks and social investors working together from an early stage.

There are many community energy projects in need of finance to get them off the ground. Social investment is one way to obtain this and they hope these tips will encourage more to apply.

For more information click [here](#)

### **About Social and Sustainable Capital**

<http://socialandsustainable.com/>

SASC provides simple finance for extraordinary charities and social enterprises. We believe greater access to the right kind of investment makes charities and social enterprises better able to tackle society's most pressing challenges. Our funds provide flexible capital to enable social sector organisations to grow their social impact, improving the lives of disadvantaged people across the UK. SASC is a social enterprise.

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<sup>i</sup> <https://www.theguardian.com/environment/2015/nov/05/treasury-tax-plans-will-decimate-community-energy-projects>