

Minutes of HCD Board Meeting on 14 December 2020

Present: Flora Macleod; Fiona Jefferson; Innes Harrison; Domhnall MacDonald; Sarah Fraser (Projects Manager); and Euan MacLeod (Development Manager).

Welcome: Flora welcomed everyone to the meeting

Approval of November Minutes: Flora confirmed that the November minutes were approved by email after being sent out following the meeting.

Funding Applications: An application was submitted by Shawbost School Parent Council, seeking funding to run a project entitled 'Supporting Numeracy and Literacy Online'. The Board agreed to approve the application. The funding will be used to purchase new headphones for the pupils, as, given Covid restrictions, individual sets are required.

A bursary application was received from a student at Glasgow University. No award was made as the individual was awarded a bursary in early 2020. The individual will be eligible to reapply in 2021.

Updates:

2021 Budget Proposal (Euan)

The 2 budget options I sent round are still valid, as nothing has changed in terms of projected income or expenditure.

Some relevant bits of context for the discussion:

Bank Repayments

We pay £200k per year at the moment. The current level of repayments is due to continue to 2025, at which point we'd start paying around £70k per year until the loan is fully repaid in October 2027. I've been speaking with our loan manager at the Coop bank Gillian, who has offered some good advice so far.

The issue we face is that, regardless of our ability to pay the loan repayments, if we fail one of our twice-yearly covenant tests (where the bank checks the funds we have earned through the turbine) then we could default on the loan. Gillian's solution to this is to set up an equity cure

agreement. This would require an agreement between Horshader (Risort) and the bank on an amount of funds which would be placed in a bank account and would prevent us from defaulting on the loan if we fail the covenant test. We would not be able to use this cash for an agreed period – which would be based on the cable repair time, so approx. 18 months. The amount we'd set aside would have to be sufficient to give the bank confidence that we can meet the loan payments, while leaving us with enough to pay Risort operational costs, as well as. HCD overheads.

The first step for us is to discuss the option of an equity cure at the meeting on Monday. We will then go back to Gillian and take it from there. For now, I have emailed Calum and Angus at CIB and will see when they are free to meet up (virtually probably) and review the situation.

2020 Finances

Expenditure is due to be slightly lower than projected, as we have paused a few costly projects, but our income will fall by around £100k. The reason for the fall in income is that our Apr 20 – Sept 20 turbine payment is yet to be paid out – this will be around £100k which we will receive January/Feb 21. At the moment the net loss for the year is projected at £60k. By the end of the year, we'll have around £350k in the bank.

Turbine Income

In a normal year we expect the turbine to take generate around £500k. £200k goes to pay off the bank loan, 50k for the the RPG operational costs. £250 – 300k comes direct to us for community development. We are due a payment for energy generated between April 20 and September 20. This should be in the region of £100k and should be with us in Jan/Feb once the PPA is agreed. Beyond this, payments will decrease significantly. Since October, we have been generating at between 5-15% of capacity, therefore income will be similarly reduced.

Insurance claim

It is likely that we'll receive the maximum amount covered by our policy - £250k. This pay-out will have to cover the period of reduced income, from October 2020 to April 2022 (at the most recent estimate).

There is uncertainty over a number of issues, primarily: timescale of repair to the subsea cable; timescale for insurance payout; and the size of an amount of cash that Coop bank may request to be ring-fenced to give assurances over the ability to continue with loan repayments.

Therefore, the Board decided not to approve either of the budget proposals. The consensus reached was that Option B (the more severe in terms of cutting expenditure) should be used as a guide until a reasonable projection of income for 2021, and beyond, has become clear.

It was noted that the budgets that have been cut could be increased as 2021 progresses if additional income is secured. Additional income is anticipated through external funding, along with the insurance claim. Depending on the timescale of the subsea cable repair, it is possible that Trust reserves could also be used to increase certain budgets.

Shawbost Old Church Proposal (Sarah)

Sarah spoke about the recent approach by Urras Dualchais Shiaboist (UDS), which occurred in November, offering the transfer of all UDS assets, including the Old Church, to HCD. Given the time lapse and changing circumstances since the previous discussions between HCD and UDS, Sarah felt it worth raising the issue for discussion.

The Board debated the proposal to take on ownership of the Old Church in Shawbost, with individual Directors holding differing views. Flora reiterated that the Board had decided against taking ownership of the building in 2019 and, although new Directors had joined the Board, this was still her position. Flora had also heard, through friends in the community, that the proposal being discussed by HCD, and was worried that the Staff had jumped the gun in making enquiries on the residential property which is adjoined to the Church.

Domhnall commended the report and supported the proposal in principle. Fiona also liked the proposal and thought it worth further investigation. Innes felt unable to make a decision based on the report – particularly that the building survey referred to in the proposal would require an update before any decision could be made.

Sarah proposed that all available Directors visit the building before the end of 2020, to gain an insight into the current condition, and potential for development. A suitable date would be agreed.

The Board did not approve the proposal but encouraged further research in 2021. Further discussions will take place.

Shop & Drop Update (Sarah)

The service carries out its last scheduled delivery on December 22nd. The intention would be to wind up the service as it stands thereafter. We will work to establish a 'Pop up Shop' at Raebhat

or a 'Shopping Delivery' service in February/March depending on local demand and results from consultation with current users. In either case users will be fully responsible for the cost of their shopping.

Kids Christmas Stocking Filler (Sarah)

Goods are on route; school has been informed and cards are to be personalised to all the kids. This should be a nice surprise for them on their last day of school.

Mobile Masts Dalmore/Dalbeg (Sarah)

Currently there is no further update. But I am keeping in contact with EE, HIE and hope to have a better idea of our options in the new year.

Insurance Claim Update (Euan)

Progressing fine. Loss adjusters have appointed an accountant to design a model which will allow us to input our turbine/wind data on a regular basis, which they can then take to SSE.

The SCADA Data communication panel (which allows us to digitally view the energy generated on any given day) is currently faulty. Enercon have ordered a part and will give us a timescale for repair once this has arrived. Accessing the data is important for our insurance claim so I'm chasing Enercon up each day.

Gillian at the Coop Bank advised to request a pay-out before the first covenant test of 2021 (i.e., before March). The turbine income will allow us to pass the covenant test.

Turbine & Subsea Cable (Euan)

Still no clarity over timescale for repair, as no decision has been made by SSE over whether the replacement cable will be a similar size as before, or a larger cable. If a larger cable is approved, it would likely take longer to complete the work – April 22 being the last estimation I heard.

Community Power Outer Hebrides continue to meet each week to discuss the situation with Community Energy Scotland. Although at this stage SSE is only investigating the possibility of solutions which would allow the turbines to generate at more than the current 100kW, it seems like they are taking this very seriously. The more the turbines can generate the less diesel is used by the backup generators. The centralised battery system seems to be the most likely solution at this stage, but other projects are being discussed. CES are leading on communicating with SSE on this.

CPOH are planning to release a statement to the media supporting a decision to commission a larger cable between Skye and Harris, on the condition that the cable is reserved for 'community' use only (i.e., only for project run entirely for community benefit). There is no precedent for a decision like this and it would likely require rules/laws to be ignored. Despite the fact that there would be no direct benefit to Horshader if a bigger cable is commissioned – we would likely suffer a greater loss of income due to a longer timescale for repair – Flora and I discussed this and thought that we should support the statement nonetheless, on the basis that a decision to have a 'community only' cable would be a massive step for the community energy sector.

CPOH has a meeting with SSE tomorrow, which I will attend. They have not sent an agenda yet, but the email made it look like they are just intending to provide an update, rather than make any big announcement – we'll see.

As discussions with SSE and CES are developing from day to day, Euan will continue to update when relevant.

External Funding (Euan)

Really disappointing news on the Emergency Support Fund set up as a response to the cable fault. CNES have confirmed that Horshader are ineligible to apply to the fund – so we cannot get any funding to cover the HCD Community Fund, or the Bursary and Training Grant Scheme.

Regarding the funding for projects that we had approved, only one project was deemed eligible for funding, the Gluasad Comhla – Best of You project, which was granted £2000 from the HCD Community Fund a few months ago. More information has been requested, which I will submit by the end of the week.

Here is the most recent list of projects that have been awarded funds - it is worth saying that a number of these awards were made before Horshader was informed that the fund was open.

Organisation	4.12.20 Update	£
Western Isles Foyer	Paid	£ 50,000.00
Hebrides Alpha	Paid	£ 30,000.00
Crossroads	Paid	£ 5,000.00
Advocacy	Paid	£ 5,000.00

Bethesda	Paid	£	58,000.00
WIAMH	Paid	£	5,000.00
Alzheimer's Scotland	Paid	£	4,400.00
Buth Tholasdaith	Paid	£	5,000.00
Tighean Innse Gall	Application received	£	72,000.00
An Lanntair	Application received	£	20,000.00
Lucky 2 b Here	Application issued – contact made by CNES but no response		

I submitted an application to the Crown Estate Fund run by CNES, aiming to get funding for a Nurseryperson on a 1-year contract. The role would focus on developing the Tree Ark and would be line managed by the Head Gardener. It is a good project, ideal for the aims of the fund, so I am very hopeful we'll get good news.

After CNES had contacted HCD for details on the funding commitments for 2020 – giving only 1 days' notice, and, bizarrely, after already making awards to island charities – Euan highlighted that the proposed design of the fund would preclude HCD from applying to cover the local funding streams.

Euan explained that the ESF was suitable for groups that operate primarily as funders; however, this approach would not be suitable for HCD. HCD could not realistically operate primarily as a funder as there are simply not enough charitable organisations based in the community – this is the reason that HCD was established.

Euan's comments were acknowledged but no further feedback from CNES was received. After requesting feedback on our funding bid to ESF, CNES returned with their decision – that only 1 funding commitment may be eligible for funding, the Gluasad Còmhla project to run Metal Health Workshops.

The Board expressed disappointment at the decision by CNES that the funding streams administered by HCD are not eligible for funding from the Emergency Support Fund. They requested that the matter be raised with SSE, who provided most of the cash for the fund. Euan will investigate the matter.

Actions from the last meeting: Flora was satisfied that most of the actions had been completed. Euan has yet to complete the 2020 Community Consultation phone calls, this will roll over to the actions for January.

Membership applications: No applications received.

Any other business: Flora wished everyone 'Nollaig Chrìdheil agus bliadhna mhath ùr'.

Date of Next Meeting: 28 January 2021