Community funds for consented projects – Guidance Paper

1. Introduction

2. Aim of the fund

3. Geographical area of the fund

4. Recipients

5. Administration of the Fund

6. Fund allocation committee

7. Suggested actions going forward

8. Case Studies
   - Novar Case Study – Fund allocation
   - Argyll & Bute Council Case Study - Division of funds
   - Bears Down Wind Farm Case Study - Work and funding for school projects
   - Burton Wold Wind Farm Case Study - Energy efficiency projects
   - Cefn Croes wind farm Case Study - Trust structure and grant ideas
   - Highland Council – Weighting Concept
   - Hadyard Hill wind farm - Priorities and project examples
   - Charitable Co-operatives and Charitable companies

9. Further Reading
1. Introduction

RES has recently received consent for the Den Brook wind farm in Devon and a community fund of £2,000 per MW installed per year has been proposed. Though final say rests solely with the local communities, this paper sets out guidance as to the options for the management and allocation of the fund. The paper will outline:

1) The aim of the fund – an understanding within the community of what the fund is for can help with the issuance of the funding streams;

2) Eligibility for the fund – probably the most important issue and one which will need much discussion and final agreement;

3) Types of recipients of the fund – types of groups/individuals that usually receive funds from the central allocation;

4) How the fund is administered;

5) The need for an administrative board for the fund and how it could operate;

6) A number of examples and case studies, drawing on experience from a range of developers and all areas of the country.

The paper will finally offer various suggested actions going forward that have been perceived as integral to the successful formation and implementation of a community fund.

It is not up to RES to set the policy for how the fund is managed or issued, it will therefore be up to the collective Group to use this document and subsequent case studies to set out in clear language how the fund will be managed and who and what projects will be entitled to benefit from the fund.

Two common aspects that have frequently been the cornerstone of organising a fund have been:

1. A bottom line purpose for the fund, i.e. what it is there to achieve and what parameters have been set for eligibility of its use.

2. An accountable and recognised source of fund management and delivery.

To help answer these questions, it is firstly important for the Group to define and answer what the aim of the fund is for?

2. Aim of the fund

Traditionally, the community fund is intended to provide new funding, directly linked to the wind farm, to the local area. It is not intended to replace or extend existing funding streams and is usually used to support projects which are not able to be exclusively funded through other sources. It can, however, be used to match-fund other grants where appropriate.

A community fund is therefore a transferral of benefits to a local community that is hosting a wind farm for the length of its existence, usually 20-25 years. It is important to note at this stage that the longevity of the fund means that possible future changes in the community must to be taken into account when setting up
the fund. A review of the fund management and its allocation should be pursued at suitable and defined intervals in the fund’s existence.

It is not RES’s intention to manage the community fund. It is the community’s money and it is up to the community to manage it. It is important that the community identifies a management method which leaves them with as little administrative burden as possible and is safe and secure for the whole 20 years.

3. **Geographical area of the fund**

How to gauge who will benefit from the fund is a more complex issue that, through this document and meetings going forward, the local community will resolve as a collective. Defining the geographical range is the most challenging aspect of setting up the fund. The fund is not intended solely to ‘compensate’ a community ‘affected’ by a wind farm, but more to provide a direct financial benefit which the wind farm would not otherwise bring – for example, unlike other types of power generators, wind farms bring few long-term jobs directly to the local communities who host such sites.

The context behind who will benefit from the fund in the local community can be dictated by various scenarios. Issues ranging from proximity to the site, visibility of the turbines, construction traffic and defining a radius around a development can all have effects on how the community fund is managed and distributed.

Please note, it is not advisable to define the area that will benefit from the fund by hard lines drawn on a map (either as a fixed radius from the wind farm, or by following existing electoral boundaries). The obvious question which arises, “Where do you draw the line?” is a difficult one to answer. Hard boundaries can mean that otherwise worthy recipients are excluded from the fund for the sake of being just a few hundred metres outside of the fund zone, which can create tension within the community. Such a tightly defined boundary can also lead to administrative difficulties in years when there is less demand for the fund.

RES’s advice, based upon previous and shared experience, is that the boundary should be softer and more loosely defined, for example a definition such as: “Preference will be given to applications from organisations based within x km of the wind farm” can be more flexible. This may operate in conjunction with a scoring system for applications, so that applications from organisations based closer to the wind farm receive a higher score and are therefore more likely to win funding. This allows greater flexibility to respond to changing needs of communities over the 20 year life of the wind farm.

4. **Recipients**

Once the parameters for allocation of the fund have been set it is important to identify potential recipients. To avoid creating an administrative burden, funds are usually made available to community groups. It is suggested that communities think long and hard about the case for offering the funding to individuals or households. If this is a route they wish to go down, they may become inundated with applications which far exceed the amount of the fund. It may only be appropriate if the community is very remote with just a few households (e.g. rural mid-Wales), or if the wind farm is very large and therefore generates a considerable annual fund.

The types of ‘community groups’ and projects which can/cannot benefit from the fund should be defined by the local community at the outset, although it should be noted that too many restrictions could prove counter-productive over the 20-year life of the fund.
5. **Administration of the Fund**

The organisation providing the administration and holding the money should ideally meet the following criteria:

- Has charitable status, affording the greatest possible protection and tax status for the money.
- Has a predicted life span of more than 20 years (to provide stability and surety)
- Does not itself intend to be a recipient of funding from the wind farm community fund
- Can design, produce, distribute, receive and administer application forms for the community fund
- Has the time and resources to be able to promote the fund to potential local beneficiaries
- Can produce press releases to notify media of fund donations and success stories
- Is able to assist potential recipients with form-filling and guide them through the fund application process
- Can compile and send annual reports to the wind farm operator showing where the fund has been spent
- Can set up and manage a bank account which is protected under the remit of the Charities Act.
- Can set up and manage a committee of people representing the communities around the wind farm to meet 2-3 times a year to discuss and score applications to decide where the money is actually spent. This fund management committee should not have any overlap with the named parties to the bank account.

This administrative role could be taken on by an existing body, ideally one with charitable status. As this body exists purely in an administrative role, it does not necessarily have to be situated within the communities immediately around the wind farm, however, some geographical proximity is desirable for practical reasons.

Alternatively, the community may prefer to set up a completely new charitable trust (or Community Interest Company) to manage the fund. This takes some time, due to the legalities involved, but RES is able to provide support during this establishment process. Consideration should be given to the burden of work which will fall upon the new body and whether or not there are people within the community who are able to commit enough time and resources to it.

6. **Fund allocation committee**

Whichever administrative body is identified for the fund, there should ideally be a separate fund allocation committee, which is made up of people from the communities around the wind farm and is responsible for independently assessing applications from community groups and projects and deciding which are worthy recipients of the fund based on defined criteria.

The fund allocation committee should be separate from the administrators of the bank account in which the funds are held. This ensures that the money cannot be used fraudulently and avoids any perceptions of impropriety amongst local communities.
Membership of the committee may change through the life of the wind farm fund. The community should decide how the Committee members should be chosen and how often they should be replaced.

7. **Suggested actions going forward:**

1) Investigate case studies of how fund allocation has taken place for past projects;

2) Consider the purpose of the fund – this will help to define who will be entitled to benefit financially from the project;

3) Consider the remit, limitations and membership of the fund allocation committee;

4) Consider the parameters and mechanics for issuing funds;

5) Consider wider public consultation on the format and operation of the fund.

8. **Case Studies**

**Novar Case Study – Fund allocation**

Distribution of funding from the Novar wind farm was negotiated between the three local community councils and was facilitated by Highland Council’s local area manager. Distribution of the fund was based on the proximity of the wind farm to each community council area and the size of its population. Negotiations resulted in a three-way split of 36.6%, 33.3% and 30% in the allocation of funds relating to proximity to the wind farm.

Payment of the fund is made by the developer to the Highland Council, which then disseminates funding to the respective community councils as previously agreed, thus reducing the administrative burdens on the local community in regards to management of the fund.

The fund has been used for various means including the provision of electricity payments for various households to help alleviate fuel poverty. The fund has also been used for:

- Purchasing books and toys for the local nursery;
- Providing excursions for the local primary school;
- Hiring of equipment for the local hall;
- Various ad hoc donations to individuals based on individual merits.

**Argyll & Bute Council Case Study - Division of funds**

In light of the recognition of the need to generate renewable energy sources in the area, Argyll & Bute Council has developed their own policy for community fund delivery based entirely separate to the planning decision-making process.

The Council enters into a formal agreement under a ‘Strategic Concordat’ with a wind farm developer ensuring that funding is provided to the local community.

The parameters for setting out the Community Wind Farm Trust Fund (CWFTF) are dictated by an amalgamation of the Council, wind farm developer, the community and local community groups.

The approved basis for the CWFTFs is:
1. Council recommendation of how much is issued in total to the fund per MW hour; and
2. The parameters for splitting the fund are set - in this case: 60% to the immediate local community and 40% to the wider community through the financial support of the work of a local energy consultancy promoting better energy efficiency usage.

**Bears Down Wind Farm Case Study - Work and funding for school projects**

Prior to the completion of the site, an initial £30,000 grant was given to initiate an energy efficiency advice scheme for the area in association with a local energy based charity. The grant contributed to sustainable energy projects being delivered to schools in the immediate and regional proximity to the site.

Each school included in the programme also received computer equipment on completion of the wind farm and some continue to receive annual donations from the project. The fund has also been used for initiatives including instigating environmental projects, raising awareness and reducing school’s carbon dioxide emissions, planting trees, growing fruit and vegetables, building new ponds, harnessing solar power and other schemes to raise awareness of the effects of climate change and improving the local environment.

This funding works in tandem with a local community fund where responsibility has been transferred to a community based foundation for allocation of fund. The fund is used to support local groups and activities.

**Burton Wold Wind Farm Case Study - Energy efficiency projects**

During preliminary consultation phases the local community expressed a desire for reduced energy prices – something that is not possible due to structures surrounding energy production and consumption. In recognition of this, the developer initiated a fund, managed by the local Borough Council, that focused on reduced energy consumption and generation of energy from sustainable sources, including energy efficiency and conservation programmes.

An initial lump sum was given to kick start the project and supplementary funds were given annually to the fund. Outcomes from the fund include:

- Installation of solar panels at a social housing group;
- Energy efficient lighting schemes at a local primary school;
- Creation of a scheme enabling the local community to apply for grants and interest-free loans to generate energy efficiencies;
- The purchase of books for the local library;
- Creation of a community information point for learning about renewable energy.

**Cefn Croes wind farm Case Study - Trust structure and grant ideas**

Under a section 106 agreement for the site, the developer for Cefn Croes wind farm dedicated funds for the implementation of a Land Management Plan for the local area, overseen by the Environmental Management Committee.

The committee is formed around a partnership of bodies including with the Forestry Commission, the Welsh Assembly, an environmental solutions and policy advisory body, the Countryside Council for Wales, the RSPB, and the relevant local authority Councils.

Funds for the site, agreed by the committee, are used for the restoration of the site since the commercial forestry and agricultural use of the location prior to the wind farm. Various initiatives including the
The introduction of rare species of animals and plant life to the area have been pursued alongside the development of the site as a peat bog. Work on the local waterways has also been initiated.

In addition to the Section 106 agreement a local trust fund has also been initiated in the local area for the pursuit of local community initiatives to generate economic, social, educational, cultural and environmental benefits for the local community.

**Highland Council – Weighting Concept**

Highland Council has initiated a policy framework whereupon planning issues and community benefits are kept mutually exclusive – this was designed to help ensure that the Council remained impartial throughout the planning process. Community benefit negotiations are occasionally handled by Council ward managers but are normally led at a community level. An enterprise trust, called Highland Opportunity Ltd, also works as an intermediary for negotiations between developer and community.

To try and ensure accountability and fairness, Highland Council leaves the communities who host wind farms to make the decision on how funds are administered – either via a Trust Fund or a Company with or without charitable status.

Guidelines produced for developers by Highland Council include:

- An emphasis for the clear demarcation between the planning process and community benefit negotiations to ensure impartiality of the planning process.

- The preferred option for developer to negotiate directly with community representatives - If this is not possible or desirable, Council officials will facilitate the negotiation process, however, the Council will also provide community support if the community decides to negotiate directly with the developer.

The Council has also developed a Community Renewables Toolkit, in collaboration with the Community Energy Unit at Highlands and Islands Enterprise, to raise awareness of how communities could benefit from both renewable energy production and use.

Each request for funding is individually scrutinised. Most funds tend to cover an area of no more that 15km from the site. Highland Council has frequently operated on a concentric circle basis with a weighting process for funding allocation. I.e. Communities in the immediate proximity of the development receive a larger proportion of the fund with a tiered system of funds reducing as the distance from the site increases.

**Hadyard Hill wind farm - Priorities and project examples**

The community benefit fund for Hadyard Hill wind farm is managed by a conglomeration of Council, community (Parish) council and developer representatives. The group has formed as a Limited company to act as an independent, community-led organisation to distribute funds that directly arise from the development of the local wind farm. Distribution of such funds are predominantly determined at the local, rather than at Council, level and is predominantly distributed within the boundaries of the three local community council areas.

When deciding on issuing the fund the company uses strict criteria from which to judge allocation with projects needing to meet at least one or more of the following:

- Reducing poverty and disadvantage.

- Improving the health of residents.
• Promoting care and support of vulnerable people.
• Improving community safety.
• Ensuring easy access to employment opportunities.
• Achieving parity with national educational attainment levels.
• Promoting a wide range of recreational, sporting and cultural activities.
• Improving rural transport opportunities.
• Improving rural business opportunities.
• Promoting environmental awareness and energy efficiency measures.
• Building the capacity of voluntary organisations to learn skills and develop experience with a view to them becoming sustainable organisations.

Examples of recent approved funding are:

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrick Way Steering Group -Path Development</td>
<td>£19,515.00</td>
</tr>
<tr>
<td>FWAG – River project</td>
<td>£20,000.00</td>
</tr>
<tr>
<td>Pinwherry &amp; Pinmore Community Newsletter</td>
<td>£1,655.00</td>
</tr>
<tr>
<td>Pinwherry WRI</td>
<td>£1,700.00</td>
</tr>
<tr>
<td>Barr Primary School – Environmental project</td>
<td>£3,500.00</td>
</tr>
<tr>
<td>Pinwherry Primary School – Environmental project</td>
<td>£3,500.00</td>
</tr>
<tr>
<td>Barr Community Association - Floral Art Classes</td>
<td>£1,000.00</td>
</tr>
<tr>
<td>Dailly Primary School - Environmental Project</td>
<td>£3,500.00</td>
</tr>
<tr>
<td>GCDL - Loan</td>
<td>£30,000.00</td>
</tr>
<tr>
<td>Dailly Over 60's Club</td>
<td>£1,337.38</td>
</tr>
<tr>
<td>Dailly Angling Club</td>
<td>£2,436.12</td>
</tr>
<tr>
<td>Pinwherry &amp; Pinmore CC - Community Enhancements</td>
<td>£67,860.00</td>
</tr>
<tr>
<td>Pinwherry &amp; Pinmore Community Civic Pride Arts Project</td>
<td>£979.00</td>
</tr>
<tr>
<td>Carrick Crime Prevention Panel Exhibition Trailer</td>
<td>£3,000.00</td>
</tr>
<tr>
<td>Girvan Traditional Folk Festival - Barr outreach</td>
<td>£300.00</td>
</tr>
<tr>
<td>BTCV - Dailly Bat Project</td>
<td>£3,185.00</td>
</tr>
<tr>
<td>Carrick Angling Club -</td>
<td>£6,500.00</td>
</tr>
<tr>
<td>Barr Sheep Dog Trials Association</td>
<td>£5,000.00</td>
</tr>
<tr>
<td>Upper Stinchar SWRI - laptop &amp; IT equipment</td>
<td>£1,586.00</td>
</tr>
</tbody>
</table>

**£176,553.50**

Web Development                           £11,000.00
Barr Website Evaluation                   £50.00

**£11,050.00**
Charitable Co-operatives and Charitable companies

Co-operatives
Frequently communities express a desire to use a co-operative Board system for the administration and allocation of the community fund. Co-operative boards are relatively easy to initiate and usually represent a body elected by the local community and consisting of members from the local community. It is common practice that members from each Parish council, within the immediate vicinity of a wind farm, are included in the Co-op Board with additional members from each local Parish elected on to the Board via election forms funded by the developer. The voting systems within co-op Boards usually form around the basis of a one vote one member system when agreeing to the allocation of funding. This system is designed to be democratically accountable in both its creation and operation. A co-op can also apply to the Inland Revenue for charity status.

Charitable Companies limited by guarantee
Charitable companies are more complicated structures to develop, requiring both a memorandum and articles of association to be legally drawn up. Such companies, that are limited by guarantee can also benefit from achieving charitable status if they apply to the Inland Revenue for such status. As a company it will also be regulated by Companies house.

Community Fund Options
The two options above are not exclusive ones, and there are other possibilities of utilising existing and established community foundation structures to manage the fund. However, this possibility is dependant on local circumstances and the available organizations, so will need to be considered on the basis of each project.

Further Reading

