Firm Foundations

A community-led Charter on community benefit funds from onshore commercial wind farms

Prepared by a group of volunteers from across Scotland managing and implementing community benefit funds in their communities with support from Foundation Scotland.

October 2014

Contents

1		Introduction	1
2		Summary : A community-led charter on community benefit funds	2
3		Background	8
4		The Charter	11
	A	First Principles	11
	B	Building Firm Foundations	15
	C	Good Governance: Decision-making and accountability	19
	D	Providing Effective Fund Administration	23
	E	Spending Well, Spending Wisely	25
5		Conclusion	28
Appendix 1 - Contributors			29
Appendix 2 - Glossary			29
Appendix 3 - Governance and administration: emerging models			30

Acknowledgements:
This report is the culmination of at least 500 volunteer hours involving input from 14 volunteers, a willingness to travel long distances to meet for a series of five discussions and, in between meetings, to review minutes and earlier drafts. Foundation Scotland wishes to offer sincere thanks for the commitment of the working group who gave time, beyond that which they already give to their communities directly, to create this Charter.

1 Introduction

Communities across Scotland have had mixed experiences of working with energy companies to establish and implement community benefit funds associated with commercial wind farms. These annual funds have been provided voluntarily by the developer at varying levels to date. Most are designed to run for the operating lifetime of the wind farm which is generally understood to be 20 – 25 years. This is a unique and unusually lengthy window of opportunity around which a community can plan and implement a range of projects and interventions.

Whilst some communities may initially object to a wind farm, they may also welcome the investment and nevertheless want to be equal partners around the table with developers. They don't want to be regarded as 'beneficiaries', which implies a relationship of dependency and deference that many communities refute.

This Charter sets out some minimum standards that communities expect from developers, local authorities and other intermediaries who are playing a role in establishing and implementing community benefit funds across Scotland.

It has been developed by a group of committed people from across Scotland who are involved with the design & delivery of community benefit funds affecting their communities. Facilitated by Foundation Scotland, the group has identified some values and practices which they propose become 'second nature' to those involved in establishing and implementing the many different types of community benefit funds operating in Scotland.

You are invited to join the founding signatories and endorse the Charter by signing up to the Charter at www.foundationscotland.org.uk/charter. Signing the Charter is an indication of intent to use the Charter as a reference point and tool for discussion and negotiations on community benefit in your work on this issue – as a developer, a community representative, a local authority officer or another stakeholder. After 12 months the working group will seek feedback from signatories on its use and application.

For case studies of some community benefit funds currently operating across different communities in Scotland visit www.foundationscotland.org.uk/case-studies/fund-case-studies.aspx.

2 Summary : A community-led charter on community benefit funds

First Principles

1. **A community benefit package should be discussed at an early stage with communities. A standard feature of this package should be an annual community benefit fund.**
2. **Community representatives expect to be seen as 'equals' around the table. Communities appreciate working with developers who reflect a genuine regard and respect for community stakeholders and adopt an approach of working in partnership.**
3. **The Scottish Government, developers, local authorities and other agencies should recognise and respect the volunteer status of the majority of community representatives.**
4. **Communities appreciate and expect clear and considered communication on all matters relating to community benefit.**
5. **Communities want guaranteed written agreements with developers about the provision of an annual fund, disassociated from the changing framework of the electricity market.**
6. **The Local Authority should provide an enabling environment within which community funds will flourish, by encouraging them to be community-led and providing signposting & support to communities from an early stage.**
7. **Community councils should play an enabling role within their communities around setting up community benefit funds, facilitating discussion with other groups where these exists**
8. **Some form of credible independent mechanism through which community benefit arrangements could be monitored and assessed could help improve practice and impact.**

Building Firm Foundations

9 Communities require a better baseline of knowledge to engage most effectively and access to independent and expert assistance when they need it.

10 Communities appreciate the opportunity to understand what the full scope of a community benefit package could comprise.

11 Communities value the opportunity to discuss potential community funds at the earliest possible stage, even when a project is only at the scoping stage. But there needs to be recognition from all parties that these discussions should not compromise or impact upon discussions relating to planning consent.

12 The minimum value of an annual fund from commercial wind farms over 5MW[1] should be at least £5000/per installed MW and adjusted annually to reflect RPI.

13 Communities expect to be involved in determining a Fund's geographical area of benefit in response to a developer's initial proposal. Once a fund is operational communities within the agreed Area of Benefit should be the primary determinants of its purpose and investments or funding decisions.

14 Meetings to discuss Fund business, especially at the set up stage, should be recorded.

Good Governance: Decision-making and accountability

15 Communities themselves should lead the decision-making about strategy and investment decisions relating to community benefit but may require support to do this

[1] The working group did not review arrangements for commercial developments under £5K because their experience with smaller developments was limited. However there was recognition that some level of benefit should still be provided by smaller developments but no rate was proposed.

16 Communities need to guard against the perception that any fund is 'owned and operated' solely by the community council and/or any other single community body – however representative it claims to be.

17 The decision-making arrangement should have the endorsement of the local community as far as that can be achieved.

18 Decision-making vehicles may vary and change over time depending on the needs and capacity of the community.

19 Decision-making vehicles should seek to be inclusive and reflective of those who live and work in that community.

20 A clear process for identifying and appointing Panel members should be agreed by a working group mandated to establish the Fund.

21 Consideration should be given to how to build a pipeline of future volunteers willing and able to take on the decision-making role.

22 The role of the decision-making group and how they go about their task should be drawn up in some kind of governance document that clearly sets out roles, expectations and procedures.

23 Any decision making procedure should be robust, fair, equitable and transparent and which the community itself can hold to account.

24 Good quality reporting and feedback to all stakeholders helps give the Fund credibility and is an opportunity to capture and celebrate success and learning.

Providing Effective Administration

25 There is increasing evidence of good practice about administering community funds but no 'best' way.

26 Proportionality and complexity are important considerations when setting up administrative arrangements.

27 Third party, independent administration is often a preferred model but communities need to be assured that any third party service is responsive, accountable, efficient and cost effective.

28 Third party support can help lay the foundations for more localised and community-led administration arrangements at a future date.

29 Communities want to be at the centre of decision-making about the fund and how it's used.

Spending Well, Spending Wisely

30 Communities may take a bit of time to fully understand the potential of the community fund.

31 Community funds do not have to reflect the conventions of much traditional funding – they can be more flexible and responsive and less restrictive.

32 Communities value quality facilitation and support to enable thinking and planning around the future of the fund.

33 Communities will further benefit when they consider how community funds can catalyse wider sustainable income earning for a community.

34 Community funds should not replace diminishing statutory resources but should be applied where they can support community need and opportunity that is reflected in a shared vision and plan.

35 Community funds can assist a wide range of organisations and groups, including businesses.

36 Communities require developers to be flexible about the scale and pace of spending and supportive of strategic options such as endowing funds and/or broader social investment ideas.

Founding signatories:

David Aird	Perth and Kinross
Kym Bannerman	Scottish Borders
Martin Brown	Dumfries and Galloway
Colin Campbell	Perth and Kinross
David Hannah	Highland
Paul Harrington	Highland
Elizabeth Henderson	Highland
Pauline Hood	Scottish Borders

Logan Inglis	Scottish Borders
Chris McCallion	Clackmannanshire
Russell Rekhy	Highland
Anne Rutherford	Dumfries and Galloway
John Stout	Clackmannanshire
Marion Turner	Highland

3 Background

Since 2008 Foundation Scotland has been working with communities and developers to establish community funds linked to onshore wind farms. Historically, the funds have resourced local grant-making programmes that fund an extensive range of local community activity and services. Foundation Scotland is a leading provider of community benefit services in Scotland and our model is used to deliver over 25% of funds from onshore wind farms. Our expertise in community engagement and development informs our approach to administering community funds and facilitating community investment opportunities. For further information about the community benefit services we provide, including a list of funds we administer, visit http://www.foundationscotland.org.uk/community-benefit.aspx

Community Panels are a critical feature of the funds Foundation Scotland supports. This group of people, comprising individuals living in an area local to a wind farm, advise Foundation Scotland on the fund strategy and decide how to spend the money. These decisions will be informed by the outcomes of a local consultation and planning process which will help identify the Fund's key priorities, themes or outcomes. Sometimes Panel decisions will be in response to open competitive grant-making rounds, sometimes it will be a more proactive, targeted strategy in response to local circumstances.

To date, Foundation Scotland has had the privilege to work alongside members of predominantly rural communities committed to making these funds 'work' in their communities. A rich pool of knowledge, experience and learning is emerging. Foundation Scotland invited a representative group of Panel members to a series of discussions between June – November 2013 to share and exchange their respective experiences on community benefit funds. The contributors had experience of dealing with many different kinds of community benefit funds, developers and administration arrangements. [2]Some - but not all - had experience of working with Foundation Scotland and even those dealing with funds supported by Foundation Scotland sometimes had involvement with other funds which Foundation Scotland isn't

[2] For some Community Benefit Fund case studies currently operating in Scotland go to www.foundationscotland.org.uk

involved with. The group appreciated inputs from the Scottish Government, Local Energy Scotland and COSLA who were each invited to participate in a session.

The result is this Community-Led Charter on Community Benefit which the contributors offer as a reference point for other communities, developers and local authorities to use as they seek to make community benefit 'work' in their own respective contexts.

What are community benefit funds?

Community Benefit Funds are voluntary goodwill payments provided by developers to deliver social and economic benefits to the area where their development is located, beyond those that may arise directly from the project. The provision of these funds is not linked to success at planning consent. In the UK, community benefit is predominantly associated with energy, mining and building developments. In the renewables sector, wind farm developments have led the way but there is growing discussion around community benefit in relation to wave and tidal power.

Community benefit funds are expected to last for the lifetime of a renewable energy development, regardless of any changes to the energy market and fiscal incentives for renewable energies in that period.

However, the political context of the energy market and renewables is a fluid landscape. Scotland is part of a single Great Britain wholesale market in electricity. Renewable energy in the UK is currently incentivised through an obligation on suppliers (the Renewable Obligation) which is funded through a levy on consumer electricity bills. The amount of money that can be levied on bills is controlled by the levy control framework, which is set to rise as new renewable energy capacity continues to grow. However, the proportion of the consumer bills attributable to the Renewables Obligation is very low— just five per cent of the average electricity bill. The Renewable Obligation is set to be replaced under the Electricity Market Reform (EMR) programme , to Contracts for Difference (CfD), the new support mechanism for low-carbon electricity generation, including renewables, nuclear, and Carbon Capture and Storage. CfDs will be open to applicants from mid-2014. It is unclear what impact such changes may have to onshore wind farm developments and associated community funds.

Recent research by Foundation Scotland in its report *Taking Stock* reveals the annual financial value of community funds currently in Scotland to be circa £7,000,000.

This figure is anticipated to triple by 2017. The investment opportunity is significant but a fragmented and fairly ad-hoc approach to community benefit arrangements in Scotland to date has enabled a diversity of approaches and practice to emerge, but equally runs to risk of diluting potential impact and legacy. The Fund Case Studies on our website illustrate some funds of varying scales and complexity currently operational in Scotland. By presenting headline principles on a number of critical overarching features of community benefit, the contributors here are seeking to reduce the isolation felt by fellow community members across Scotland and make available to the benefit of their experiences and reflections.

4 The Charter

A First Principles

First principles describe a set of underlying ideas, concepts and values which are fundamental to effective community funds and which the compiling group propose all stakeholders need to adhere to in their work to establish and operate community benefit funds successfully.

1 **A community benefit package should be discussed at an early stage with communities. A standard feature of this package should be an annual community benefit fund.**

Community benefit packages may comprise a range of elements including investment in specific strategic environmental or capital projects, wider community economic benefits for the area as well as an annual benefit fund. Many stakeholders – including communities - would also like to see opportunities for increased levels of community investment explored.

Early notification of potential renewables developments and exploratory discussions around benefit and investment options can help build trust and understanding between the various stakeholders and achieve better impact in the longer term. This approach, when managed well, does not need to conflict with planning legislation which prevents community benefit payments being a condition of planning permission.

2 **Community representatives expect to be seen as 'equals' around the table. Communities appreciate working with developers who reflect a genuine regard and respect for community stakeholders and adopt an approach of working in partnership.**

Negotiating community benefit can become a significant job for community stakeholders. Discussions can be complex, involve at times a diverse range of players and, by virtue of the nature of the development, often stretch over a long period of time – often years. Communities wish to feel on a level playing field with developers but may sometimes require additional skills, capacity and knowledge to progress with discussions.

Developers can show an understanding of this by providing good notice of proposed meetings or requests to attend community meetings, providing sufficient background material in good time which is written in clear, plain English and maintaining regular communication by consistent personnel which is not overwhelming in length or frequency.

3 **The Scottish Government, developers, local authorities and other agencies should recognise and respect the volunteer status of the majority of community representatives.**

Working group members contribute an average of 5-35 hours per month towards local wind farm matters, including community benefit issues. Where prospective renewables activity is high, some communities are being inundated by developer requests for meeting time. It is worth noting that some community councils themselves are really being stretched - both in terms of human capacity and financial strain – because of the volume of renewables development in their area.

4 **Communities appreciate and expect clear and considered communication on all matters relating to community benefit.**

Good communication really helps. Good communication will develop if the different parties can build up good levels of trust between each other. Communities appreciate when developers, and other agencies involved, provide contact details of staff with appropriate skills to engage with their concerns. Some communities experience developers as remote and, when personnel change, are not always made aware of successor arrangements. So they need to know who to contact, in cases of staff turnover in a company or the development being sold on. Communities acknowledge that they too can sometimes appear elusive – especially if there is not an active community council in place.

5 **Communities want guaranteed written agreements with developers about the provision of an annual fund, disassociated from the changing framework of the electricity market.**

Further work is required to clarify the legal status of such agreements but communities are seeking assurance about the longevity of the fund, irrespective of how many times ownership may change and/or vagaries or uncertainty about financial incentives received by developers from Government.

Additionally, this agreement can provide assurances that the developer or owner will not suddenly step in and start prescribing how the funds should be used.

The agreement should also clarify the developer or owner's role in contribution to any administration costs for managing the fund and which would ideally be over and above the value of the fund.

Communities also need to know who to contact, in cases of staff turnover in a company or the development being sold on. The agreement would stipulate this, putting the onus on the developer to ensure contact is adequate.

6 **The Local Authority should provide an enabling environment within which community funds will flourish, by encouraging them to be community-led and providing signposting & support to communities from an early stage.**

Communities and local authorities should build an ethos of two-way co-operation and understanding but a fund's set up and implementation process should be independent of local authority influence. Communities wish to be assured that Councillors are involved on an ex-officio basis only – unless informed otherwise - and that there is an exchange of practice, approaches and learning between local authorities. Communities understand the challenging economic climate affecting local authority service delivery and also the appetite in some areas for regional impact from community benefit. However, communities need reassurance that their local authority is not looking to actively reduce the level of funds being made available to 'host' communities in order to create local authority administered regional funds irrespective of the wishes or aspirations of local communities.

7 **Community councils should play an enabling role within their communities around setting up community benefit fund and facilitating discussion with other groups where these exists**.

Community councillors are elected representatives and accountable under a standard set of rules and discipline. They should be the first port of call for a developer's engagement in a community. Where a community council does not exist, there is an expectation that the developer will engage with another community body that is representative of the views of local people.

However there should not be an expectation on developers' part that either the community council or alternative body are always the voice of the community on all aspects of setting up and implementing a fund. There may, for example, be some significant other local groups/interests not represented through the community council or alternative body but with an appetite for and stake in a potential community fund. Developers should ensure these bodies are also engaged in discussions.

8 Some form of credible independent mechanism through which community benefit arrangements are reviewed, monitored and assessed can help improve practice and impact.

The unregulated community benefit environment can encourage creative and flexible responses to community benefit opportunities but can also mean that 'poor' practice is not held to account. Neither communities nor developers wish to see funds being 'policed' but embedding regular critical reflection and review into the annual cycle of fund and inviting external feedback can encourage accountability, transparency and improvements in fund design and delivery. Such mechanisms could also include a peer review element and/or learning exchanges with other communities in similar circumstances.

B Building Firm Foundations

This section is about ensuring that, in setting up a community fund, different scenarios have been considered, good advice has been sought and previous practice and learning has been reviewed. This approach will go some way to ensuring against 'knee jerk reactions' or simply doing business as usual – where that business is not necessarily fit for purpose and/or achieving optimum outcomes.

9 Communities require a better baseline of knowledge to engage most effectively and access to independent and expert assistance when they need it.

Communities require good written information from developers that explains what they can expect from a community benefit package, including what the options may be. Better information will enable community representatives to feel more informed and to know what questions to ask. Communities could be encouraged to bring in external expertise to support their thinking, explore options/scenarios, advise and share practice. This may include local external expertise provided by, for example, local authority officers or other local, regional or national experts. Local authorities should be providing communities with information about prospective commercial renewable projects as soon as possible. Communities have very different levels of understanding about and experience of working alongside commercial developers to achieve a meaningful level of community benefit, an aspect of which could be an annual fund. It is helpful when developers recognise the varying levels of capacity in any one community and across any wider area.

10 Communities appreciate the opportunity to understand what the full scope of a community benefit package could comprise.

Historically, communities have generally only been 'offered' an annual community fund payment. However there is increasing understanding that community benefit can encompass other initiatives, including share/ownership options, in-kind support, direct sponsorship of local groups or events, and strategic investments towards, for example, region wide services like higher education institutions, apprenticeship schemes, or local energy discount schemes.

At the outset, discussions with developers should explore the different types of community benefit that may be appropriate to the area. Whilst communities understand that not all developers may be willing or in a position to offer a community a turbine and/or a visitor centre, for example, communities appreciate if the full picture of opportunity is explored at the outset and the developer shares their offer or view on the different ideas or proposals. Additionally, where a community benefit package extends to regional or other stakeholders, local communities would not wish for these kinds of initiatives to compromise the value of a local community fund.

11 Communities value the opportunity to discuss potential community funds at the earliest possible stage, even when a project is only at the scoping stage. But there needs to be recognition from all parties that these discussions should not compromise or impact upon discussions relating to planning consent.

Most community councils are aware about perceived conflict with the planning process and, at times, division within communities about the point at which community benefit negotiations should begin. But the sooner negotiations start, the better relationships will be built up and the more understanding each will have of the other's position. It is also less likely that an opportunity will be missed. Once planning consent is secured, the community has far less leverage in negotiations with developers, while the developer tends to prioritise the next stage in the development – for example, securing finance, fulfilling planning conditions and construction. Community Councils need to be open and transparent in their negotiations and make it clear that community benefit discussions have no impact on their planning decisions or comments. Some groups have developed a representative community structure or sub-group of the community council specifically for this purpose.

Communities have a lot to consider when responding to the opportunity of a community fund or some kind of joint/share ownership - and appreciate thoughtful and considered support from other parties to consider the implications. Early stage conversations open up possibilities of the developer being perceived more as a partner in the community's development, especially when they enable and support a community in its own planning activity around a fund.

12 The minimum value of an annual fund from commercial wind farms over 5MW[3] should be at least £5000/per installed MW and adjusted annually to reflect RPI

Communities welcome the Scottish Government's recommendation that any community benefit package for onshore wind developments should provide the value equivalent of at least £5,000 per installed megawatt per annum, index-linked for the operational lifetime of the project. Extensions should also reflect the £5000/MW figures as a minimum.

Communities observe that some developers have policies which earmark use of some of the equivalent value of a fund for other 'benefits'. This limits investment strategies for the local communities as it reduces the level of the annual payment they receive.

Where minimal rates are being paid, especially with longer established funds, communities ask developers to consider raising those fund values to a minimum value of £2500/MW where this is possible within the economic model for the wind farm. Where this isn't feasible communities will better understand the constraints within which developers operate if there is a mature, open relationship between them and the developer.

Exceptionally, some funds have started from the date of construction rather than commissioning. Communities recognise that, whilst this is not standard practice, a compensatory payment for construction activity should be provided. This is a one-off payment and therefore different to an annual fund, may involve a wider or different number of communities and is recognised as 'compensation' rather than 'investment'.

Communities appreciate the attempts within the industry towards standardising the minimum value of community benefit but would expect the level to be periodically reviewed and/or uplifted and would reserve the right to lobby for increased levels over time depending on the performance of the wind farm.

[3] The working group did not review arrangements for commercial developments under £5K because their experience with smaller developments was limited. However there was recognition that some level of benefit should still be provided by smaller developments but no rate was proposed.

13 Communities expect to be involved in determining a Fund's geographical area of benefit in response to a developer's initial proposal. Once a fund is operational communities within the agreed Area of Benefit should be the primary determinants of its purpose and related investments or funding decisions.

Determining the geographical area of benefit for a community benefit fund is often contentious and the concentric circle model often adds to rather than addresses the issue. A clear set of criteria could be helpful and may then be applied to all new funds. Communities are aware of increased pressure to widen the area of benefit. Some local authorities talk of Regional or Area Funds. This may make sense in some situations, but communities impacted directly by wind farm projects expect to be equal partners in any discussion on widening that fund's Area of Benefit.

Once established, the immediate community need not necessarily receive all the fund, but do want to decide where and how funds are spent. The mechanism through which this is done will vary. It may be through a local Panel comprised of community representatives or another community body that already has a similar function and accountability.

14 Meetings to discuss Fund business, especially at the set up stage, should be recorded.

People come and go and invariably discussions about community benefit arrangements can take place over a matter of years. Maintaining a full record of discussions enables developers, communities and other stakeholders to work from common, shared records. A collective memory is captured beyond the individuals involved. Finalised agreements should be publicised and shared widely across different interest groups in the community. Once the fund is established all meetings to discuss fund matters should be recorded.

C Good Governance: Decision-making and accountability

15 Communities themselves should lead the decision-making about strategy and investment decisions relating to community benefit but may require support to do this.

Community benefit funds are resources for communities. The community itself is best placed to make decisions about where and how funds should be spent. In setting up the structure through which a community fund will be delivered, responsibility for decision making should be taken into account. Even in instances where a local authority or the developer themselves is administering a fund the community expect the actual decision-making process to be devolved to the community. However, it is recognised that most governance arrangements involving local participation can sometimes create conflicts of interest. Good conflicts of interests procedures can help address the any sense of unease that locally based residents associated with the funding decisions may at times experience in the community.

16 Communities need to guard against the perception that any fund is 'owned and operated' solely by the community council and/or any other single community body – however representative it claims to be.

To date, practice in Scotland has placed community councils at the centre of the development of community benefit funds. As the most local level of statutory representation within communities, they are a critical stakeholder. However, Charter working group members – many of whom are community councillors themselves – suggest that they should not expect to be at the centre of decision making about fund spend or investment strategy once a fund is established. Certainly, they can contribute to that discussion and forum but the community council should facilitate wider involvement in such discussions and not automatically assume itself to be the appropriate decision making body for a community fund.

17 The decision-making arrangement should have the endorsement of the local community as far as that can be achieved.

In settings where the community council is also the decision making group on community fund spend, it is recommended that this additional role has been verified by the wider community. Otherwise, the community council runs the risk of being regarded as the self-appointed guardians of an important economic resource.

The same principal should be applied to any other established community body nominated or appointed to make decisions on behalf of the wider community on fund strategy and investments.

18 **Decision-making vehicles may vary and change over time depending on the needs and capacity of the community.**

At times decisions may be made by large numbers of community members – for example at a community meeting – or by a smaller identified representative group. This group may be an established community body or may be formed for the express purpose of guiding the local community benefit fund. However, there does need to be a consistency of approach, including criteria for decision making on investments, so that the wider community is aware of what the fund is supporting, achieving and enabling.

19 **Decision-making vehicles should seek to be inclusive and reflective of those who live and work in that community**.

Involvement with a community fund may be attractive to community members different from those keen to get involved with the planning, licensing, and representational business required in statute of community councillors. Any opportunity to get involved in fund strategy and investment decisions should be widely promoted locally. Decision-making forums can be a good way to draw in the skills, interest and commitment of local people who are not necessarily 'the usual suspects'.

The decision-making role and attributes should be clearly described so that community members have an understanding of what they are getting involved in and what is required. Some form of role profile should be locally available, clearly outlining the responsibilities of those on the decision making body. This should also include the kinds of skills, knowledge and experience that can be helpful. The most fundamental attributes are tact, discretion, commitment to and knowledge of the local community.

20 A clear process for identifying and appointing Panel members should be agreed by a working group mandated to establish the Fund.

Different approaches used to date should include some form of nomination process after which a decision is made by:

- voting at an open meeting where the nominee presents themselves for consideration;
- a formal vote supervised by a returning officer;
- a more informal voting system with a ballot box at a local venue for a designated period;
- nominees being considered via a formal interview.

There is no right way for all communities but the principles of fairness and transparency should be at the heart of the process.

21 Consideration should be given to how to build a pipeline of future volunteers willing and able to take on the decision-making role.

Practice to date broadly demonstrates that the initial establishment of a fund will involve a small number of volunteers, some of whom will then become involved in a decision making capacity once the fund is up and running. It is critical that the fund infrastructure has longevity and local energy and capacity to sustain and develop it. At a minimum, communities should consider local succession strategies to ensure a sufficient number of local people retain a central governance role.

22 The role of the decision-making group and how they go about their task should be drawn up in a governance document that clearly sets out roles, expectations and procedures.

Such a document will also stipulate the proposed composition of the body (where a contained, distinct number of representatives is adopted as the decision-making forum, as opposed to a 'whole community' decision-making process), terms & conditions of service, quorum arrangements etc.

23 Any decision-making procedure should be robust, fair, equitable and transparent and which the community itself can hold to account.

Community members who are taking responsibility for decision making should operate by an agreed set of principles or code of conduct. These should be clearly described in an agreement which every decision maker is required to adopt.

Whilst third parties can often provide helpful advice and guidance and may be the neutral, independent broker between local conflicts of interest or opinion, local people themselves need to be sufficiently engaged with the Fund to observe its impact and influence. Where a fund has little visibility, it should be held to account by community members.

24 Good quality reporting and feedback to all stakeholders helps give the fund credibility and is an opportunity to capture and celebrate success and learning.

It is particularly important for those running the funds locally to ensure that there is a good flow of communication back out to the wider community about the work of the Fund and particular initiatives being supported. When a Fund is clouded in mystery communities create their own stories which may not serve the Fund or community well.

D Providing Effective Fund Administration

Administration can be provided in a number of ways. Effective administration can help ensure the Fund has sufficient profile, its financial management is robust, the burden on applicants and others is proportionate to the risk/funding, that it achieves meaningful impact and that communities themselves recognise where and how the Fund is contributing to the life of that community.

25 There is increasing evidence of good practice about administering community funds but no 'best' way.

Communities acknowledge there is not one best way to administer community funds. Different communities have varying experiences. Initially it may be a case of trial and error and, in part, reflective of advice received at the time – either by chance or design. Any administration arrangement will relate to the Fund's underpinning governance arrangement. Where a local Trust is established, that Trust will have to ensure the administration function is considered. Where the funds are held by a local authority or third party that body will undertake the administration role. Whichever model is used, communities need assurances about the scope and influence of their role in Fund management.

26 Proportionality and complexity are important considerations when setting up administrative arrangements.

Funds involving only a single community are usually more straightforward to administer than funds involving multiple communities. However, when the scale of fund is significant, even a single community may benefit from some intervention or support with administration, especially around the due diligence processes of, for example, evaluating proposals for larger scale capital projects. For smaller funds, the administrative load may be lighter. As fund values increase, managing larger sums locally can be more demanding and complex. Additionally, some communities are in receipt of more than one fund and so finding ways to simplify administration arrangements across these is becoming a priority.

27 Third party, independent administration is often a preferred model but communities need to be assured that any third party service is responsive, accountable, efficient and cost effective.

Third parties – whether national, regional or more local bodies sometimes provide an administration service which can help ensure the Fund is run efficiently. Preferably, a third party service goes beyond a conventional 'administrator' role and also provides developmental support to the Fund and local stakeholders.

28 Third party support can help lay the foundations for more localised and community-led administration arrangements at a future date.

At the outset, third parties can act as a buffer against developers who may wish to be overly prescriptive about a fund purpose or specific awards. In the longer term, they can assist those communities with an ambition to administer their own fund but who need to develop the skills and procedures to do so. Done well, third party support can sometimes help build local skills and knowledge around this role so that at a future date administration can be provided more locally.

29 Communities want to be at the centre of decision-making about the fund and how it's used.

Whatever structure is used to manage and administer funds, most communities want representation in, or ownership of, the decision making process for Fund spend. In some instances this may involve establishing or working through a distinct legal entity such as a Charitable Trust with locally appointed Trustees. An alternative is to separate the legal governance and decision-making functions, 'de-risking' the Fund to some extent. This is the approach taken by Foundation Scotland whereby any community fund is protected under its wider governance umbrella but all strategy and decision making about community funds sits with a locally appointed Community Panel. Whichever arrangement is used the decision making body should have regular sight of the Fund's financial position.

E Spending Well, Spending Wisely

Community benefit funds from onshore wind represent a once in a generation opportunity. This investment in communities holds the potential to deliver long-term, sustainable outcomes at a local level. Communities are responding to this opportunity in well intentioned ways but often support is required. But good practice is emerging: communities are learning by doing. There is growing evidence of communities implementing longer term investment strategies to try to ensure funds are utilised well and not 'frittered away'. This is helped when communities across the country have opportunities to come together to identify common problems/solutions.

30 Communities may take a bit of time to fully understand the potential of the community fund.

For communities that may have limited experience, capacity and initially ambition – some early, open grant-making rounds can help fund some initial activity and help identify longer term themes or challenges. Also initial funding can begin to achieve a community's 'wish-list', releasing energy and ambition for longer term, more strategic developments. To help achieve this it is important that guidance and distribution of grants is open, simple and proves effective.

31 Community funds do not have to reflect the conventions of much traditional funding – they can be more flexible and responsive and less restrictive.

Whilst community funds should be distributed to reflect principles of fairness and transparency, they can have significantly more flexibility than many traditional centralised (and especially public sector) funding streams. This flexibility can mean ensuring a set up that best fits the community in question becomes overwhelming. It is important that communities don't get locked into processes or approaches that become restrictive or unhelpful further down the line.

Community funds don't need to be distributed via a conventional competitive, grant-making process. A community plan, which is regularly reviewed, can, for example, identify a range of projects or initiatives which then receive grant payments directly from the fund administrator. Community funds could also provide loan finance and a resource for social investment.

32 Communities value quality facilitation and support to enable thinking and planning around the future of the fund.

Many communities are beginning to recognise these funds as being their opportunity for regenerating their communities. Whilst they don't necessarily have all the answers as to how to go about achieving this, many are seizing the opportunity to try and make a difference – in the short and long term – to the sustainability of their community and well-being of those who live, work and visit there. But many appreciate good quality support – which may be locally available - to assist them in consulting and planning where and how community fund income can help achieve optimum impact.

Many communities have had poor experiences of being consulted, in part because:

- they didn't feel listened to, or felt their contribution was tokenistic and the outcome was already decided;
- no feedback was given after the consultation
- there was often no visible impact resulting from it.

Communities are likely to engage more productively in the consultation and planning when they sense some level of ownership of a process that encourages genuine discussion and dialogue. Any community plan linked to a community fund should be periodically reviewed to take account of the changing needs and opportunities in an area.

33 Communities will further benefit when they consider how community funds can catalyse wider sustainable income earning for a community.

One way to achieve this is to ensure the fund invests in projects such as community renewable projects or other enterprises that will themselves earn income for the community. This requires funds to invest in the initial, higher risk stage of such ventures and reflect a long term and entrepreneurial mind-set as to what can be achieved.

34 Community funds should not replace diminishing statutory resources but should be applied where they can support community need and opportunity that is reflected in a shared vision and plan.

Communities acknowledge that community benefit funds have increased in scale and number at a time of significant cuts in public spending. Views differ about whether community funds should fund some of these 'gaps' although in some areas, community organisations - often operating as social enterprises - have long been providing services traditionally delivered by statutory bodies. Community funds should certainly be accessible to these kinds of organisations which will have an asset lock on their profits to ensure they are reinvested into activity to benefit the community. In addition it should be recognised that community fund spend may at times be aligned to statutory spend where that adds significant value and reflects a shared vision and plan.

35 Community funds can assist a wide range of organisations and groups, including businesses.

Many communities with an ambition to improve their local economy understand that small businesses play an important role. If a fund has been established on a charitable basis, funding can still be directed to businesses where they can demonstrate that the investment meets the Fund's priorities, provides significant public benefit, and the activity would not take place without the funding. Assessment of proposals should however consider the risks of displacing or damaging other local businesses and which should be avoided.

36 Communities require developers to be flexible about the scale and pace of spending and supportive of strategic options such as endowing funds and/or broader social investment ideas.

Communities recognise that developers will want recognition for supporting projects and investing in initiatives that are seeking to bring wide community benefit. But they also appreciate the developer understanding that some take time to plan and develop to the point of 'investment readiness'. In addition, communities appreciate a developer understanding that they may wish to endow some of the fund for use at a much later stage. Endowed funds provide an income into the community once the wind farm is decommissioned and annual payments cease. Social investment options could also be pursued whereby some of the fund is used to invest in other projects, activities or organisations and which provide both a social and financial return.

5 Conclusion

This Charter is the result of a collection of volunteers coming together to discuss and review how community benefit funds are being implemented in their communities, to share and review learning and to try and find a practical way to share some of that learning. Community benefit is evolving and communities, too, are evolving ways to work with the challenges and opportunities it presents. Along with the Scottish Government's Guidance on Community Benefit Funds this Charter adds to the resources available to those working to try and ensure that the theory of community-led approaches increasingly translates into practice that achieves sustainable development outcomes in communities.

Appendix 1 - Contributors

David Aird	Perth & Kinross
Kym Bannerman	Scottish Borders
Martin Brown	Dumfries & Galloway
Colin Campbell	Perth & Kinross
David Hannah	Highland
Paul Harrington	Highland
Elizabeth Henderson	Highland
Pauline Hood	Scottish Borders
Logan Inglis	Scottish Borders
Chris McCallion	Clackmannanshire
Russell Rekhy	Highland
Anne Rutherford	Dumfries & Galloway
John Stout	Clackmannanshire
Marion Turner	Highland

Appendix 2 - Glossary

Area of Benefit – the geographical area covered by a fund. There is no universal approach to identifying an area of benefit. There is also a trend to consider investing outwith the defined area of benefit where this can help achieve positive impact within the benefit area itself. (i.e. will benefit those who live within the area of benefit but need to travel to access services or to work outwith it).

Community Benefit Fund – an annual payment made by a wind farm developer/owner to a nominated group or representative for investment / distribution to the community.

Community Benefit Package – a package of benefits accruing to the local community as a result of a wind farm being constructed. This may include an option for the community to have a direct stake in the project; an annual community benefit fund; direct sponsorship of local events or similar; commitments to supporting regional facilities such as Higher Education colleges, provision of local employment, training and apprenticeship opportunities (beyond supply chain benefits linked directly to the development itself) and in-kind support for habitat management or environmental initiatives.

Community Panels – a term used by Foundation Scotland to describe the decision-making body for funds which it manages in partnership with communities. Panels are made up of local representatives mandated by the local community to meet periodically to develop or review a fund strategy and make decisions on investments/awards. Panels are not distinct legal entities.

Appendix 3 - Governance and administration: emerging models

Developer-led	Developer administers the fund and makes decision about fund spend
Developer – community partnership	Developer administers the fund and mandates decision making locally. Decision making responsibility may sit with an established organisation, an organisation created for the purpose of decision making about the fund or a local community Panel. The Panel may already be established or may need establishing for the purpose of the new fund.
Local authority led	Local authority administers the fund and make the decisions about fund spend
Local authority – community partnership	Local authority administers the fund but distribute allocations to a local body like a community council who administer the fund locally and make decisions on spend.
Community-led	The community govern the fund directly either by discharging responsibility to an established community organisation or by creating a new organisation. In either case that organisation may also administer the fund or contract administration to a local, regional or national third party body. Accountability to the developer and wider community is built-in.
Community-led in partnership with an independent organisation	The community work with an independent third party to establish the fund. Where that third party can provide a governance function the fund is held by that third party on behalf of the developer. The third party provides all the administrative support but a local organisation or Panel will make the decisions about fund spend. Accountability to the developer and wider community is built-in.

Foundation Scotland is registered as a Scottish Charity (SC09910) and is a company limited by guarantee (SC152949) with its registered office at 22 Calton Road, Edinburgh, EG8 8DP

Foundation Scotland