

The CARES community benefits toolkit builds on the strategic overview presented in the Scottish Government's Good Practice Principles for Onshore Renewable Energy Developments. It provides guidance to communities looking to secure, set up and deliver community benefits packages that achieve maximum impact and are managed in an accountable way.

The Toolkit is made up of six separate but linked modules. This module:

- Defines good governance and some key principles to bear in mind when selecting the most appropriate governance arrangements
- Outlines the most common legal structures used for the governance of community benefits in Scotland, some of their main features and key considerations in using them
- Considers some key procedures for ensuring good governance such as how to recruit those who will sit on the group (or groups) overseeing the package of benefits
- Presents some options for administrative arrangements, and factors in deciding on the most appropriate one for local circumstances.

In line with the Good Practice Principles the term renewable energy business is used throughout this document to mean the project owner.

This toolkit is relevant to communities being offered or managing packages of community benefits. This module is particularly relevant to those setting up and managing community benefit funds. Renewable energy businesses may also find it useful.

The previous prevailing model for community benefits has been the setting up of annual funds and as such many of the examples used within the toolkit relate to this. We expect to provide updated versions of the toolkit with new examples as further models are developed.

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## 1. What is good governance and why is it important?

Good governance is important in administering any package of benefits. Transparency, inclusion, fairness, responsiveness and accountability are some key aspects of good governance that any community benefits package should be aiming to achieve. Failure to maintain standards of good governance can lead to tension within the community, mistrust from the renewable energy business and within the community or between communities, and even legal or financial difficulties.

Most of these issues are avoidable if the community representatives involved in establishing the package of benefits have knowledge of what is required to achieve good governance and put in place suitable arrangements for how the package is organised, administered and overseen. These structural decisions can take place before the strategy is determined, but sometimes afterwards or alongside is appropriate.

Note that the organisation that receives the Fund payments from the renewable energy business and holds these is ultimately responsible for governance of the Fund. That organisation may enlist or contract others to support it in carrying out that role, for example an advisory panel of local people who make recommendations about which projects should be funded or a third party with specialist expertise in grant making and fund management. However, it cannot divest itself of the responsibility for good governance of the community funds.

The community(ies) may be able to benefit from a [CARES Enablement Grant](#) that can be used to commission advice from consultants as to the most appropriate fund governance arrangements for the community's circumstances. Contact the local [CARES Development Officer](#) for more information.

## 2. Some key governance principles

Noted below are some key principles that have emerged from practice to-date, and that are helpful to consider when exploring the most appropriate governance arrangements for a community benefit package.

**Communities have a role in decision making about community benefits and how they are directed.** Community benefits are resources for communities, and those communities are usually well placed to have a say in decision making about both the strategy for the package and about its delivery, for example allocations of funds to specific projects or causes. Whatever arrangement is used to make decisions about the allocation of resources, most communities would like representation in, or ownership of, the decision making process. Even in instances where a third party or the renewable energy business themselves is administering resources, communities may still be included in the actual decision making process. Communities may require support to do this from those with experience, such as other communities or specialist consultants.

**Governance arrangements should have the endorsement of the local community as far as that can be achieved.** Decision making over the package and its use should be vested within a group mandated for that purpose. For example, in settings where the community council is also the group making decisions on a fund strategy and allocation of monies, it is recommended that this additional role has been verified by the wider community. The same principle 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 spend.

**Community benefits do not have to reflect the conventions of much traditional funding.** Whilst the distribution of community benefits should reflect the principles of fairness and transparency, they can have significantly more flexibility than many traditional, centralised funding streams. This means that those involved can ensure the distribution arrangements fit well with the circumstances of the community in question. Communities should consider if processes or approaches proposed are likely to become restrictive or unhelpful in the future.

**The governance structure and decision making arrangements may need to change over time as local circumstances and capacity change.** Renewable energy businesses, the community or communities in question, and others involved in the process may need to be flexible to enable the best solution for the local context. This includes considering how existing funds may be aligned with any new resources in order to maximise local benefit. It also means recognising that the skills and experience of the community(ies) may grow over time, enabling it to take on increasing responsibility and complexity. Decision making arrangements may change from informal to more formal ones, or vice versa. For example, at times decisions may be made at an open community event by a smaller group of representatives set up for that purpose.

**Decision making arrangements should seek to be inclusive of the wide range of perspectives, experience, knowledge and ambitions within the area of benefit.** In order to do so, it may be appropriate to ensure that certain groups or sections of the community are represented, for example a balance of men and women, of young and elderly, those with children or with experience of disabilities. In addition, the recruitment of the decision making group, both initially and at regular intervals throughout its life, can be a good opportunity to draw in the skills, interest and commitment of local people who are not necessarily 'the usual suspects', bringing new perspectives and widening involvement in local decision making. This can also spread the load across the community, helping to avoid volunteer 'burn out'.

**The group involved in decisions over distribution of resources should be separate from any group looking to deliver the projects.** Usually it is sensible to have a separation between the body that makes decisions on how resources should be distributed and those that deliver community projects and are likely to request funding. However, there may be instances where there is overlap between functions such as when a fund is very small and/or where a community is very small and there may only be one single regularly functioning community organisation.

Separation of duties is encouraged because:

- Where an organisation leads on allocating resources intended for the whole community, including other community groups, but also runs its own projects that it may seek funding for, this creates the potential for **conflicts of interests** to arise.
- If community funds are held by an organisation that has liabilities (such as staff salaries, property, etc.), then all its assets, including the community benefit funds it holds for wider distribution, may be **at risk** if anything goes wrong with its own operations.
- The functions of 'governance' and 'delivery' are different and a single Board with responsibility for both may struggle to maintain sufficient focus on one, or both. Separating the two functions can ensure that those involved in either governing or project delivery have clear, focussed responsibilities.
- The functions of 'governance' and 'delivery' can also attract people with different interests and skills. Therefore, separating the two functions out provides potential to **engage more people** in delivering both functions overall.

It is also recommended that any arrangement whereby a community organisation may be mandated to use community benefits for its work in an unspecified manner be avoided. Instead we suggest the organisation that governs the resources enters into a funding relationship with 'doing' organisations, with clear processes to ensure accountability for spend and regular reviews of the impact achieved and of ongoing funding requirements in light of changing local need and opportunities. In this way the 'doing' organisation is tasked with delivering against clear objectives and milestones and, in turn, is required to plan for its needs including its staff resource, matched funding, and so on, in order to deliver community projects. The rationale for investment in the activity in question should be clear, while a separation of duties provides the necessary checks and balances to ensure that the same activity is not funded automatically year-on-year without clear evidence of the value of, and continued local support for, that activity.

**The role of the decision making group and how they go about their task should be drawn up in a governance document.** This will vary in nature, terminology and legal standing depending on the structure chosen for the decision making group (see section 4 below). Such a document should clearly set out the desired composition of the group's membership, their role and responsibilities, expectations about how they go about fulfilling those, and terms of service. It should also set out the group's operating procedures covering things like rotation and retirement, meetings, communications, and so on (see section 5 below).

### 3. Practical considerations

As well as the above principles, community benefit practice to date suggests a number of practical factors to consider when deciding on optimum arrangements for fund governance and administration.

***Preference of the renewable energy business:*** if the resources are being provided by a commercial organisation, they may have a preferred way of doing things. Some will require a contractual relationship with a community company, others with a third party specialising in community benefit funding. Some may require any body that holds the monies to be a registered charity, whilst others will use the community's own preference for a structure where

a clear case is made for doing so and the community has the capacity, experience and commitment to take this on. Some renewable energy businesses hold and administer the resources themselves. It is therefore important to clarify with the renewable energy business any preference they may have. If this doesn't meet with the community's preference, seek to understand why they are proposing a specific structure and ask whether they can be flexible on their preferred arrangement.

**Preference of the local authority:** does the local authority commonly seek a role in the governance and distribution of community benefit funds? If so, to what extent can residents within the Fund's area of benefit be involved in decisions over fund spend within such an arrangement?

**Governance costs:** Any fund arrangement will incur costs in relation to governance and administration activity, but it's important to understand what these might be and how they will be covered. Historically many renewable energy businesses have paid for these over and above the value of the funds pledged. If the renewable energy business is not paying for them, set up costs may be met through a [CARES Enablement Grant](#). However, it is likely that any ongoing costs thereafter will need to be met from the community benefit fund itself.

**Area of benefit:** does this cover a single community (or community council area) or more? Where more than one community is set to benefit, to what extent are the various communities required to, or do they wish to, collaborate on fund governance and administration? What are the advantages and disadvantages of enabling potentially different arrangements for each community to take into account their specific circumstances and preferences versus having just one structure that serves the entire fund? For example, the former may enable each community to have its own ring-fenced pot and to join this up with other funds available to it, whereas the latter may encourage collaboration and the funding of more strategic projects across a wider area. Either arrangement will likely also have different resourcing implications.

**Existing or potential other community funds:** are there already established community benefit funds coming in to the community, and if so how are they governed? It may make sense for the same arrangement to encompass any new fund. Review the existing arrangements – are they fit for purpose as they stand and able to incorporate the features/parameters of the new fund? Related, are there other funds likely to come to the community and what are their key parameters? For example, which other communities will benefit from them and is there any commonality or divergence between the funds? Are all renewable energy businesses content for their funds to be governed under the same arrangement?

A typology of fund arrangements, based on the number of communities befitting and the existence (or not) of other funds coming in to those communities, is provided at Appendix A.

**Suitability of any existing community body:** Is there an existing organisation, or organisations, in the community well placed to act as decision making body? Consider how it is structured in legal terms and its track record, skill set, and current commitments. Does the organisation have a clear mandate from the wider community - how inclusive, accountable, and well regarded is it? How independent is it from other organisations locally

which may be seeking funding? Ideally the chosen organisation will not be looking to benefit from significant community funds for its own activities (see section 2). Is the same body also potentially able to act as the Fund administrator? In cases where the community funds come from a community-owned renewable energy project, is the organisation that owns that project also intending to distribute the funds? If so, how will it separate its duties and liabilities to reduce risk to the funds (see below)?

**Skills and time required:** What capacity is available to the community in order to carry out the role of fund governance and, potentially, administration, including both the set up and ongoing operation of the decision making body? Are there volunteers willing to get involved and commit the necessary time? Do they have the right skill set? If using a company structure for example, there are a number of incumbent responsibilities, as outlined in the Annex on Governance Arrangements. Or, it may be that a third party is contracted by the company to carry out much of the work involved in these. Where they come with relevant professional or technical skills (such as legal, charitable or financial expertise), those involved in the decision making body nevertheless need to be open to, and willing to take on board, the views of their fellow residents and to work through many of the less prescriptive aspects of community benefit funds. A range of 'soft' skills are therefore very important. For more guidance on the range of skills and aptitudes required, see section 5.2.

**Risk management:** How much money is involved and therefore what are the risks – both in terms of the possible loss of funds for the community and potential liabilities for individuals involved in governing those funds? What are the appropriate checks and balances that need to be put in place? And what level of liability would the members, trustees or directors of any such body be comfortable with? If large sums of money are involved the funds may be best held by a company structure, whether that is a community-controlled body or a third party holding the funds on the community's behalf. Liability indemnity for Directors or Trustees may also be worth exploring.

**Ensuring the community benefit fund delivers 'public benefit', and is not exposed to personal gain:** Although community benefit funds are not subject to the same 'rules' or regulations as public funds, there is nonetheless a requirement from most donors - and an expectation from beneficiary communities, the wider public and The Scottish Government - that they will be used for public benefit rather than any private gain. It is therefore most appropriate to adopt a governance model and distribution criteria which prevent individuals involved in Fund governance from benefiting personally. This means that any organisation holding and administering the Fund should be set up on a not for profit basis, with an appropriate 'asset lock'; a mechanism that legally protects the assets from being used for personal gain. See *Annex on Governance Arrangements* for more information on asset locks.

However, there are no hard and fast rules that dictate against some element of private gain in the distribution of community benefit funds, unless they become charitable funds. An example of a distribution mechanism that brings an element of private gain is a Local Energy Discount Scheme, or LEDS, where resident householders in a specified area can benefit. However, a LEDS with targeted distribution based on some assessment of recipients' need or hardship, such as being in fuel poverty, would be regarded as having wider public benefit.

**Readiness/ timescale for set up:** How quickly and easily can the structure that is being considered be set up and begin disbursing funding, and what factors are driving the timescale for that? For example, is there a particularly important community project or service in urgent need of funds, or a reasonable stipulation of the timescale from the renewable energy business?

**Is it preferable for the entity that holds the funds to be a registered charity?** It may be that the renewable energy business requires this, or that those within the community(ies) who are involved in deciding on the most suitable fund governance arrangements feel that charitable status brings specific advantages that outweigh any disadvantages. Or that a suitable existing entity already has charitable status, and again the advantages of that are seen as outweighing any disadvantages. More information on charitable status is given in the *Annex on Governance Arrangements*.

#### 4. Common structures for governing community benefit funds

The most common structures used to hold and govern community benefit funds in Scotland are:

- i) A community council, or other unincorporated association, where the amount of money involved is small.
- ii) A new community body established specifically for the role, which may be a community company with or without charitable status or a Scottish Charitable Incorporated Organisation (SCIO).
- iii) An existing community body that is appropriately set up to take on this role. Again this body may be a community company with or without charitable status or a SCIO.
- iv) A specialist third party organisation that provides fund governance services, normally in conjunction with a 'Panel' of local representatives whose role is to support decision making on fund strategy and spend.
- v) The renewable energy business holds the Fund and maintains governance responsibility for it, either with or without a Panel of local representatives who support decision making on fund strategy and spend.

More information about the most common legal structures used to hold and govern community benefit funds in Scotland, including some of their key features and key considerations in adopting them, is provided in the *Annex on Governance Arrangements*.

Generally speaking, and certainly in legal terms, the group of people responsible for running the organisation that will hold and manage the Fund (Directors, Trustees, Management Committee, or Community Councillors, depending on the structure used) will be responsible for decision making over fund strategy and spend. However, in some cases, such as where a third party or the renewable energy business will hold and manage the monies, it will be appropriate to establish a separate advisory Panel of local people to support that decision making.

This may also be the most appropriate arrangement where an existing community body is to be the vehicle that holds and manages the Fund but where that body is likely to seek funding for projects of its own at some point. In such cases, delegation of decision making to a group with wider representation can help to ensure decisions on the allocation of funds are not obscured by conflicts of interest and have wider local 'buy-in'. (See section 2 above for more information on such 'separation of duties').

In some cases, the organisation governing the Fund may seek support with the various work involved in administering it, for example grant making, from a specialist third party. More information on this is given in section 6 below.

## 5. Establishing and running the decision making group

Depending on the structure chosen, the group that will make decisions over fund strategy and spend may be the Board of a community company, a sub-group of the community council or other unincorporated association, or an advisory Panel. This section sets out some key considerations in relation to how that group will be formed and will function on an ongoing basis and suggests some related procedures. These are aimed at ensuring good governance; that the group works in a fair, accountable, inclusive and responsible fashion.

### 5.1 Governing document

The decision making group will require a constitution or terms of reference, depending on the structure chosen, that provides a clear reference point in relation to its purpose, composition and governance procedures. This will normally include statements about:

- The purpose of the group, its role and remit
- The composition of the group, including membership number and eligibility criteria (e.g. residency in the area of benefit and/or age restrictions)
- Processes for appointment, rotation, retirement and removal of members (e.g. where they are no longer resident in the area or are disqualified for misconduct).
- Meeting procedures (e.g. chairing arrangements, quorum, dealing with conflicts of interest, conduct at meetings, etc.)
- Policies covering communications ('internally' between the panel and the Renewable energy business or any third party administrator, and externally covering issues of confidentiality and dealing with the media)
- The policy on members' expenses
- Procedure for amendments to the governing document or terms of reference.

The *Annex on Governance Arrangements* provides links to some online sources of advice on, and in some cases template versions of, governing documents for the various legal structures. [A template Terms for Reference for an Advisory Panel](#) is provided separately on the CARES website.

If the decision making group is to be the Directors or Trustees of an established community company most of the above considerations should already be covered in the organisation's Articles of Association. If the company was established some years ago it is worth conducting

a health check to ensure the Articles are still fit for purpose. Amending them is certainly a worthwhile exercise if it helps to enable greater transparency and accountability.

## **5.2 Recruiting the decision making group**

A clear, fair and transparent process for identifying and appointing the members of the decision making body should be agreed by the group mandated to establish the Fund. The recruitment process should be easy to find out about and apply to, and open to anyone in the community who is interested.

Nonetheless, it is important to agree whether there are any specific skills, experience, interests or perspectives the group will require in order to ensure the right spread of these. Should the group have someone with a legal or accountancy background? How might those with specific knowledge of running voluntary groups or projects be encouraged to come forward? Will there be a representative for young people, and what might be the best process for that (e.g. involve the local high school)? Will there be an aim for equal representation across men and women? Remember that the group can never be entirely representative of all local views and interests, but an attempt at representing some key sections of the community can be made.

There will be a difference in the skills set required by those communities who wish to hold, govern and administer the Fund themselves and those that will use a third party to administer the Fund (and potentially to act as company secretary if community company format is being used) and where community representatives will simply sit on a Panel to support decision making. Relevant skills and aptitudes for each scenario are listed in Box 1.

## Box 1: Useful skills and aptitudes

It will be useful to have the following skills and aptitudes within the decision making group:

- An understanding of good governance practice
- An ability to understand financial reports
- An understanding / experience of good project planning and management
- An understanding / experience of planning and running good community engagement processes
- Experience of forming and running voluntary groups
- Practical experience of community action
- A long term commitment to the local community
- An ability to work impartially, objectively, tactfully and inclusively.

If a community wishes to undertake all aspects of fund governance and administration itself then the following skills would be also useful:

- An understanding of company/corporate law (if a company form is used)
- An understanding of Scottish charity law (if charitable status is taken)
- Accountancy skills
- Administration skills (e.g. company filing, minute taking, grant management)
- IT skills
- Communication and media skills (online and offline).

Next a role profile, like a job description, can be developed that provides information on the role and related responsibilities so that community members have an understanding of what they are getting involved in and what will be required of them. The description should also include the kinds of skills and perspectives that are sought. The most fundamental attributes are the ability to work impartially and tactfully, an understanding of setting up and running community groups, and commitment to improving the community for the common good. It is a good idea not to set the bar too high beyond these, simply stating that the recruitment process seeks those who have such attributes and experience and, for example, an equal spread of women and men. The recruitment material should also make it clear that the composition of the decision making group will be kept under regular review as the year goes by.

The role description should also be clear on the voluntary nature of the role and amount of time that would be expected of those who end up on the group. For example, three award making meetings per year averaging two hours each, with the same amount of time for reading material before each meeting and some expectation that members will promote the Fund locally between each meeting. [An example role description for an Advisory Panel Member](#) is available on the CARES website.

The opportunity to become involved in the decision making group should be widely promoted across the local area through a variety of channels. These might include:

- Local press and radio
- Noticeboards
- Posters in shops and community venues
- Social media - Facebook, Twitter, as well as channels that younger people use
- E-mail lists/ bulletins e.g. from the Community Council, Parent Council/ PTA, local clubs etc.
- Relevant local websites
- Word of mouth: this can be one of the most effective ways of encouraging local people with the right skills to come forward.

The advertisement should include brief information on:

- The opportunity / purpose of the role
- Where to get hold of the role description
- How to nominate oneself, and
- The deadline for return of nominations.

It should also make clear what will happen should more nomination be received than there are spaces available – how will a decision on successful nominees/candidates be made? Whatever the chosen approach, the principles of fairness and transparency should be at the heart of the process. Some options are given in Table 1 below.

If a selection process is required experience shows that it is worth contacting all candidates after the closing date to let them know this. If there are a number of suitable candidates, an informal discussion with each can often reveal those who are happy to drop out prior to any selection process thus avoiding the need for such a process to be held. However, care should be taken that those with useful skills and experience are not lost in this way.

Some further pointers on recruiting members of a decision making body are available [here](#).

**Table 1: Options for selecting members of the decision making group**

Considerations	Pros	Cons
Option 1. Formal election – voters checked against electoral register		
<ul style="list-style-type: none"> <li>• Returning officer?</li> <li>• Polling on one day or more?</li> <li>• Location of polling station(s)</li> <li>• How to generate register of electors?</li> <li>• Individual notification to each voter or general publicity?</li> <li>• Providing information about candidates</li> <li>• Announcing results.</li> </ul>	<ul style="list-style-type: none"> <li>• Democratic</li> <li>• Rigorous process</li> <li>• Accessible for community members who want to participate but may feel exposed at a public event (voting or standing).</li> </ul>	<ul style="list-style-type: none"> <li>• Replicates a process many people opt out of!</li> <li>• Time and costs to organise and run</li> <li>• May exclude those who have opted out of open electoral register.</li> </ul>
Option 2. Informal election – no electoral register (polling or election at public meeting)		
<ul style="list-style-type: none"> <li>• How to check eligibility?</li> <li>• Providing information about candidates</li> <li>• Announcing results: Agree with candidates the process. E.g. announcing number of votes each could embarrass nominees; could just announce appointee.</li> </ul> <p>If polling:</p> <ul style="list-style-type: none"> <li>• Preventing multiple voting</li> <li>• Polling on one day or more?</li> <li>• Location of polling station(s)</li> <li>• Notifying voters</li> </ul> <p>If public meeting:</p> <ul style="list-style-type: none"> <li>• Nominations in advance?</li> <li>• Hustings style?</li> <li>• Chair?</li> <li>• Likely turnout – date/time, central venue?</li> <li>• Vote by show of hands or ballot paper?</li> <li>• Consider how you conduct count, may want independent witness / check.</li> </ul>	<ul style="list-style-type: none"> <li>• Easier to organise than option 1.</li> <li>• Potential for voters to learn more about candidates at public meeting</li> <li>• Public meeting can also be used to promote awareness of fund – answer queries etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Less rigorous – risk of ineligible/double voting</li> <li>• If public meeting, excludes those unable to attend (from voting and/or standing)</li> <li>• If public meeting, puts off less confident community members (from voting and/or standing).</li> </ul>

Considerations	Pros	Cons
Option 3. Competitive selection process – e.g. interviews or assessment of submitted nominations by selection panel		
<ul style="list-style-type: none"> <li>• What process? Presentation, individual or group interview, just using nomination form?</li> <li>• Who is on the selection panel?</li> <li>• Briefing, support for selection panel</li> <li>• What feedback to give to unsuccessful nominees?</li> <li>• Announcing and explaining results</li> </ul>	<ul style="list-style-type: none"> <li>• Objective outside agency can assist/ facilitate process.</li> <li>• Opportunity to match nominees to required skills, knowledge for the role.</li> <li>• Can identify stand-by/ reserve pool of future Panel members amongst nominees who may be initially unsuccessful.</li> </ul>	<ul style="list-style-type: none"> <li>• Formal process may put-off potential candidates</li> <li>• Risk of bad-feelings between local people</li> <li>• Could be questions over accountability of selection panel / transparency of process</li> <li>• Someone who performs poorly at interviews may be good as a Panel member</li> <li>• No involvement of wider community in process.</li> </ul>
Option 4. Non-competitive, negotiated process – e.g. through individual and/or joint discussion with all nominees		
<ul style="list-style-type: none"> <li>• What process? Needs to be well thought through and clearly communicated</li> <li>• Who leads/facilitates process?</li> <li>• How will final selection be made if no consensus?</li> <li>• Who ultimately makes the decision?</li> </ul>	<ul style="list-style-type: none"> <li>• Works well if small number of nominees.</li> <li>• Objective third party can assist/ facilitate process.</li> <li>• Opportunity to match nominees to required skills, knowledge for the role.</li> <li>• Can identify reserve pool of future Panel members amongst nominees who may be initially unsuccessful</li> <li>• Can strengthen relations between different stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of bad feeling if consensus not reached between nominees</li> <li>• Most suitable candidate(s) may voluntarily withdraw in good faith!</li> <li>• Could be questions about influence of facilitator</li> <li>• No involvement of wider community in process.</li> </ul>
Option 5. Random selection – e.g. pulling names from a hat		
<ul style="list-style-type: none"> <li>• Will process be conducted publicly, e.g. at a community council meeting, for transparency?</li> <li>• Nominating someone to make the draw</li> <li>• Announcing the result.</li> </ul>	<ul style="list-style-type: none"> <li>• Can be fully transparent if done in a public meeting or equivalent</li> <li>• Fair in terms of being a random process.</li> </ul>	<ul style="list-style-type: none"> <li>• No involvement of wider community in process</li> <li>• Doesn't necessarily result in most appropriate candidate being appointed.</li> </ul>

### 5.3 Keeping it fresh - rotation and retirement

The decision making group should agree procedures for enabling new members to come onto the group, and existing members to retire, at regular intervals to ensure it is inclusive and bring in fresh perspectives. This means setting a term for members of the group, for example, three years. However, care needs to be taken that not all of those involved are required to leave at once; it is important to build up experience in decision making and knowledge of the community benefits. One solution may be to require that a third of those (longest standing members) involved will step down every three years, for example. The group should then run a process for recruiting new members.

It is acceptable for existing members of the group to re-stand should they wish, and in many small rural communities this may be practically essential as the pool of willing volunteers may be limited. However, the opportunity for new people to come on board should be provided and newcomers favoured over those re-standing, all other things being equal.

Consideration should be given to how to build a pipeline of future volunteers willing and able to take on the decision making role. For example, the initial establishment of a community benefit fund will usually 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 - the local energy and capacity to sustain and develop it. As a minimum, communities should consider local succession strategies to ensure a sufficient number of local people come forward to take up a governance role.

### 5.4 Induction

All those new to the group should be provided with an induction so as to ensure everyone involved fully understands their role, responsibilities, how the group or organisation will function and so on. Some standard materials can be created for this purpose. Topics to be covered may include:

- Role and key responsibilities of Members
- Context for the resources that the group will oversee, covering fund purposes, eligibility criteria, award sizes, etc.
- The process or processes for disbursement
- Relevant policies and procedures for the group, as below, and
- Highlights, challenges, learning to date.

### 5.5 Meetings

Procedures for the running of meetings of the group should be agreed and included in the governing document. As a minimum these should cover:

- **Chairing arrangements:** how a chair for the group will be selected and on what terms. For example, a chair may be appointed annually. For less formal groups (e.g. a Panel overseeing a small fund) the Chair position might rotate amongst members at each meeting, or by community (if multiple communities are involved).
- **Quorum:** Setting a minimum number of group members who must be present for a meeting to go ahead. Good practice suggests this be half the maximum number of group members plus one.

- **Minutes:** Stating the information these should contain as a minimum (e.g. approval of previous minutes, matters arising, key information on fund disbursement decisions, the Fund balance at the time, and so on) and when they will be approved by the group, e.g. by e-mail within two weeks of the meeting or at the subsequent meeting. Minutes of the decision making group's meetings should be made publicly available, once approved, for example on the group's website, local noticeboards, and so on. Minutes should reflect collective decisions made by the group. Consideration should also be given to who will compile the minutes; will this be a member of the group or third party secretariat?
- **Managing conflicts of interest:** Most governance arrangements involving participants drawn from the area of benefit will bring about conflicts of interest, so it is important to have a policy in place to identify, record and manage these. This will help ensure the group retains credibility and that decisions are made (and seen to be made) in a fair, consistent and transparent manner, and help to address any sense of unease that local residents involved in funding decisions may at times experience. [An example of conflict of interest policy for an Advisory Panel](#) is provided.
- **Conduct at meetings:** Community members who are making funding decisions should operate by an agreed set of principles or code of conduct to ensure that the group can get along together and function smoothly. The desired conduct should be clearly described in an agreement which every member of the decision making group is required to sign up to. An [example code of conduct](#) is available.
- **Decision making procedure:** this should be robust, fair, consistently applied and transparent. Some pointers on processes for making decisions on requests for funding are provided in the Toolkit annex *guide to open grant making*.

## 5.6 Expenses

Whilst the role of those involved in the decision making group will generally be voluntary in nature, re-imbusement for any reasonable out-of-pocket expenses incurred in carrying out the role is fair and may enable those on lower incomes to participate. These might include the costs of travel to meetings, printing papers, and childcare to enable participation at meetings. The group should set a clear policy for re-claiming any expenses.

The group should also agree a small budget and policy on the payment of any sundry expenses it incurs, for example in hiring meeting venues, tea/coffee etc. and any publicity it requires either to promote the funding opportunities or in the recruitment of new panel members, for example.

## 5.8 Communications

Protocols for communications amongst members of the decision making group will need to be agreed, as well as with any third party administrator of the Fund. These should cover how they communicate with one another between meetings, and the storage and sharing of relevant files and other information e.g. members' contact details, funding proposals or applications received, information pertaining to awards, and fund finances. This should ensure compliance with [data protection legislation](#) and any other relevant requirements such as OSCR or Companies House reporting.

Protocols for how the group will communicate with key external stakeholders should also be agreed, such as:

- The media
- The renewable energy business donating funds
- The wider community
- Other key stakeholders e.g. the local authority.

The Fund needs to be sufficiently visible to the wider community, so they can be aware of what activity is taking place in terms of its management and observe its impact and influence. This includes for example publishing minutes of decision making meetings and providing regular updates (e.g. via local newsletters, social media and fund website) on funding awards made, the impact of funded projects, and fund balances.

## 6. Fund administration

### 6.1 Money matters

Below we have sought to raise some of the key issues that those with responsibility for the governance of a community benefit fund should consider in relation to managing the money – keeping financial records, producing and filing accounts, audit and taxation. However, qualified legal and accountancy advice should be sought where necessary, and certainly in relation to management of larger funds, and is not provided within this toolkit.

Robust financial record keeping is essential, as is the preparation and publication of annual accounts. The organisation responsible for the Fund should be able to report on the financial position of the Fund at any given time. As a rough guide, this could include:

- Monies that have come in
- Monies disbursed to community projects
- Monies committed for disbursement but not paid out
- Any administrative expenses (for example meeting room hire, payment to a third party administrator, accountancy costs), and
- The closing balance at the end of the financial year.

Whichever organisation(s) is to receive and be responsible for the Fund must therefore have (or buy in) the appropriate skills and systems to process, record and report on the finances accordingly. Those involved will also need to be aware of the financial reporting requirements for the organisation that holds and governs the fund, any penalties for late filing of accounts, and so on.

Due to the limited resources that are likely to be available to the community groups or organisations receiving an award (as well as for fund administration), it is recommended that a **balanced and proportionate approach** is taken towards monitoring and accounting for the items that each funding award is spent on. Adding up receipts for small amounts of money is unlikely to be the best use of anyone's time versus an assessment of the overall impact of the funded activity.

Instead of submitting receipts for every item of expenditure, awardees could simply be required to list the main categories of expenditure (e.g. stationary, travel, staff salaries). This

can be backed up by requesting their annual accounts (which should show the expenditure) and ensuring that those involved in administration of the Fund are able to audit the organisation's records within a certain period following the completion on the funded project, should that be deemed necessary. However, it is suggested that receipts for larger items of expenditure, such as on capital items or high value professional services, be required to be submitted with monitoring reports.

The decision making group should have regular sight of the Fund's financial position – and certainly prior to making any disbursement decisions or those relating to the strategic use of the Fund, e.g. the decision to adopt new distribution methods or to place some funds in an endowment.

The Fund accounts should be made available to anyone who wants to see them, and if the organisation holding the funds is a company then they should be presented at the company AGM, which should be open to the public ideally (although of course only members of the company or their proxy will be able to take part in any vote). The group should also be aware of the need for any independent examination or audit of the accounts, either within its constitution and/or in law. Generally speaking, for funds of any significant size, it will be appropriate to have the accounts audited so as to provide assurances as to their proper management for the renewable energy business and the community as a whole.

Community benefit income will be subject to standard taxation, unless the organisation holding the funds has charitable status. Tax and VAT advice should also be sought, through a qualified accountant or tax consultant and/or HMRC, as tax liability will depend on the organisation's legal structure, activities delivered and the level of funds received.

## **6.2 Effective fund administration**

Effective fund administration is essential to ensure that:

- The availability of the Fund, and information on how to apply, is well promoted and enquiries about the Fund are responded to
- Financial management of the Fund is robust (see section 6.1 above)
- Fund distribution processes, such as for open grant making, are proportionate to the level of funding requested (balancing effort for applicants/ awardees against risk to community funds)
- Funds awarded are paid out in good time and in line with the terms and conditions of award, and
- The impact delivered through the Fund is captured and promoted sufficiently, so that the renewable energy business and the community itself can see how the Fund is making a difference.

Effective fund administration requires the ongoing functionality to manage and distribute money successfully. It may involve producing the fund materials on and offline, promotional activities such as press releases, providing pre-application support, receiving applications / proposals, conducting 'due diligence' (assessing the merits) of those, keeping a record of Fund income and expenditure and providing the decision making group with information on the Fund's financial position, minuting meetings, making payments in the form of grants or loans, liaising with those who receive funding, gathering feedback on the Fund and monitoring

and evaluating the impact of monies disbursed. It may also involve the provision of information to support the decision making group in reviewing the Fund strategy and its effectiveness (see module *Monitor, evaluate, report*).

A range of other administrative tasks may also be required depending on the legal structure of the body receiving and managing the Fund, for example a company structure will entail various statutory reporting requirements.

It is important that both the renewable energy business and community are aware of the real costs of carrying out the administration work and that these are adequately resourced. be

Where a new or existing local entity (e.g. a community company) is used to hold and manage the Fund, that body is responsible for ensuring the administration function is considered, selecting an arrangement it feels is appropriate, and ensuring it continues to work well throughout the life of the Fund. Where the Fund is held and managed through a third party or directly by the renewable energy business, the administration role will be undertaken by that organisation, but decision making around fund strategy and spend should be kept local.

### 6.3 Key considerations in selecting an administration arrangement

The nature and amount of administrative work required in managing a community benefit fund will be dependent on a range of factors, some of which as described below.

**Size and complexity of the Fund:** the amount of money coming into the Fund annually, complexity of arrangements and volume of disbursement activity are important considerations when setting up administrative arrangements. For example, are multiple communities involved and/or is the Fund ring-fenced for certain geographies and/or themes? Administrative arrangements should be **proportionate** to the scale and complexity of fund activity. Funds involving only a single community are usually more straightforward to administer than funds involving multiple communities. For smaller funds, the administrative load may be lighter. As fund values increase, managing larger sums can be more complex and demanding.

**Number of funds** coming into the community or group of communities in question. Related to the point on complexity above, some communities may be in receipt of multiple community benefit funds and from multiple renewable energy businesses, and so finding ways to simplify administration arrangements as far as possible across these is likely to be a priority. However, while desirable, administering all of the income through one harmonised or 'pooled' fund or administrator for a defined geographical area may not always be possible. This could depend on the willingness of those providing the funds to accept this type of arrangement, as well as on the scale of the funds and the related costs of administering them.

The **governance structure** under which a fund is delivered, i.e. the nature of the entity that will receive and hold the Fund on behalf of the community, will have a bearing. For example, if this is a company or charity then the directors or Trustees will need to ensure work such as keeping membership records, preparation of annual accounts, lodging annual reports and updating records with Companies House, holding an AGM, and so on, are carried out.

It is essential that the vehicle chosen to administer the Fund (and which, as previously mentioned, may or may not be the same as any organisation chosen to make decisions on spend) is **legally competent** – in other words it can do everything that the community wants / needs it to be able to do. This may include for example, receiving and distribute funds, employing staff, entering into contracts with suppliers, and so on. Also that it has the **resources** – skilled and knowledgeable personnel, systems and intellectual property – to carry out the role effectively.

#### **6.4 Options for administration arrangements**

Fund administration can be provided in a number of ways. The administrator could be a community body that also holds and governs the Fund, the renewable energy business (who may insist on this), or a third party that specialises in fund administration and is contracted by either the renewable energy business or the community organisation that is accountable for the Fund. Some descriptions of these various administration options are given here.

##### **a) Do It Yourself**

Where communities chose to do it themselves, this may build local capacity to undertake this type of work and bring some paid employment.

A local community body may be well placed to administer the Fund, however if this is a newly established entity there will be a level of work, and therefore resources and time, required to: ensure people (whether paid and/or voluntary) with the right skills are committed to this; set up the correct systems and processes, and; ensure legal requirements will be met and the Fund can demonstrate accountability.

Where an existing community structure is used, that body must be aware of – and able to resource - the additional work required. Are the relevant systems and processes already in place?

Timescales for setting up and launching the Fund, the costs involved in setting up or buying in appropriate systems and processes, and the existence (or not) of those with the right expertise and commitment will all be key factors in determining whether this is the right option.

Another factor is how 'close' the Fund administration may end up being to people who have other interests locally (e.g. as committee of board members or staff), and therefore the threat of any accusations - well-founded or not – of bias in some elements of the Fund's administration. For example, how applicants are responded to or funding proposals presented, or how the impact of awards is reported. Where a fund and its administration are poorly regarded, this can significantly stifle the extent to which it delivers all that it could.

In communities with low capacity - or little community 'infrastructure' - it may yet be appropriate for smaller funds, or tranches of funding, to be administered in some way through for example the community council, but a better idea to bring in some outside support for the administration of any larger amounts of funding.

##### **b) Using a third party service provider**

In some cases, either the community body governing the Fund or the renewable energy business may look to contract an external party to hold and administer the Fund. Third party administration may be preferred where communities lack both the detailed knowledge and resources required to confidently and effectively administer the Fund themselves especially where the volume of fund activity (funding proposals and awards) is likely to be significant. However, communities need to be assured that any third party service is responsive, accountable, efficient and cost effective, and that decision making over fund disbursement will indeed remain with the locally appointed decision making group. Check also that they have the right skills and expertise in place (see section 5.2 above).

Third parties can often provide helpful, objective advice and guidance and may be seen as a neutral broker in situations where there are local conflicts of interest or opinion. Some organisations go beyond a conventional 'administrator' role by also providing developmental support to the Fund decision making group, a level of guidance and advice to applicants (where other local agencies are not able to provide this), and independent assessment of proposals.

Third party support can also help lay the foundations for more localised and community-led administration arrangements at a future date. An external fund administrator that also has a good grasp of community development practice can assist those communities with an ambition to administer their own fund but who need to develop the skills and processes to do so, imparting knowledge and coaching them accordingly.

If holding the funds, the third party should ring-fence these on their accounts ensuring they are - and will remain - for the specific benefit of the community / area of benefit in question and can only be used for the 'permitted purposes' agreed with the donor of the funds. Check that the funds could not be used to settle any of its debts or liabilities should the administering body go into liquidation.

Any third party will need paid for their services, in line with the amount of administration work involved. It may be that the renewable energy business is willing to pay for this, over and above the value of fund payments. Check whether this is the case. Otherwise, it is likely that the third party services will need to be paid for from the Fund itself.

The most appropriate way to select any third party administrator is likely to be by putting the contract for this service out to tender. This is almost certainly going to be the case where large funds are involved. An open and transparent selection process is not only fair (if there are local organisations that may wish to take on this role then this will likely be a consideration) but should also ensure the service required is provided at the best price (value for money). Including a review point or breakpoint clause in the contract is recommended to ensure services are being delivered as expected.

It can be difficult to know how much to expect a third party to charge for these services, but this process will help to establish the 'ballpark' – i.e. what might represent a high or low cost. Remember however that it is important ensure the tenders are competitive – that like-for-like services are being compared.

Those that may provide the administration (and governance) of community funds include local authorities, freelance consultants, and specialist independent trusts and foundations. Choose one with sufficient experience in both managing the money and working with community groups. The [CARES Framework of Contractors in Community Engagement](#) provides a list of vetted third parties offering these types of services.

### **c) Renewable energy business**

The renewable energy business may wish to administer the Fund directly themselves, and this is the case with regard to several large renewables developers. If so, it is worth exploring how this arrangement will work and in particular the interface with the local group that is to make decisions over fund spend. Will the renewable energy business be employing staff to administer the Fund? What information will be provided to the group to enable them to make decisions or recommendations on funding proposals? Will the renewable energy business have any kind of veto?

It is also worth finding out about their overall ethos and their approach to community development work. Have they administered community funds before? If so, it may be worthwhile approaching the communities involved to ask about their experiences of working with the renewable energy business in question.

## Appendix A: Fund arrangements – typologies

	Community Benefit Arrangement	Key features	Examples
	<b>Single Fund</b>		
1a	Single Fund – Single community – Single governance structure.	Single community in receipt of a single Fund, operating via a single structure.	<a href="#">Stroupster Community Panel</a> – third part arrangement with advisory Panel. Read the case study <a href="#">here</a> .
1b	Single Fund – Multiple communities but shared governance structure.	Multiple communities within the Area of Benefit for a single fund, working together via a single structure.	<a href="#">Annandale &amp; Nithsdale Community Benefit Company</a> – community company with third party support. Read the case study <a href="#">here</a> . <a href="#">Kilbrauer Wind Farm Community Benefit Trust</a> – community company with local authority support <a href="#">SSE Clyde (D&amp;G) Community Panel</a> - third part arrangement with advisory Panel
1c	Single Fund – Multiple communities – each with their own governance arrangement.	Each community has autonomous decision making over a portion of the Fund. The entire Fund may be split per community, or just some of it, with the remainder being managed via model 1b (e.g. where there is an area-wide education fund).	<a href="#">Braes of Doune Windfarm Community Fund</a> – community company with advisory Panel <a href="#">Westfield Community Fund</a> – third party arrangement with separate advisory Panels for each of three communities.
	<b>Multiple Funds</b>		
2a	Multiple Funds – Single Community - Single governance structure.	Single community in receipt of multiple funds, from same or multiple renewable energy businesses, wanting to govern these via a single structure.	<a href="#">Carsphairn Renewable Energy Fund Ltd.</a> – community company. CARES case study available <a href="#">here</a> . <a href="#">Stratherrick &amp; Foyers Community Trust</a> – community company <a href="#">Old Luce Community Fund</a> – third part arrangement with advisory Panel. Read the case study <a href="#">here</a> .

2b	Multiple Funds – Multiple communities – single decision making body.	Multiple communities in receipt of multiple funds, from same or multiple renewable energy businesses. Decision making group has representation from each community.	<a href="#">SSE Achany</a> & <a href="#">EON Rosehall</a> Community Funds Panel – advisory Panel with both third party and renewable energy business arrangements.
2c	Multiple Funds – Multiple communities – multiple decision making bodies.	Multiple communities in receipt of multiple funds, from same or multiple renewable energy businesses. Various decision making arrangements in place dependent on historical fund set-up.	<a href="#">EDF Burnfoot Cluster</a> – three wind farms providing funding for the same (large) area of benefit, with different governance arrangements including one Panel serving four communities and other bespoke arrangements for three further communities.  <a href="#">Cockburnspath &amp; Cove Community Council</a> – a community council involved in governance and/or administration of that community’s portion of various funds linked to wind farms.  <a href="#">Strathnairn Community Benefit Fund Ltd.</a> – a community company governing Strathnairn’s portion of funds from three wind farms and one hydro-power scheme, with third party support.

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