

## COMMUNITY BENEFIT GUIDANCE FOR CARES APPLICANTS

**This guidance note is intended for the following applicants to the Scottish Government's CARES Loan:**

- National or regional organisations which are non-profit distributing, typically charitable bodies including housing associations and educational institutions
- Farmers, land managers, rural SMEs and profit-distributing cooperatives.

*Local Energy Scotland, October 2013*

## Context:

Any loan offer made is conditional on the establishment of a binding legal agreement for community benefit from the renewable energy scheme to be agreed between the loan holder and a local community group. The payments begin when the project becomes operational and should last for a period of 20 years and is enforceable on successors in title. The community benefit payment must be equivalent to a *minimum* of £10,000 per MW of installed capacity on an annual basis. Joint Venture applicants must offer a minimum of £10K/MW/annum community benefit (unless there is deemed to be a significant % of local community ownership within the Joint Venture Vehicle). The Community Benefit Agreement has to be finalised prior to loan repayment and evidence and updates on progress will be required for any loan drawdown. Community benefit agreements still apply where applicants are offered a loan without a write off facility. Please note that you may apply for legal and community consultation costs as part of your CARES Loan.

## This note sets out guidance on the following:

1. What is required for the CARES Loan application?
2. Ongoing requirements if your CARES Loan is approved
3. Support available to community benefit recipients

### 1. What is required for the CARES Loan application?

When applying to the CARES Loan fund you will be required to provide information on the following:

**Community Consultation:** *What has been done to define and engage with the community to let them know about your development and community benefit plans?*

You must contact the community council and other relevant local groups whose area is within the development site and/or where the communities they represent are impacted by the development, e.g. in terms of landscape impact or in terms of disruption caused by construction activity and traffic.

You should discuss the nature of your project with the community, providing information on the project such as map of area and information on the proposed community benefit.

You will be required to provide evidence with your application that you have made steps to contact relevant community groups regarding the proposed details of the development and community benefit payments, including any written correspondence, minutes of meetings that you have attended, information leaflets that you have circulated. Please also provide a map to show the location of consulted communities in relation to the development.

At this stage it is not mandatory to provide a formal letter of support for the development from a community group, although your application will be strengthened by the demonstration of local community support for your project. Community Councils have a part in the planning process as statutory consultees and therefore may not wish to provide letters of support at this stage.

Your local CARES Development Officer, local regional council, Development Trust Association Scotland or Scottish Council for Voluntary Organisations may be able to provide you with details of relevant organisations within this boundary.

**Beneficiary Community Organisation:** *Following community consultation, which local, non profit distributing community organisation is likely to manage funds from the proposed renewable energy generation project and why? Please supply details of the organisation and main contact names.*

It is not mandatory to provide a letter from the beneficiary organisation stating that they are willing to be the recipient of the community benefit fund although this will strengthen your application to the CARES Loan fund.

For a projected Community Benefit Fund of up to £10,000 per annum, it is possible that the payment may be made to an existing constituted non-profit community body, for example, a community association, hall committee or playing fields group. However for larger payments, the payments must be made to an incorporated, non-profit-distributing community body, for example, a local development trust, which operates across a geographically defined community.

If there are no appropriate eligible groups already in existence, you should use the community consultation period to discuss plans with the community on the intention of creating a new group.

Where a community remote from the site is named as community benefit recipient, the applicant must provide evidence that those community groups in close proximity to the proposed development are engaged with the process.

For all scales of projects, an eligible beneficiary group will:

- Operate under an open and voluntary membership policy
- Operate for the benefit of all individuals within the defined area.
- Have provisions for transparency in all its business and discussions
- Be democratic on the basis of one member, one vote
- Hold elections for positions on its Board or committee
- Hold an Annual General Meeting at which accounts and activity reports will be presented for members' approval
- Have a clause to state that in the event of the group ceasing to exist, any surplus assets will be transferred to another organisation with similar aims and objectives, and not to members.

To confirm eligibility of a group, please contact your local CARES Development Officer, and refer to the constitutional document governing the operation of the group, which should be publically available.

You must acknowledge any potential conflicts of interest with local groups in your Application, and detail any steps that will be taken to mitigate these.

**Community Benefit Fund:** *What has been done by the beneficiary organisation to identify what the income from the renewable energy generation project will be spent on?*

Prior to the submission of your CARES Loan application, you should ask the community for proposals for potential community benefit fund investment. Depending on scale of project and the local context, this may range from a short wish-list of needs in the community to an existing development plan. For larger funds (>£10,000/year) this plan would be expected to develop into a

formal community plan and continue to evolve through regular reviews over the lifetime of the project.

You may wish to signpost the community group to CARES to develop an investment plan, and for general fund management advice.

## **2. Ongoing requirements if loan is approved**

Throughout your loan period you will be required to provide regular updates on project progress to your local CARES Development Officer. When submitting claims for loan drawdown you will be asked to submit evidence on the progress of the community benefit agreement prior to the release of any funds.

### **Formalise understanding with Community Group Beneficiary**

Throughout the project you are encouraged to maintain communication with the community benefit recipient on the progress of your development. On approval of your CARES loan you should take steps to formalise an understanding with the selected community group. This will give both parties comfort going forward. A formalised understanding may take the form of a signed Memorandum of Understanding with the appropriate existing group; or where no eligible group exists, will detail the proposal to form a new group. This understanding should set out the intention to enter into a legally binding agreement with the recipient community, should planning permission be granted. You should outline all agreements which have arisen from the consultation period, i.e. intended parties involved, intended term for the fund, intended management of the fund, and level of fund which will be paid. This is not a legally binding document however the content of this document will provide the basis for the Community Benefit Agreement below.

### **Work towards a Community Benefit Agreement**

In advance of loan repayment, a legally binding agreement must be finalised and signed with the community body. Example documents are available in Appendix 1 and 2, which should only be used as guides; both you and the community group should seek independent legal advice before signing the agreement.

### **Registering your development on the Scottish Government Register of Community Benefits from Renewables**

Once your renewable energy project is installed and generating, and following the first community benefit payment the project must be submitted to the Scottish Government Register of Community Benefits from Renewables. This must be completed by you, the CARES loan holder and the recipient Community Beneficiary organisation, via the online form.

### **3. Support available to Beneficiary Community Organisation**

CARES can assist organisations to establish the correct governance to manage an ongoing funding stream coming into the community and to set up structures to give accountability, transparency to use the funds in the future. CARES Development Officers are also available to explain the CARES process to community groups.

For funds over £10,000 beneficiary communities are expected to build on the initial wish-list submitted at application stage to create a specific investment plan for the investment of community benefit funds in the community. Once in place, it is recommended that the plan be reviewed regularly, e.g. every 3-5 years to evaluate project spend and reassess community need.

Community group recipients may be eligible for support to develop their investment plans through the CARES Development Officer. This could include access to funding to consult their community on the proposals for fund distribution. Online advice is also freely available to communities through the Community Benefit Guidance Package, which offers support from initial consultation through to fund spend