SCOTTISH GOVERNMENT
GOOD PRACTICE PRINCIPLES
for
SHARED OWNERSHIP OF ONSHORE RENEWABLE ENERGY DEVELOPMENTS
PREFACE

As an annex to the Community Benefit Good Practice Principles for Onshore Renewable Energy Developments, all principles in the original document should be followed. The Community Benefit Good Practice Principles can be found at www.localenergyscotland.org/goodpractice.

The information in this document or contained in any document or source referred to in this document should not be considered as and shall not constitute an investment recommendation or legal, financial, investment or taxation advice by Scottish Ministers or their respective advisors, consultants or agents to any person.

CARES support and advice as referenced throughout this document is available from Local Energy Scotland via www.localenergyscotland.org and 0808 808 2288.

Supplementary guidance for the delivery of shared ownership projects is available at www.localenergyscotland.org/sharedownershipgoodpractice
1 MINISTERIAL FOREWORD

Renewable energy is a sector of which Scotland should be extremely proud and is now a major and reliable contributor to the sustainable energy mix of our country.

Although uncertainty faces parts of the industry in 2015, Scotland has a combination of rich natural resources and a resilient commitment to a green future which we believe will translate to continued deployment of renewable energy technologies. The Scottish Government is committed to supporting renewable energy, and in particular the evolving field of shared ownership.

Considerable work by the industry and community sector has seen advances in terms of community participation in renewable energy, and there are now a variety of ways in which local people can engage. The Scottish Government believes shared ownership projects offer Scotland the opportunity for improved community empowerment, a leading and respected renewable energy industry, and increased local economic and social benefits. Such projects can have mutual benefits for both local people and commercial developers, where the community is involved as a partner rather than a passive recipient of funds.

The 2014 One Scotland Programme for Government\(^1\) outlined our commitment to securing the co-operation of energy developers to offer a stake in developments to communities as a matter of course. We believe shared ownership should become the standard, and are committed to working with industry, community groups and other stakeholders to ensure this becomes a reality. The good practice principles outlined in this document are supported by further guidance and practical support to help stakeholders realise opportunities. We therefore expect to monitor progress not just against engagement and offers made, but against take-up. Community groups and developers involved in shared ownership projects will have a joint responsibility to share successes and lessons learnt in relation to that progress.

The renewable energy industry is a central part of a long-term vision for Scotland’s future. The Scottish Government is committed to ensuring that local people and communities remain actively involved in the renewable energy industry as it evolves, and believes that successful renewable energy projects will be those which treat communities as active and positive partners.

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Moving forward, there will be scope for community involvement in repowering of existing onshore wind sites. The potential to repower sites represents an opportunity for Scotland to continue to work towards our renewable energy targets through maximising site availability and enhancing cost competitiveness and thereby to maintain investment levels at a time of decreasing subsidies. We aim to produce further guidance as the repowering industry develops, but encourage consideration of shared ownership in any early repowering plans. **We expect that shared ownership of repowered sites will be the norm.**

We also expect to see engagement for all scales of development above microgeneration – not just the larger sites – as this is an opportunity to embed energy partnerships in schemes on our farms and estates and add value to their local communities.

This document is intended to be a valuable tool for developers, community members and groups, local authorities and other stakeholders involved in development of renewable energy. Supporting materials are available through Local Energy Scotland and which will be adapted and developed as the industry matures. This document will also be reviewed and revised to ensure relevance and accuracy.

**In short, we want to see significant implementation of shared ownership arrangements in Scotland, putting energy into the hands of local communities.**

Fergus Ewing
Scottish Government hopes to see communities and the renewable industry working together as the sector evolves – all stakeholders stand to benefit from greater partnership working in bringing forward renewable energy projects.

This document outlines the Scottish Government’s expectations for commercial developers and other stakeholders in delivering shared ownership projects. Additionally, much of the information in this document is intended to be constructive guidance, which if followed, will help to deliver a successful shared ownership scheme.

Flexibility remains a key component of this emerging industry, and creativity and innovation are to be encouraged where genuine mutual added value is foreseen.

Renewable energy developments in Scotland offer a range of benefits to Scotland’s people and communities. The industry now represents an important and vibrant contribution to Scotland’s employment, with over 11,000 direct jobs in the renewables industry, and considerably more active in the supply chain. Each renewable energy installation offers employment and investment opportunities for Scotland’s local contractors, environmental consultancies and a whole host of other stakeholders.

Climate change continues to pose a threat to rural areas and communities, and as energy demand increases, the need for a secure, stable and mixed energy supply has become crucial. Since the creation of our national grid in the early 20th century, technology, society and policy have changed considerably, and there are new and exciting opportunities for local involvement in the current move towards a decentralised, stable energy system.

Some community groups may be most comfortable receiving traditional community benefit payments such as £5,000/MW, however an additional opportunity is available through shared ownership to empower communities to become actively involved in our national energy supply and use.

In line with the Scottish Government’s Community Energy Policy Statement, this document aims to empower local people across Scotland to benefit from Scotland’s rich natural resources. While it is hoped that local groups will gain financially from such projects, consumer protection remains a key focus of Scottish Government policy. Security of energy supply and reduction of fuel poverty continue to be national and international issues, and renewable energy is expected to be a fundamental component of any affordable, sustainable energy future. Sharing the risks and rewards of renewable energy projects can help to contribute to a participatory, progressive and clean energy future.
The Scottish Government understands ‘shared ownership’ to refer to any structure which involves a community group as a meaningful financial partner in a renewable energy project.

The Scottish Government wishes to see renewable energy projects making an offer of shared ownership as standard. If the principles and guidance in this document are followed, along with other relevant supporting material, it is expected that many of these offers will successfully develop into uptake and delivery of a shared ownership project. It is recognised that this will not always be workable, but the direction of travel should be towards a collaborative industry.

Evaluation of the market will be encouraged through knowledge-sharing platforms. Community groups and developers involved in successful shared ownership projects will have a joint responsibility to share lessons learnt from the process through the Scottish Government Community Benefit Register, the Local Energy Scotland Community and Locally Owned Projects map, and completion of a case study as appropriate. Project-specific details surrounding developers’ costings and models are not required to be shared unless all parties are content to do so. Contact should be made with Local Energy Scotland to provide and publish relevant information.
3 RATIONALE FOR SHARED OWNERSHIP

Increased levels of local ownership are encouraged as good practice. Shared ownership projects are supported for a number of reasons, and there may often be further site-specific reasons for engaging on a project:

- Including an element of shared ownership will actively involve local people in the project and build relationships, creating greater positive public feeling and support for the project. Including a community group as a project partner can also strengthen the project due to the local knowledge available².

- Shared ownership projects can build capacity and empower community members, and give control or input into local energy generation.

- Including an element of shared ownership can be reflected in a planning application through indirect economic and social impacts (see Section 5 - "Shared Ownership and the Planning System"). Local involvement can also lead to a faster journey through the planning process³.

- Shared ownership offers an opportunity to strengthen relationships between developers and communities, and to further improve trust and reputation of the renewables industry⁴.

- To progress towards Scotland’s ambitious targets for community and locally owned renewable energy.

- Private organisations may wish to consider shared ownership as a potential opportunity to strengthen corporate social responsibility.

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3. ibid

4. ibid
4 Overview of Principles

While stakeholders should be flexible in approaching shared ownership projects, there are a number of principles which should be respected. Shared ownership projects are based on building successful working relationships and the following principles aim to encourage an environment of trust.

The level/structure of investment should be tailored for each project and should take a range of factors into account, such as the costs involved with establishing the arrangement, the community’s appetite for risk, capacity to deliver the project, and ability to raise the necessary finance. Flexibility is therefore fundamental to the success of shared ownership projects, and there are currently no standardised financial or legal structures which must be used. However, when designing and developing a shared ownership model, the following themes should be incorporated:

1. **Consistent delivery of shared ownership** for renewable energy projects.
   - The Scottish Government would like to see shared ownership projects being considered, explored and delivered as standard on renewable energy projects moving forward.

2. **Flexibility** incorporated by all parties.
   - As with any working relationship, it is important that stakeholders (both community and developer) approach discussions openly and are amenable to compromise.
   - It is important that developers and communities take time to consider a range of structures, and select a model and timeframe which is appropriate to the project and resources available. See Section 6 for more details.
   - Developers should be transparent regarding any corporate restrictions in activity which may limit flexibility.

3. **Increased mutual understanding and engagement** in the development itself, renewable energy and the local area.
   - Shared ownership should engage and motivate people, providing an opportunity to educate and involve local people in the renewable energy industry.
   - Shared ownership should present an opportunity for the developer to gain a further dimension to their understanding of local needs and opinions.

4. **Commercially viable** for both/all partners.
   - Projects should strive to minimise additional costs, and where possible should be no more costly than without a shared ownership element.
   - It is recognised that additional costs can be incurred in delivering a successful shared ownership project, for example communities may contribute volunteer resource, and developers may need to seek early professional advice.
   - CARES financial support is available for communities and rural businesses to assist with early stage costs.
   - Developers are not expected to subsidise communities’ costs to finalise arrangements and financing, but in the spirit of partnership are encouraged to share information, technical due diligence reports and models with communities.
• Communities may be able to support developments financially through early investment at pre-planning development stages.
• Efforts can be taken where possible to share costs such as technical or legal fees. Support to achieve this can be accessed through CARES.
• Where a project has reasonably explored relevant approaches and structures (as listed in this document), and does not appear commercially viable for one or more party, a shared ownership arrangement may not be pursued.

5. **Inclusive**, to involve all relevant stakeholders.
• Ensure that community members who cannot afford to contribute financially can still engage in the project and receive wider benefit.
• Do not cherry pick communities – geographically neighbouring groups should be given first option to be involved. The offer may be expanded geographically if necessary.
• Opportunities should be made available offline, adhering to regulatory guidelines ([www.localenergyscotland.org/sharedownershipgoodpractice](http://www.localenergyscotland.org/sharedownershipgoodpractice)) and to Section 7 of the Good Practice Principles for Community Benefits (at [www.localenergyscotland.org/goodpractice](http://www.localenergyscotland.org/goodpractice)) and, where appropriate, online via the CARES Partnership Portal ([www.localenergyscotland.org/partnershipportal](http://www.localenergyscotland.org/partnershipportal)).

6. **Distinct from community benefit funds.**
• Shared ownership should be considered separately from community benefit funds, which should be delivered in line with Good Practice as is industry standard.
• Communities should be given the opportunity to roll community benefit funds into debt or equity investments where possible.

7. **Timing** should be reasonable and workable for all parties (see Section 7).
• Support from the Scottish Government is available through CARES to accelerate shared ownership projects (see Section 9).
• Developers should engage and commence dialogue early to give community groups as much time to act as possible.
• Expected processes and timescales are explored in supporting guidance. ([www.localenergyscotland.org/sharedownershipgoodpractice](http://www.localenergyscotland.org/sharedownershipgoodpractice))

8. **Transparent** communications, particularly cost transparency.
• All processes should be explained and discussed clearly and openly at an early stage.
• All discussions and agreements should be noted in public minutes where appropriate and an agreement signed when possible.
• Communities should recognise that developers may be restricted by commercial sensitivities and regulatory limitations in the information which can be disclosed but developers are encouraged to act openly and share information, technical due diligence reports and models with communities.

9. **Liability** should be minimised.
• Communities and developers should seek professional advice to manage any liability risks.

10. **Knowledge sharing**, whether of successes or lessons learnt.
• The Scottish Government requests that those involved in shared ownership projects endeavour to share experiences where possible and where not in conflict with commercial interest.
Applicability

Following publication of this document, developers are encouraged to explore shared ownership opportunities on all pre-application renewable energy projects above 50kW.

Although the Scottish Government recognises that site-specific factors and financial models may affect individual projects, small-scale projects are still encouraged to explore shared ownership. Local landowners and rural businesses are expected to consider these principles, as well as commercial developers.

Capacity Building

Most community groups will be reliant upon volunteer resource. Developing a shared ownership proposal can take a considerable amount of time for both parties, and support will be required to ensure that a reasonable and workable solution is identified.

CARES start-up grants can be used to provide additional capacity in community groups at an early stage. Developers may wish to support early stage development through sharing resources where practical.

Expectations upon communities:

- Communities are composed of independent and complex individuals and groups, and all individuals may not wish to engage or support a proposal in the same way. The “community” is understood to include this range of views and opinions. The “community group” is used to refer to an organisation or entity which is actively engaged in discussions with a developer and exploring the opportunity for investment.
- Communities are not obliged to accept an offer of shared ownership, but are encouraged to consider and explore any opportunities.
- Community groups are expected to take advice from a person authorised to give investment advice at an early stage.
- There may be several community groups interested in a single project – where possible, a single community entity should be utilised or created. Following initial discussions with a developer, community groups are encouraged to agree a single representative point of contact. This may be difficult where there are widely varied views in a community and in this situation a CARES start-up grant may be used to facilitate discussions.
- The community group should work towards appointing a project manager once the premise of shared ownership is agreed in principle. Subsequently community groups should adhere to reasonable timescales. Project managers should work to progress discussions in a timeframe that is suitable for both the community group and developer. Financial support for appointing a community project manager can be accessed through CARES.
- Any commercially sensitive information given to communities by developers should be treated as such, and should not be publicised on any public platforms.
Expectations upon developers:

- Offers made to communities should be reasonable and workable for the community group to accept. This means that the timescale, structure and financial proposal should be realistic and commercially viable for the community group.
- A consistent contact within the developer’s organisation should be provided, with contact details.
- Discussions should be opened at an early stage in the project development. If the shared ownership model requires post-planning investment, this should be clearly explained to the community at the earliest possible stage.
- There are three main shared ownership structures (explained in Section 6), although inevitably other structures may develop. Developers are encouraged to be flexible in their offerings.
- Timescales should be reasonable, while respecting commercial and/or regulatory restrictions and community groups should be given adequate time to consider and evaluate any potential offer (explored in Section 7).
- Opportunities are additional to community benefit provisions where appropriate. Community benefits should be provided in line with Scottish Government Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments. It should be made clear if local communities can convert any existing or forthcoming community benefit payments into a carried equity stake where the recipient groups is also the proposed partner community group.

Expectations upon local authorities:

- Local authorities may wish to engage on discussions with developers and/or communities and should look to facilitate and support shared ownership projects on a case-by-case basis.
- Local authorities should look to support with identification of appropriate communities and relevant contacts.
- Where local authorities are resource-restrained, it is helpful to publically provide general information detailing the authority’s intended level of involvement and opportunities for support.
5 SHARED OWNERSHIP AND THE PLANNING SYSTEM

Renewable energy projects are assessed against development plan policies and on their individual merits, taking into consideration the relevant environmental, economic and social effects of each project. Shared ownership projects offer the opportunity to engage meaningfully with communities and to consider from an early stage how any income resulting from a shared ownership arrangement could be used to best effect in the area. Where such discussions have been conducted, developers may wish to reflect this in a planning application. Developers must not request community support for (or indeed no objection to) the application as a condition of offering shared ownership.

National Planning Framework 3 states that local and community ownership and small-scale generation can have a lasting impact on rural Scotland, building business and community resilience and providing alternative sources of income. Collectively, the potential benefits of community energy projects are nationally significant. Shared ownership projects may generate positive social and economic impacts as they are likely to build capacity and generate income locally.

Paragraph 169 of Scottish Planning Policy sets out development management considerations for proposals for energy infrastructure developments, including wind energy. It notes that relevant factors will vary relative to the scale of the proposal and area characteristics but are likely to include, among other things:

- Net economic impact, including local and community socio-economic benefits such as employment, associated business and supply chain opportunities.

Net economic benefit (SPP paragraph 29) is a material planning consideration. Where a community group is involved in the project from an early stage, and will receive long term socio-economic benefits over the lifetime of the project, the developer may wish to include the expected net economic benefits in a planning application.

Where resulting benefit to a local community is quantifiable, this can be presented in a planning application. This benefit is often focused on income and/or jobs and may be set out in material supporting a planning application. Where developers are exploring a shared ownership opportunity but have not identified an appropriate partner group, the intention for shared ownership can be outlined in a planning application but will not be considered to be as strong as those with an identified and committed partner.

It is acknowledged that projects which do not offer a shared ownership opportunity may still be important to the economic growth, jobs, environment (climate change mitigation) and renewable energy ambitions.
EXAMPLE:

A community group is engaged with a developer regarding a large-scale windfarm. During initial pre-planning discussions, the developer has offered the opportunity for the community to invest 10% of the project costs, and own 10% of the project vehicle in a joint venture. A named community group is committed to exploring the offer, and if successful, the ensuing net profits to the community will be used to a long-term community-led regeneration strategy, including the creation of one full-time development officer to focus on improving employment, social, learning and care opportunities in the area.

The developer presents this information in a planning application and this is considered to strengthen an application which is otherwise in line with local development plan and Scottish Government planning policy.

Developers must not request community support for (or indeed no objection to) the application as a condition of offering shared ownership.

What does this mean for communities?

If certain groups or individuals in a community decide to progress discussions regarding shared ownership, it is strongly recommended that a community group is set up specifically for this purpose and that relevant professional advice is obtained.

There is no requirement for such a group or individuals within it to support the associated project through the planning process.

Scottish Government recognises that communities are composed of diverse groups and that consensus will be extremely difficult to achieve. Local Energy Scotland can provide advice to communities with concerns regarding setting up a community group to participate in shared ownership projects.
What does this mean for developers?

By creating a clear link between shared ownership and the resulting socio-economic impacts which are a material consideration, projects may benefit from the emphasis on community participation, compared to a project of similar environmental impact. Developers should see this as an opportunity to engage meaningfully with communities, and should encourage the development of a detailed community action or investment plan. Developers should provide evidence of their commitment to delivering shared ownership as detailed within their planning application, providing a fair opportunity in line with these good practice principles.

What does this mean for planning authorities?

Renewable energy projects may generate social and economic benefits – the detail below considers the additional contribution to net economic benefit through inclusion of a shared ownership opportunity.

Where local benefits are proposed through a shared ownership opportunity and there is an intention to secure a partner organisation, this may be taken into account.

Where a planning application provides evidence of the following points, there will be greater certainty that the expected benefits to the economy from the proposed shared ownership arrangement will be delivered.

- Well-progressed shared ownership opportunity
- Identified partner organisation
- Quantified and evidenced local benefits including:
  - Defined income to community for lifetime of the project
  - Community plans and projects in place to deliver local objectives using long-term revenue.
Including an element of shared ownership in a renewable energy project should not reduce the economic viability of the project. Rather, with a suitable structure, shared ownership offers the potential to involve communities as a valuable financial partner. Care should be taken to ensure that the structure of shared ownership works for both the developer and the community.

This document is not intended to provide project-specific solutions, but rather to provide starting points for discussion. It is vital that professional financial advice is sought by community organisations at the earliest possible stage. The following guidance lists some of the common options available to communities and developers, but the field is flexible, and site-specific arrangements are to be encouraged.

There are three options for who will ultimately own the project:

1. A joint venture vehicle can be set up, which will be part owned by both community group and developer. This may be referred to as a Special Purpose Vehicle (SPV). The community group will have the right to vote on the company’s activities.
   - This is known as the ‘joint venture’ model.

2. The developer owns the development (and may set up a new private company for this purpose), with the community buying the right to a defined percentage of revenues or net revenues (after operating costs and other costs have been paid). The community does not own any shares, so is not able to vote on the company’s activities.
   - This is known as the ‘shared revenue’ model.

3. The development is split into two and is owned discretely by the developer and the community group.
   - This is known as the ‘split ownership’ model.

**Option 1, project owned by joint venture vehicle (joint venture)**

Option 1 is a joint venture vehicle, which generally requires early involvement from communities. The community group and developer will both be shareholders or members (as appropriate) in the vehicle and will both have voting rights. The offer can be one of two main forms:

A. Each party is responsible for raising its percentage of total project costs. For example, if the project cost is £20 million and the community group is buying 10% of the shares it will need to raise £2 million from various sources.

B. The Joint Venture secures debt finance for part of the project cost, with each party then contributing a smaller equity investment. Using the same example, if the project cost is £20 million and a bank lends £14 million to the project, then the community would need to raise £600k for its equity share, and the developer £5.4 million for its equity share.

The community may contribute financially to the development phase. A CARES loan can be used for this purpose.
Partners may or may not have equal voting rights in the joint venture vehicle – this will depend on the structure of the joint venture vehicle. Joint venture vehicles are generally set up as a private limited company, or a limited liability partnership (LLP). Further information on the detail of these options and how developers can deliver a joint venture project is available in supporting material (www.localenergyscotland.org/sharedownershipgoodpractice).

**Funding this model:**

The community group may have difficulty raising money from commercial banks for their contribution, as commercial banks will worry about control should the project not perform as well as expected, and detailed ‘intercreditor’ arrangements between lenders will be required. The options for funding should be discussed by partners at the earliest possible stage.

Nevertheless, even if communities have difficulties securing commercial debt they may still be able to secure finance from soft loans (such as junior loans where the lender agrees to be junior to the lender used by the developer), community share offers, or crowdfunding sites.

**Option 2, project owned by developer (shared revenue)**

In Option 2, the developer owns the project and the community group ‘buys’ a revenue stream.

In this context the community group is not a shareholder of the project. They have a financial stake and a share of the revenue (or revenue minus operating costs); however the community enterprise does not own a physical asset.

**Funding this model**

Currently, it can be difficult for the community group to secure commercial bank finance for their share of the revenue, as the community group does not own any assets, and does not have any voting rights.

Suggestions for solutions include:

- Soft loans (e.g. Scottish Government funding), community share offers or crowd-funding may be available.
- A guarantee might be offered over the revenue stream (or a percentage of the revenue stream) by the developer. If the guarantee is given by a company with a strong credit rating and strong balance sheet, a bank may be prepared to lend to the community group.
- For part of the community investment, a commercial bank may be prepared to lend money directly to the project, rather than to the company, therefore taking security over assets. However, as with Option 1, it will depend on whether arrangements between other lenders and financiers can be resolved.
Option 3, separate ownership (split ownership)

Thirdly is an option where a scheme is divided into two or more separate generating units, each of which can then produce energy for the benefit of an identified owner. The community group will therefore own defined wind turbines or defined solar panels, and the commercial entity will own any other defined renewable energy assets etc. Very often grid connections will be shared, and agreements made for there to be one maintenance company.

Funding this model:

As there are two separate projects, these projects can be easier to secure commercial bank finance if the bank is able to become comfortable with:

- How any warranties on the equipment are passed down to the community group, and;
- Any other arrangements to share maintenance costs, grid connection costs and any other shared costs.

Where the above options are not possible, there are further options whereby the ownership of the project changes at a point in time, such as:

- The commercial developer builds a project and subsequently sells the entire development to a community.
- The community acting as a developer and developing the project to receipt of planning permission, financial close or commissioning, and selling it at market value to a commercial developer or other organisation.

With whichever structure is chosen, communities may be asked to contribute financially at different stages of a project’s evolution, for example at project inception, after planning permission is granted, at financial close when all the documents with financiers for the project are signed and construction commences, or even once the project is operational. The terms offered by commercial developers may differ depending on the stage at which money is required and the value of the project as it progresses through the different stages to completion.

In some cases, in addition to financial advice, a community group may wish to appoint a technical advisor to scrutinise an offer from a developer and conduct a valuation of the development.

Flexibility is fundamental to the success of shared ownership projects, and efforts should be taken to ensure that additional costs are minimised. **While no single model is preferred by Scottish Government, an open discussion of the various available possibilities, challenges and benefits is strongly encouraged.**

CARES support is available to community groups to assess possible options and a CARES pre-planning loan can be used to de-risk this early stage of the process (see Section 9).

Guidance and resources have been developed to support these discussions. (www.localenergyscotland.org/sharedownershipgoodpractice)
7 TIMING OF SHARED OWNERSHIP MODEL

Early engagement is fundamental to the success of a shared ownership project and therefore developers are encouraged to begin communication with communities at the earliest reasonable point. All points should be noted in public meeting minutes where possible and circulated, and a signed agreement is recommended once an initial arrangement has been agreed upon provided always that the community has obtained independent advice.

The opportunity to explain the options regarding shared ownership should be raised as early as possible, likely to be the point at which the project is launched publically.

It is usually appropriate to hold an initial early educational and introductory meeting on the possibility for shared ownership, keeping discussions at a high level. Stakeholders should recognise that where a joint venture (private limited company) is being considered, there are legislative restrictions on the detail of early discussions. See supporting guidance on regulatory compliance at www.localenergycotland.org/sharedownershipgoodpractice for more details.

At the earliest reasonable point, developers should support communities to allow them to make contact with Local Energy Scotland, which manages the Scottish Government’s Community and Renewable Energy Scheme (CARES) and will help them to appoint relevant professional advice. Support structures are in place to streamline this process.

At this point, support can also be given to establish an appropriate community vehicle to progress discussions.

Some investment opportunities may be available to communities pre-planning, while others may enable the community to invest later in the development process.

Following advice, if the community intends to invest post-planning, an agreement of intent should be signed in advance of submission of a planning application where appropriate. Clear and transparent public meeting minutes may suffice where both parties are content.
What does this mean for communities?

While developers are encouraged to engage early, it should be recognised that the early stages of a project can be very risky and uncertain in project development terms. The developer may not be able to release information on expected returns, or may not have finalised the project design. Much of this information may be commercially sensitive. As a community, it is important to understand these potential sensitivities, and to have open discussions with the developer to understand what their timescales might be moving forward, and when more information can be expected.

Given the current climate of the renewable energy industry, it is recognised that there may be uncertainty surrounding the development and financing of individual projects. Community groups should realise that accurate early predictions may not always be possible for projects, and acknowledge that even for projects at an advanced stage of development predictions are not guarantees.

The Local Energy Investment Fund (LEIF)

LEIF was set up by the Scottish Government as a one year pilot in financial year 15/16 as a flexible financial support mechanism, delivered by the Scottish Investment Bank (SIB). LEIF can be used to support shared ownership and overcome site-specific issues. Contact SIB to find out more.

Find out more by contacting Scottish Investment Bank on 0845 607 8787.
Fundamental to the success of shared ownership opportunities is strong working relationships. Developers and communities should look to work together in partnership to maximise mutual benefit.

It can be difficult to understand the complexities of shared ownership projects. It is therefore vital that developers engage early with communities, to allow groups time to access professional support and advice. Marketing material is available on request from Local Energy Scotland for developers to disseminate to community groups.

Where offline engagement has not identified a suitable local group, the Local Energy Scotland Partnership Portal should be used to promote opportunities to potential partners.

Opportunities should be promoted in line with the Terms of Use for the Partnership Portal and Scottish Government Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments. These documents are available at [www.localenergyscotland.org/partnershipportal](http://www.localenergyscotland.org/partnershipportal) and [www.localenergyscotland.org/goodpractice](http://www.localenergyscotland.org/goodpractice) respectively.

Excellent community governance and accountability processes for the long-term delivery of the project will be required and should be considered from the outset.

What does this mean for communities?

Communities have a responsibility to engage locally – local networks and promotional avenues should be used to let individuals know and understand the opportunity. It may be appropriate to undertake a community ballot to determine whether the community wish to support the project, and separately, whether to engage on the shared ownership proposal. If a project is progressing, a community plan should be developed to ensure that as income becomes available, it will be spent to reflect the community’s priorities.

What does this mean for local authorities?

Shared ownership opportunities should be greatly supported by local authorities. The opportunities from engaging in such projects should be explained to communities where relevant and appropriate. Local authorities may seek to invite input from Local Energy Scotland if suitable.
The Community and Renewable Energy Scheme (CARES), delivered by Local Energy Scotland:

The following information, material and relevant links are available at www.localenergyscotland.org/sharedownershipsupport:

- **Supplementary Guidance for this document**
  - Regulatory and commercial guidance for developers and additional support and resources for all stakeholders involved in shared ownership projects.

- **The Partnership Portal and The Partnership Portal Terms of Use**
  - The Partnership Portal is a tool to allow communities or developers to publically post information regarding possible shared ownership opportunities. This will also allow communities to partner with other communities in parts of Scotland. Before submitting information, users must follow the Partnership Portal Terms of Use. This aims to ensure that developers offer reasonable and realistic opportunities.

- **Informational Leaflet for developers and communities**
  - This short leaflet informs both developers and communities about the benefits of shared ownership and some suggested starting points.

- **Start-up grant of up to £20,000**
  - This grant is designed to help communities streamline the early stages of the shared ownership process. With a short application form and turnaround time, communities can quickly and easily access funds for initial legal and financial professional advice.

- **Framework contractors**
  - To support communities in appointing professional services, Local Energy Scotland has 3 sets of framework contractors; legal, financial and project management.

- **CARES Pre-planning loan**
  - Up to £150,000 is available for community organisations for development costs in a shared ownership project.

- **Development officer network**
  - Bespoke advice and support is available from the Local Energy Scotland development officer network.

- **CARES Toolkit Community Investor Module**
  - This online module provides information on shared ownership projects and links to further sources of support.
CARES Toolkit Finance Model
- The interactive Finance Model allows community groups to enter details about the proposed project and see potential likely returns. Sometimes, developers will ask communities to make their own offer for investing in the project, i.e. to offer a market value. To do this the community may not know the actual project costs. Therefore, the community will need to use expertise to determine the likely project costs, likely MWh generated, likely revenues achievable and then use a financial model to see what returns may be achieved with different project costs (i.e. different offer prices) to inform its negotiations.

Case studies
- Information on live developments provides inspiration to communities who may be considering undertaking a project.

Renewable Energy Investment Fund (REIF), delivered by the Scottish Investment Bank:
- The REIF team offers a range of financial solutions to facilitate communities’ aspirations to secure stakes in shared ownership projects. REIF works closely with all stakeholders following planning approval to maintain open discussions to smooth the progress of the project through to successful completion. Find out more at http://www.scottish-enterprise.com/services/attract-investment/renewable-energy-investment-fund.

- The Local Energy Investment Fund (LEIF) LEIF was set-up by the Scottish Government as a one year pilot in financial year 15/16 as a flexible financial support mechanism, delivered by the Scottish Investment Bank (SIB). LEIF can be used to support shared ownership and overcome site-specific issues. Contact SIB to find out more. Find out more by contacting Scottish Investment Bank on 0845 607 8787.
CARES

Community And Renewable Energy Scheme, CARES, is delivered by Local Energy Scotland and provides support and advice to community groups. Grant and loan support is available for shared ownership projects. Local Energy Scotland can be contacted at www.localenergyscotland.org.

“Community” and “community group”

Can refer to community of interest or community of place:

- **Community of interest**: A community of people who are bound together because of a shared interest or passion. Members of such a community may engage with one another to share information or ideas around the shared topic.

- **Community of place**: A community of people who are bound together because of where they reside, work, visit or otherwise spend a continuous portion of their time. Such a community can be a neighbourhood, town, work place, gathering place, public space or any other geographically specific place that a number of people share, have in common or visit frequently.

A “community group” may refer to any number of member-led organisation types, and may not always be formally constituted, however to be a partner in a shared ownership project, a community group will have to take on a formal structure. Communities are composed of independent and complex individuals and groups, and all individuals may not wish to engage or support a proposal in the same way. The “community” is understood to include this range of views and opinions. The “community group” is used to refer to an organisation or entity which is actively engaged in discussions with a developer and exploring the opportunity for investment.

**Community Benefit**

“Community Benefit(s)” are voluntary provisions made by commercial developers, usually as a cash payment. See “Community Benefit Good Practice Principles”.

**Community Benefit Good Practice Principles**

The Scottish Government’s Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments, available at localenergyscotland.org/goodpractice, and to which this document is an annex.

**Cost Value**

The price of a development, calculated by the sum of the cost of the resources that went into making it. See also market value. Some developers may consider a ‘cost plus’ model which may combine cost value plus an additional agreed value to compensate the developer.

**Debt finance**

A loan to raise money for investment into a project.
| **Equity** | Investment for ownership of a share or all of the development. |
| **Joint Venture** | A model where the community and developer create an organisation to take forward a project together. The developer may own a larger share of the joint venture company. |
| **LEIF** | Local Energy Investment Fund – a fund which has been piloted under REIF to make early investment in energy projects on behalf of communities, who will then have time and support to consider buying in. |
| **Market Value** | The price of a development, calculated by the value which it could achieve on a given market. For example, once a project has achieved planning permission, its market value will normally be considerably higher than its cost value (see above). |
| **Material Consideration** | A factor which must be considered by the decision maker when assessing a planning application for development. |
| **Memorandum of Understanding** | Document describing an agreement between two or more parties. This document is not legally binding, but indicates an intended common line of action. |
| **Partnership Portal** | An online tool where you can post and browse investment opportunities in community renewable energy projects. Available at [localenergyscotland.org/partnershipportal](http://localenergyscotland.org/partnershipportal). |
| **Post-planning** | Following approval of a planning application. |
| **Pre-planning** | In advance of submission of a planning application to the relevant planning authority. |
| **Project Manager** | In this document, a project manager is understood to be an individual or organisation appointed to coordinate a community group’s role and involvement in a project. |
| **REIF** | Renewable Energy Investment Fund – Scottish Government scheme which provides financial support to community groups looking to invest in a shared ownership project. |
| **Share Offer** | The sale of shares in an enterprise, often used by communities to raise finance for investment in a project. |
| **Shared Ownership** | A renewable energy project which involves a community group as a meaningful financial partner. |
### Glossary (continued)

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td><strong>Shared Revenue</strong></td>
<td>A community group buys the rights to a future virtual revenue stream (or net revenue stream), calculated on the basis of a specified proportion of the development’s output.</td>
</tr>
<tr>
<td><strong>Shareholders’ agreement</strong></td>
<td>A shareholders’ agreement is an agreement amongst the shareholders of a company. The relationships amongst the shareholders, and those between the shareholders and the company, are regulated by these constitutional documents.</td>
</tr>
<tr>
<td><strong>Split Ownership</strong></td>
<td>The assets are split and owned by two separate parties, although some assets (e.g. grid connection) and costs (e.g. maintenance costs) may be shared.</td>
</tr>
<tr>
<td><strong>SPV</strong></td>
<td>Special Purpose Vehicle – a standalone vehicle with no obligations for other companies to bail out the vehicle should it become bankrupt.</td>
</tr>
<tr>
<td><strong>Stakeholder</strong></td>
<td>A person with interest or concern in something.</td>
</tr>
</tbody>
</table>

Further financial definitions are available at [www.localenergyscotland.org/financeglossary](http://www.localenergyscotland.org/financeglossary)
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www.localenergyscotland.org/goodpractice