



Goole Fields II Wind Farm (courtesy of innogy Renewables UK)

Guide to Community Funds Linked to Energy-Related Developments in the East Riding of Yorkshire

FIRST EDITION (2018)



EAST RIDING
OF YORKSHIRE COUNCIL



CONTENTS

FOREWORD	Page 4
1. INTRODUCTION TO COMMUNITY FUNDS.....	Page 5
2. HOW A COMMUNITY FUND IS STRUCTURED	Page 6
3. THE FUND PROCESS	Page 10
4. MONITORING AND REPORTING	Page 12
5. FEEDBACK	Page 14
6. FURTHER INFORMATION ON INDIVIDUAL FUNDS	Page 14
APPENDIX I: FREQUENTLY ASKED QUESTIONS ABOUT FUND CRITERIA	Page 15

FOREWORD

This guide aims to provide a reference document for stakeholders involved in the delivery of community funds linked to energy-related developments, including fund panel members, accountable body officers, developers and members of the public.

The guide contains general information about community funds and does not cover more detailed information specific to individual funds.

This guide has been written by the Rural Policy and Partnerships Team, East Riding of Yorkshire Council and the content reflects how the council administers community funds. Processes and procedures used by other fund administrators may vary.

This guide will be reviewed periodically.

East Riding of Yorkshire has a unique landscape and geology which make it attractive to the multinational companies and partnerships involved in the production and storage of energy.

As a result industries including wind farms, biomass, gas storage, gas receiving facilities, solar farms, coal and wood pellet fired power stations and other energy-related industries have established themselves in the area. Further developments, including Green Port Hull, will continue to make the area a major centre for energy production.

Although Green Port Hull provides employment opportunities through the Siemens Factory and related supply chains, for the most part these industries employ few people in the post-construction period. The development companies recognise this and the impact that the developments can have on local communities.

As a result many companies make a commitment to the local community in line with their corporate and social responsibility policy. These commitments include:

- Sponsorship of a particular body over a number of years e.g. sports team
- Sponsorship of a specific capital project e.g. community hall
- Apprenticeship programmes for local people
- Educational programmes in conjunction with educational institutions
- Commissioning research
- Community share ownership in the development
- Community funds.

I. INTRODUCTION TO COMMUNITY FUNDS

A community fund is a financial commitment made by a private company for the benefit of the people living where the company has some commercial operations.

In general, there are three types of community funds provided by energy companies, these are:

Community Benefit Contributions or Pre-construction Funds

These are one off contributions made by the company to be spent during the construction period of a development.

Single Contributions

These tend to be larger contributions often linked to industrial or receiving facilities.

Annual Contributions

These funds tend to be linked to onshore wind farm developments and other renewables. The annual contribution is made for the lifetime of the planning consent for commercial operation and the value of the contribution linked to a formula based on the operating capacity in megawatts of the development. The amount per megawatt offered has varied considerably over the last ten years and has been influenced by a number of factors including:

- Government policy of renewables
- Size of the development and the development company
- Financial markets
- Industry protocols.



2. HOW A COMMUNITY FUND IS STRUCTURED

The initial commitment to establishing a community fund is made by the commercial company when designing and planning the proposed development.

In the East Riding of Yorkshire, a number of community funds have been established over time and are linked to individual planning agreements.

These legal agreements provide binding commitments to make financial contributions into the associated fund including:

- the formula for the contribution or amount of payment into a fund
- the criteria against which the funds can be spent
- the area of benefit for the community fund
- how the structure/governance arrangements for decision-making about the fund will be determined.

The formula for the contribution or amount of payment into a fund

Before 2015 the industry protocol advised £2,000 per megawatt of operating capacity - it then changed to £5,000 per megawatt of operating capacity. In the East Riding contributions range from £1,500 per megawatt to £5,000 per megawatt, this being dependent on when planning consent was issued, the development size and the company size.

In 2016, government policy changed and the 'Feed In Tariffs' for onshore wind farms were abolished. This has had a dampening effect on the further expansion of the onshore wind farm sector.

The criteria against which the funds can be spent

The company making the contribution into the fund will take into account a number of factors when considering how funds may be spent. Alongside its own organisational social responsibility policy it also takes into account:

- the local area needs/profile and community views
- government policy
- past experience.

In general, companies in the energy sector:

- care about the environment and are committed to 'Sustainable Development Goals' and these are commonly expressed in fund criteria
- wish to avoid funds being spent on activities that could bring the company into disrepute or impact on commercial operations. This is commonly expressed in the fund criteria as a list of exclusions
- wish to see money spent well and decisions made by the community that will benefit from the fund.

Example Fund Criteria:

“The objectives of the fund are to disburse monies received from the Developer to promote charitable, educational, community, environmental, energy efficiency and general community amenity initiatives for the benefit of the public”.

(For FAQ's about fund criteria see Appendix I)



The area of benefit for a community fund

The company making the contribution into the fund decides on the fund area of benefit and will consult the local community, parish councils and the planning authority before reaching a conclusion.

The decision will be based on a number of factors including:

- scale of development
- size of fund
- population size
- areas of benefit for other local funds
- assessment of local services and facilities
- local organisations/delivery bodies
- local views.

How the structure/governance arrangements for decision making about the fund are determined

The legal agreement is the basis on which other governance documents are developed.

Commonly this includes a constitution which sets out:

- the criteria by which appropriate community projects are identified for financial support
- the provision of payment for costs of administration
- the mechanism for appointing people to sit on a panel to decide on how monies are disbursed
- the powers of the fund panel
- any restrictions on powers or how monies can be disbursed
- minimum meeting and reporting requirements.

These documents are drawn up by the company and negotiated with the accountable body. Although they may be shared and discussed with other stakeholders the final decision about their content lays with the developer and the accountable body.

Fund Panels

Operating within the constitution, fund panels are the decision-making bodies for these funds.

The constitution sets out how the fund panel works including:

- the number of individuals on the panel
- the way in which fund panel members are selected
- the term of office for fund panel members
- the minimum number and make up (quorum) of fund panel members who need to be present at meeting for decisions to be made
- provision to invite/co-opt additional non-voting panel members with a particular expertise.

In general there are two ways in which fund panel members are selected:

1. The constitution defines the organisations from which they are drawn and that organisation appoints a fund panel member. Commonly this will be one representative from each parish council within a fund area of benefit.
2. The constitution defines a recruitment method. Generally an open application process whereby individuals express an interest where decisions about appointments are made jointly by the company and the accountable body.

Accountable bodies work with fund panels to develop further policies and procedures to aid the work of the community fund to ensure openness, fairness and the smooth operation. These include:

- Codes of Conduct - which sets out the protocol for panel member behaviour at meetings and when working on behalf of the community fund.
- Declarations of Interest - which sets out when and how panel members should declare pecuniary or other interests in funding requests.

Fund panel members have both individual and collective responsibilities.

As individuals fund panel members are required to:

- declare an interest in any meeting at which he/she may have an interest in any funding requests
- bring local knowledge and expertise to bear on decision making
- observe strict confidentiality about the funding requests assessed and the decision made before and after the fund panel meetings
- reach an unbiased and fair view on funding requests against the fund criteria
- bear in mind that the fund panel serves the community within the area of benefit as a whole (e.g. not a community that they have been appointed by).
- listen to the views of other panel members and be open-minded when considering ideas and proposals.
- attempt to reach a consensus on each funding request and respect the final collective decision.
- refer applicants' queries and general enquiries to the administrator.

The fund panel also has a collective responsibility to decide on the disbursement of the community fund within the fund criteria. This responsibility includes:

- setting parameters for funding requests
- agreeing an appropriate scoring mechanism to aid decision-making (including, where applicable, scoring related to any proximity condition attached to area of benefit definition)
- considering funding requests and deciding which applications to support (including disbursement method).

Working within the fund's constitution, the fund panel has some discretion to set parameters in the interests of communities in the fund's area of benefit. Whilst not deviating from the fund criteria, the fund panel can decide:

- the amount available to disburse at each fund panel decision-making meeting
- minimum and maximum amounts that may be requested by applicants
- applicant contribution/match funding requirements
- setting priorities within fund criteria based on need within the area of benefit.

Parameters are set and reviewed at the fund panel review meeting. They may be set annually or for a number of years.



The Accountable Body

The Accountable Body is the organisation that the company has selected to ensure that the community fund is managed effectively and that monies are disbursed are compliant with the fund criteria and other conditions contained in the legal agreement.

As Accountable Body, East Riding of Yorkshire Council has a contractual obligation to the developer/company making the annual donation. The duties and functions included in the role of the accountable body are:

- holding and managing the annual contribution into the fund
- applying interest on investments to the fund
- agreeing the constitution with the developer
- the appointment of fund panels in conjunction with the developer and accordance with the legal agreement and constitution
- professional guidance to fund panel
- in the event of the fund panel making a decision which is in breach of the law, the fund legal documents or regulations, refusing to enact the decision
- secretariat to the fund panel
- reports to the developer
- financial administration of the fund.

Administration

As Administrator, East Riding of Yorkshire Council is responsible for:

- scheduling panel and other fund meetings in accordance with minimum requirements detailed in the constitution
- ensuring meetings are quorate and recording decisions made at meetings
- day to day receipt of funding applications
- technical assessment of funding applications
- advice to the fund panel regarding assessment and decisions about the disbursement of funds
- payments to fund panel members of any reasonable out of pocket expenses
- contractual arrangements with organisations awarded monies from the fund
- payment of monies from the fund
- monitoring the progress of projects awarded funding
- audits as appropriate
- financial monitoring and reports
- drafting and disseminating the annual report
- reporting to the developer as required
- marketing the fund.

3. THE FUND PROCESS

Generally community funds follow a cycle of annual activity as depicted in the diagram below.



Although this is depicted as a yearly cycle of activity, fund panels can work and make decisions over longer periods.

Assessing Applications

Decisions about how funding is disbursed must be open, fair and consistent. This is sometimes difficult when a fund has broad criteria and many applications. Generally assessment of applications is carried out in two stages.

Stage One - Technical Appraisals

Technical appraisals are carried out by the accountable body. The technical appraisal is carried out to advise and assist the fund panel and is not a judgement about whether or not an individual application should be funded.

In a technical appraisal the administrator carries out a series due diligence checks including:

- Is the applicant a legitimate organisation (e.g. do they have a governing document, a bank account)?
- Does the applicant organisation comply with any relevant legal requirements (e.g. charity returns)?
- Has the applicant organisation provided sufficient information for the fund panel to make a decision?
- Does the project or activity for which the applicant is applying comply with rules and regulations (e.g. planning permission, diocese permission, highways permission, licences)?
- For items over £500 in value, have three comparable quotes from reputable companies been supplied?

The administrator provides the findings of the technical appraisal to the fund panel members to help them in their assessment of an application.



Stage Two - Fund Panel Appraisals

Stage One ensures that fund panel members can assess all applications against these key considerations:

- Does the application meet the fund criteria (including area of benefit conditions)?
- Is the applicant eligible to apply?
- Has all the required information been supplied?

If the answer to any of these questions is 'No' then the panel must reject the application.

Applications that meet these conditions are then shortlisted. Faced with a wide diversity of applications and finite available funds, panels usually employ a scoring system to help prioritise one application over another and to aid decision making. The way in which scoring is applied can vary slightly from fund to fund but is agreed prior to assessing applications and then used equitably across all applications.

Commonly panel members will ask themselves (independently and prior to each decision making meeting) a series of set questions against which a score of between 0-5 is applied. These values are then added together to give a final score for each application. The administrator collates all the scores from panel members and supplies these results at the panel decision making meeting.

Typically, a scorecard includes the following questions:

How many people will the fund benefit?

This gauges the relative impact of a project.

Will the project meet a known and defined need and produce demonstrable results/benefits?

This gauges the strength of evidence of need presented by the applicant and what tangible, intangible and lasting benefits the project will bring to the community. This may also include considerations around how the applicant is planning to sustain the project into the future.

Does the project offer value for money?

This gauges the cost of the project against the number of people that will benefit (cost per head) or whether the same benefit be achieved more cheaply or effectively in a different way.

Can the project be delivered to time-scale?

This considers whether the timetable for project delivery by the applicant is realistic.

How much is the applicant itself contributing to the total project?

This will consider an applicant's own contribution to the project which might include one or more of the following: in kind contribution from volunteers, a contribution of own funds, securing other sources of funding.

Advantages of Scoring Mechanisms

There are a number of advantages to using scoring mechanisms including:

- Clear audit trails of decision-making
- Opportunity for panel members to consider things individually and make notes for discussion prior to final collective decision
- Opportunity to adjust where panel members declare interests e.g. no score by panel member and average of other panel member scores applied
- Mechanism to sort large number of applications in order of priority.

Scoring mechanisms are an objective decision support tool. Panel members refer to scorecard results and combine this with their own judgement when making final decisions on funding awards.



4. MONITORING AND REPORTING

Monitoring the way in which community funds have been spent has a number of purposes including:

- clear and transparent processes and audit trail which reassures the developer and the community that money aimed at fulfilling their needs has been spent fairly
- an opportunity to review and revise policies and procedures for accessing/applying for funding
- an opportunity to review the distribution and parameters of the fund across the different aspects of the fund criteria
- an opportunity to consider the changing issues and needs of communities within the area of benefit over the lifetime of the fund

Monitoring is carried out by the accountable body and then reported to the fund panel, the developer and the public.

Monitoring Projects Funded

The main purpose of monitoring projects is to ensure that money awarded is spent specifically on the items and activities for which it was awarded.

When a fund panel awards money to a project a legal agreement is entered into which details the records that need to be kept and the information that will need to be submitted once the money has been spent.

Commonly this will be:

- end of grant report listing expenditure with a narrative about what has been achieved
- receipts for all items of expenditure
- bank statements showing money into the organisations bank account and payment issues
- examples of activities e.g. poster, programmes, photographs
- other appropriate evidence e.g. building control report.

This information is sent to the administrator who checks it for accuracy and reports back to the fund panel.

Common issues when monitoring projects are:

- additional unanticipated costs are incurred, particularly during building restoration
- project costs are less than anticipated, this is common during purchase of computer or electrical equipment where deals/sales occur and differ from original quotes
- time frames for delivering the project over run
- anticipated match funding applications are unsuccessful resulting either in time delays or need to scale down the original project to available budget.

In all of these instances the project contacts the fund administrator to ask for a variation of funding offer.

The administrator then contacts the fund panel for a decision. Note: where changes are very minor the fund panel may delegate the power to vary funding offers to the administrator - if they do so this is recorded in the minutes and the use of this 'delegated power' is reported to the fund panel at their next meeting.



Fund Monitoring

The purpose of monitoring individual funds is to:

- ensure that decisions have been made in accordance with the fund criteria, parameters and policies set
- ensure that the necessary records are in place for a clear audit trail of decisions and payments
- support the fund panel in reviewing the fund.

This is achieved in two ways:

1. The audit department of the accountable body carries out periodic independent audits of all fund records and procedures. The resulting report contains observations and recommendations for improvements.
2. The fund administrator reviews the awards made by the fund panel over a period of time enabling the fund panel to take a longer view of the fund's performance.

Reports

The annual awards report is the report of the fund panel to the public. It consists of:

- overview of the fund including area of benefit, fund criteria and developer contributions
- overview of the way in which the fund is administered including details of who has sat on the fund panel during the year
- details of the projects funded.

The annual awards report is presented at a public annual review meeting which both celebrates the projects funded and provide the opportunity for questions and comments on the fund.

Openness and Transparency

Openness and transparency is the governing doctrine which holds that citizens have the right to access related documents and proceedings to allow for effective public oversight. As the accountable body for the funds the council applies this doctrine and, where possible, comprehensive documentation and information about the funds is published on the individual fund web pages.

Further information can be found on the council website

www.eastriding.gov.uk/council/governance-and-spending/freedom-of-information

Data Protection

Data protection laws give confidence to individuals that their personal data will be treated appropriately and will not be misused. As the accountable body for the funds the council and its staff have a duty to protect data and treat information securely.

The Data Protection Act 2019 was updated following a new European Union Regulation, the General Data Protection Regulation (GDPR). The council has a data protection policy in place to ensure it acts in accordance with data protection laws.

Further information can be found on the council website

www.eastriding.gov.uk/council/governance-and-spending/how-we-use-your-information/data-protection-explained



5. FEEDBACK

Fund panels welcome feedback (both compliments and comments) about how the funds work and utilise this information to review the way in which funds are disbursed.

Fund panels hope that there will be few complaints about the funds but recognise that sometimes things do not work smoothly or go to plan. The aim here is to resolve matters as quickly as possible.

The annual review meeting provides an opportunity for the public to discuss the fund and comment on how it works.

Where East Riding of Yorkshire Council is the accountable body, feedback can be supplied direct to the administrator by emailing ruralfunding@eastriding.gov.uk or visiting the council's website via:

www.eastriding.gov.uk/council/contact-the-council/feedback-complaints-comments-and-compliments

6. FURTHER INFORMATION ON INDIVIDUAL FUNDS

Further information on individual community funds in the East Riding of Yorkshire can be found at www.eastriding.gov.uk/rural-funding



APPENDIX I:

Frequently Asked Questions about Fund Criteria

What is the difference between a community initiative and a community amenity initiative?

- A community initiative is an activity such as a spring clean, village show, newsletter or event.
- A community amenity initiative is a physical addition to community infrastructure including community buildings and sports clubs.

What does public benefit mean?

The charity commission defines the two aspects of public benefit:

- Public aspect is about who benefits from an activity or provision of an amenity. To be public the activity must be open to everyone in the community and not be limited to one individual.
- Benefit aspect is about the purpose of an activity. To be beneficial the activity must not cause detriment or harm to another activity.

What is a charitable objective?

Registered charities applying for funding will need to comply with the charity commission definition of charitable activities - these are:

- the advancement of education
- the advancement of religion (excluded by funds - see below)
- the advancement of health or the saving of lives
- the advancement of citizenship or community development
- the advancement of the arts, culture, heritage or science
- the advancement of amateur sport
- the advancement of human rights, conflict resolution or reconciliation of the promotion of religious or racial harmony
- the advancement of environmental protection or improvement
- the relief of those in need, by reason of youth, age, ill health, disability, financial hardship or other disadvantage
- the advancement of animal welfare
- the promotion of the efficiency of the armed forces of the crown, or of the efficiency of the police, fire and rescue services or ambulance services.

Community funds linked to onshore wind farms exclude the promotion of religious or political activities or meeting statutory duties of public bodies or activities detrimental to the related wind farm.



This document can be made available in other languages or formats if required. To request another format, please contact us on Tel: (01482) 391655 or Email: ruralfunding@eastriding.gov.uk



EAST RIDING
OF YORKSHIRE COUNCIL