

Community and Renewable Energy Scheme Project Development Toolkit

Establishing a Community Group



Module Structure

The CARES Project Development Toolkit is intended to be used as a reference by CARES clients of all kinds, including community groups, community based businesses and rural businesses. This module is one part of a series of documents forming the CARES Toolkit and is designed to cover all sizes of project, although the scale and complexity of multi MW projects may require more detailed evaluation than smaller projects.

Other modules that may also be of particular interest to those reading this module are as follows:

- project finance;
- procurement;
- planning;
- grid connection;
- local energy supply;
- the Feed-in-Tariff;
- securing the site.

This module is structured in four parts to act as a guide and reference document for Community Groups in the development of a renewable projects in Scotland.

Project development overview

A brief introduction setting out what is expected from the group in developing an energy project and the skills your group will need.

Establishing a community group

A detailed look at how to establish a community group, including the legal framework, financial considerations and how the group is involved during the operational phase of the project.

The Role of the Community Group in the Development

An overview of the community group's operational role in the development process.

Good Governance

A detailed look at why governance within a community group is important, how is it implemented and what the benefit of good governance is.

Further Information

Appropriate links, definitions and references to other information, collated for quick reference.

Project development overview

Before covering the detail of how to establish a community group, it is important to understand the role that this group must play and the work that it must undertake. In reality, it is likely that the group started informally around an idea and was developed through the subsequent activities of a growing number of local people. During this process (and indeed throughout the life of the group), it is likely that people will leave and join the group rather than having a static membership. There are a number of questions the group should be able to answer which are outlined in the next section.

The University of Edinburgh completed analysis of the factors that influence the success of a community led renewable project (see Further Information section for details). This report provides evidence of the social factors which influence the success of community energy projects through different stages of development (from conception to operation). Having a specific skill set within a community group, does not need to impact the project's likelihood for success, however community cohesion and identity is a critical factor. Ensuring this is clear from the outset may have a significant impact on the success of your project.

Establishing a community group

The identification of an opportunity to develop an energy generation project led by a community group usually involves the drive and leadership of an individual or a small group of people. The objective is to use the drive and leadership to create an effective group capable of developing a project.

The starting point is to expand the initial vision of the 'founding group' so that it forms the basis of a viable community group. The size and constitution of the group or team will be dictated by the size of the project, the technology selected and the location. A community group may need to assemble the required skills to develop and finance a project, which must include the ability to identify and secure a site. In some cases, a leader may be required with no technical skills other than the experience to lead the group or project. Centre for Sustainable Energy have produced a video of managing a community project; details are provided in the Further Information section.

There are a number of sources of information in Scotland available on setting up and managing a group, these are listed in the Further Information section.

Community group legal framework

There are a number of models that allow community ownership of a renewable project.

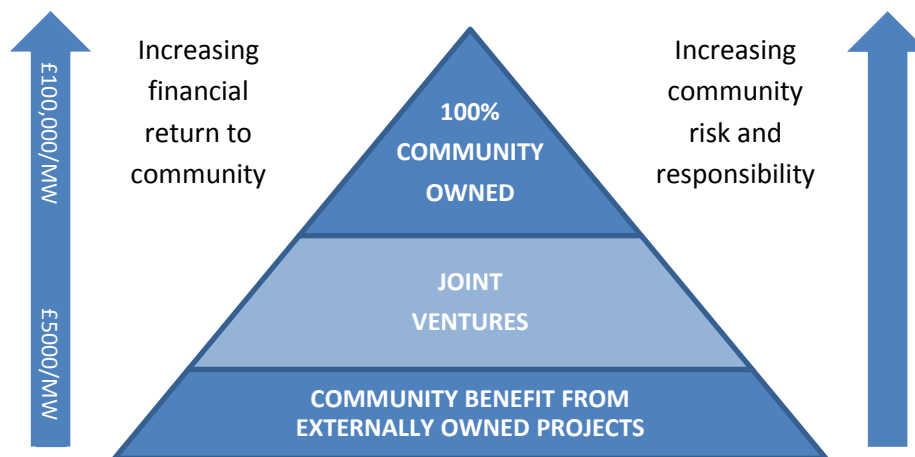
These include:

- 1) Owner operator – project development and construction is led by the community and funded by the community, with the community operating the project;
- 2) Commercial developer led – project development and construction is led by a commercial developer, with the community being offered an investment stake in the shared ownership project or even full ownership;

- 3) Joint venture –the community and the commercial developer work together to develop and construct the project, with both parties investing in the project;
- 4) Community developer – project development is led by the community and a developer is approached to construct and invest in the shared ownership project.

If the objective of the community group is solely to develop an energy project, then, before any money is spent establishing a community group, it would be wise to confirm that the proposed project is viable and any required site or other essential facility is available. By following the guidance in this module, this risk should be reduced.

The figure below shows the spread from 100% community-owned projects to receiving community benefits from project led by a commercial developer.



Guidance on different legal entities are available from a variety of sources, listed in the Further Information section. If you are thinking of taking forward a community-owned project support is available from the CARES Development Officers. While all of the available sources of information are designed to help a community group to identify the most appropriate legal framework in which to operate, it would be advisable for the group to seek professional advice in this area.

For community groups, the most appropriate, formally constituted body or legal framework will, to a degree, be dictated by the project, how it is to be financed, any partnerships that the group plans to enter into and how the benefits from the project will be distributed.

To access sources of finance, it is a requirement that an incorporated structure is set up. This provides the community vehicle with the legal status required to issue shares, receive grants or secure loans. The community vehicle will also be able to enter into contracts and employ staff, which may be a requirement of entering a shared ownership with a commercial developer.

Different legal structures for your group

The following summarises some of the structures that may be suitable for your organisation. Additional information to this is required to enable a decision to be made about the most appropriate legal structure for a community group. Professional advice should be obtained to confirm this.

Co-operative and Community Benefit Societies

If the project is community funded, then a form of co-operative may be appropriate. Co-operatives are businesses owned and run by and for their members, whether they are customers, employees or residents. As well as giving members a say and share of the profits, co-operatives act together to build a better outcome from a given project or activity through co-operation. Working in this way is a good way to focus any investment from your group members as well as potentially proving a wider equity base to support the raising of loans (see the **Project Finance** module).

Co-operatives and Community benefit societies are both operated under the Co-operative and Community Benefit Societies Act 2014.

Bona fide cooperatives (Co-ops)

Cooperatives operate for the mutual benefit of their members and may or may not be a social enterprise, depending on their activities and how they distribute their profits. Coops cannot be established as charities. They are set up to provide benefit to the cooperative members.

The Community Benefit Society (Bencoms)

Bencoms are governed by the same legislation as co-ops, however by design are run for the benefit of the community to provide services for people other than their members. As with Co-ops, investors who purchase shares receive a small return on their investments (normally between 2–5 %) in turn for the remainder of the dividends being kept for the benefit of the community.

DECC have produced an overview on co-operative societies and community benefit societies which identifies the differing features of the two vehicles, referenced in the Further Information section.

Community Interest Company (CICs)

CICs are a type of limited company for people wishing to establish businesses which trade with a social purpose (social enterprises), or to carry on other activities for the benefit of the community. CICs are easy to set up, with all the flexibility and certainty of the company form, but with some special features to ensure they are working for the benefit of the community. CICs are a useful legal form for holding local assets, such as land or a community hall, ensuring they are used for the benefit of the community.

CIC share offers have to be regulated under FCA so are often only used on larger share offers of over £1m as there are additional costs associated with FCA regulation.

Private Limited Company

For a private company limited by shares, an individual, or group, puts money into the company and in return, they obtain a percentage of ownership in the form of shares. Once all the shares in the company are fully paid for, the shareholder liability to the company is satisfied. If for whatever reason the company is wound up, the liability of the shareholder is limited to the amount they have paid.

If a community group has charitable status and wants to undertake a particular activity that is commercial, such as investing in a renewable development, rather than charitable, it can

establish a wholly owned subsidiary company to undertake that activity. Surplus from the wholly owned subsidiary can then be paid back to the parent company under gift aid (which is very tax efficient) or reinvested in other commercial activities.

This arrangement does increase your administrative burden and subject you to additional financial procedures to separate expenditure as between the parent and subsidiary.

Private Companies Limited by guarantee (CLGs)

A private company limited by guarantee has no shares, hence no shareholders. The company has members. The members are bound by a guarantee in the company's articles of association which, if the company is wound up, requires them to pay the company's debts up to a fixed sum, usually £1.

The main reason for a community project to be a company limited by guarantee is to protect the people running the company from personal liability for the company's debts, just as a business may be set up as a company limited by shares for the same reason. Sometimes funding bodies, such as local authorities, insist on an organisation being registered as a company limited by guarantee.

Charitable Status

A charity is not a distinct legal structure; it is a status that can be obtained by a variety of legal forms, all the previously described community vehicles can receive charitable status, except for a Private Limited Company. An unincorporated charity can have an express power to borrow in their constitutional documents. However, if this is missing, the Charities Act 2011 can be used to include a power to borrow (provided that such an amendment is not expressly prohibited under the constitutional documentation).

Generally speaking, banks do insist on seeing an express power to borrow in a charity's governing document, so this is a question trustees must ask themselves early in the borrowing process.

If you are in discussions regarding community benefits from a commercial project, information is available from Community Pathways, their details are included in the Further Information section.

Ofgem Feed in Tariff

Many schemes may still want to apply for Feed-in Tariff Support, though, be aware that the FiT is declining in value and importance for many technologies and other business models may need to be developed to ensure a project is viable (see **Local Energy Supply** module). For Community Energy projects producing heat rather than power, the Renewable Heat Incentive (RHI) continues to be relevant but is also undergoing reform.

If FiTs are relevant, *bona fide* community organisations can still benefit from (for example) a longer period of preliminary accreditation under the Feed in Tariff, and relaxed energy efficiency requirements for installation on buildings. More information about Feed in Tariffs is available in the **Feed in Tariff** module; details are included in the Further Information section.

Formalising the group

Your community group will have to work together as a team and have the strength of determination to drive a project to completion. Therefore, it is important that any community group is properly constituted, which requires the objective behind developing the project to be correctly understood and agreed. This also applies to development activities undertaken by community businesses and is independent of the size of the project being undertaken.

The main points to be considered when formalizing the setup of any community group are:

- What is it being set up to do (objectives)?
- How will it do those things (powers)?
- Who will run it (committee/board)?
- What happens if changes need to be made (amendment provision)?
- How will the group or association be run?
- What happens if it wishes to wind up (dissolution provision)? and
- What are the internal arrangements for meetings, voting, managing the finance?

Importantly, how the group is constituted has a significant impact on the funding that the group is hoping to obtain, as previously detailed.

This means that any group wishing to develop a project must include the following:

- A clear management structure with an identified leader delivering good governance for the project;
- A robust project management plan;
- A person (or team of people) in the team with the required project management skills to take responsibility for delivering the project management plan; and
- An available pool of other skills (e.g. financial management/appraisal, community engagement, engineering/technical skills) to support the delivery of the group's objectives – some of these may need to be brought into the group by using consultants.

Once a project is considered to be viable and, therefore, capable of being developed, the community group must be constituted in an appropriate, formally constituted body or, in project development terms, a Special Purpose Vehicle (SPV).

Depending on the size and nature of the project, this may have to be based on an appropriate legal framework. This is to ensure that the group has the appropriate capacity to raise finance, receive grants, receive and distribute income from the operating project, pay bills and take out insurance. It is also important that the legal framework is such that it protects the individual members of the community group from personal liabilities for any financial shortfall or other redress.

Legal help should be obtained in setting up the appropriate SPV for your project and all applications for funding, planning, grid connection and support tariffs should be made by the SPV. Further information on securing professional advice can be found in the **Procurement Module**.

Managing a Community Group

Organisational Structure

The core members of the community group could be trustees or directors, who work together as a board or leadership team. Trustees are given control or powers to make decisions solely for the purposes specified within the constitutional documents

Establishing a Constitution and Constitutional Documents

CARES requires community groups and social enterprises to be formally constituted to receive funding, as appropriate to the community vehicle. By being formally constituted this means having both legally binding governing document and being appropriately registered, this will also be required by financial lenders. A constitution or governing document will usually detail how the community vehicle is operated and what it operated for, the structure of this document can vary depending on structure of the community vehicle. The Further Information section provides additional information about the different legal and governing documents required for previously discussed community vehicles.

To borrow money from a lender it is a requirement of the community group that the constitution lays out that the group has the powers to borrow money and/or issues shares; this is also part of the legal structure of the community group, that there is voting rights within its members and an Annual General Meeting. The constitutional documents can vary from structure to structure but as a minimum should cover a constitution that outlines all the community vehicle's aims, practises and decision-making powers.

Conflicts of Interest

Conflicts of Interest (COI) can affect all types and sizes of community vehicles, often people chosen to be trustees or directors have an interest, a skill or a professional connection which can be utilised to benefit the organisation. This interest can also potentially cause a COI, if a COI is managed well this will not affect the integrity of the trustee. A COI occurs when a decision you make within your role in this organisation has an impact on your personal or other interests.

Managing potential COIs should be factored into initial set up of the organisation within the constitution and constitutional documents. A three-step approach is recommended, to ensure you comply with your legal responsibilities and your duty to the community vehicle, following an identify, prevent and record process. An Interest List of all trustees or directors can be created listing all interests to allow potential conflicts to be identified. This list collates information relating to employment, education, volunteering, business interest and other commitments. Preventing COIs is the best method of managing a COI issue, by identifying potential conflicts of interest the community group can decide to remove conflicted members from decision making process, as interests are already declared, where there is a potential issue.

If a COI is identified this should be recorded and reported appropriately. Following this recording and reporting process should be part of the charities good governance process. A number of steps can be taken to preventing COIs. A COI Policy can be adopted and then built

into the constitution. Within the Further Information section there are links to various sources of specimen policies which can be used as an example document by the community group.

The skills you will require

There are a large number of different skills that will be required to develop a community renewable energy project. While some may be specific to individual technologies (e.g. fuel contracting for biomass), many are generic to all projects. The following table maps the skills that you will need in the group to the steps in the project development table.

Table 1 Skills needs

| STEP | ACTIVITY | PROJECT MANAGEMENT | FINANCIAL CONTROL | LEGAL ISSUES | TECHNICAL DELIVERY |
|------|--|--------------------|-------------------|--------------|--------------------|
| 1 | Develop the vision | X | | | |
| 2 | Seek Advice | X | | | |
| 3 | Communicate | X | X | | |
| 4 | Find a Site | X | X | | X / X |
| 5 | Initial Scoping | X | X | | X / X |
| 6 | Establish an Entity | X | X | X | |
| 7 | Secure Initial Funds | X | X | | |
| 8 | Pre-feasibility Study | X | | | X |
| 9 | Financial Viability Check | X | | | X / X |
| 10 | Secure the Site | X | X | X | |
| 11 | Full Feasibility Study | X | X | | X |
| 12 | Confirm Grid Availability | X | | | X / X |
| 13 | Pre-Planning Consultation | X | X | | X |
| 14 | Neighbour Notification | X | x | | X |
| 15 | Fix the Project Size | X | X | X | X / X |
| 16 | Financial Viability Check | X | | | |
| 17 | Secure Pre-planning Funds | X | | | |
| 18 | Planning Application and other consents eg abstraction license | X | X | X | X / X |
| 19 | Grid Application | X | X | X | X |
| 20 | Identify Funding Sources | X | X | X | |
| 21 | Develop Full Financial Model | X | X / X | | X / X |
| 22 | Identify and Contact Suppliers | X | X | X | |
| 23 | Secure Bridge Funds | X | X / X | X | |
| 24 | FIT Pre-accreditation | X | X | X | |
| 25 | Financial Close | X | X / X | X | |
| 26 | Repay Other Funds | X | X | X | |
| 27 | Construction | X / X | X | X | X |
| 28 | Community Benefit | X | X | X | |
| 29 | Operation | X | X | | X |
| 30 | Decommissioning | X | X | X | |

| | |
|---|--|
| X | Potentially available within community group |
| X | Likely to be contracted out |

Skills include:

- **Project management.** This role involves taking control of the development ‘timeline’ so that activities happen in a logical sequence to avoid delay and reduce premature investment of effort or money before they are required. In effect, this makes the project manager the leader of the project on a day-to-day basis. It is likely that, in many projects, especially at a larger scale (>50kW), there will be a series of discrete sub activities that need to be undertaken, each with its own manager or leader. Here, the project manager’s role is to coordinate these activities and to ensure that they are delivered to time and budget. Employing a dedicated project manager will reduce project risk, increase the likelihood of success and reduce the amount of time it takes for the project to be concluded. This should be balanced against the additional expense incurred, and the risk that the project doesn’t come from within the community
- **Financial control.** This role has two distinct facets, which may be undertaken by two people. The first, ‘financial control’, is to manage the available budgets, including making payments, monitoring and managing the bank account(s), issuing invoices (where appropriate), etc. The second is to undertake the financial appraisal process that will be required and to make applications for grants, funding, loans, etc. Specialist advice from a qualified financial adviser should be obtained to identify the most appropriate source of funding.
- **Legal issues.** It is important that the legal liabilities of the community group associated with the development, operation and, ultimately, the decommissioning of the project are understood and mitigated as far as possible. This will involve the correct choice of legal entity to be made, and the right level and type of insurance to be in place. Legal advice should be sought to review all contracts, applications and agreements.
- **Technical delivery.** Throughout the project-development process there are a number of technical issues to be covered including collecting data to support a wide range of activities, making initial approaches and subsequently applications for grid connection, obtaining abstraction licences and seeking planning permission. It is likely that all of these will require some kind of supporting reports or other documentation to be written and supplied.

While it is undoubtedly the case that some of these skills are available in the community group, it is likely that others will need to be bought in on a contract basis. The **Procurement Module** provides guidance on how to secure consultancy support.

The Role of the Community Group in the Development

Keeping records

All information relating to establishing your community group should be included and updated within a single, secure central repository (either local or an online store). A summary of the group’s aims and objectives should be noted. A record of all community consultations held should be kept in the tool, as should a record of all professional services obtained. Ensuring the SPV is properly set up is a requirement before lenders will fund a project. These records show the progress you have made and highlights your awareness of the steps you need to complete, which will be sufficient to initiate discussions with lenders.

Community group local engagement

It is important to note that the community group will, in effect, become an energy developer and must take responsibility for community engagement, not least as part of the planning process, where evidence of community engagement is a vital part of the case to planning committee.

Developers must consult local people about plans and objectives. But will be even more important a community group acting a developer does this to be able to move smoothly to fundraising. Banks and grant or loan giving bodies will look for evidence of community engagement and support as this can reduce some of the risks associated with delay in the development process while objections are dealt with. A detailed record of this information should be kept as it will be required when in discussions with lenders.

It is important to recognise that, just because a project is community based, it may not receive universal local support. From the very start of the project, clear communication in the whole of the community hosting the project must be established as well as with neighbouring communities and other stakeholders.

Experience shows that this communication must be open and honest about what is being planned, and must include good opportunities to receive and respond to feedback.

Centre for Sustainable Energy and PlanLoCal have guidance on getting people involved and a resource pack that includes guidance on organising events, advertising and communicating outcomes. Details for both the video and resource pack are available in the Further Information section.

Community group financial considerations

One of the main tasks to be undertaken by the community group is to develop its business plan to the point where it is suitable to achieve financial close. This will require money to be spent getting to this point.

A capital loan or capital grant can provide you with the finance to achieve this (see the **Finance Module**). It should be noted that the loan and the money to capitalise the project can be significant.

It is important that any risks involved with taking this financial responsibility are properly mitigated to reduce personal liabilities, which in turn comes back to how the community group is constituted.

The role of the community group in the operating phase

It is important that the community group continues to monitor the project and its performance to ensure that it continues to function optimally. In addition, all liabilities, insurance requirements and routine inspections must be managed. This means that the community group must exist for at least the operating life of the project.

Distributing generation income

Another major role for the community group is to distribute the financial income from its project. It is important that the way money will be spent or distributed is clear from the outset and that an open, transparent and regularly audited means of payment is used. The form of legal entity chosen by the group may dictate how income is distributed, more information is available in the Further Information section.

The planning system now includes more involvement of the community and includes the creation of community development plans (see the **Planning Module**). This may have an impact on how income is distributed, especially if a developer is leading the project. In this case, having a community development plan may be a prerequisite to identifying the benefits that will be delivered using the income generated.

Decommissioning

The community group will remain liable for the project throughout its life. It will also be responsible for decommissioning and, possibly, restoring the site. While some scrap value may result from disposal of equipment, it will be the responsibility of the group to set aside an appropriate sum to pay for project decommissioning.

Provision should be made within the project budget to build up enough funds to complete decommissioning.

Dissolution of the community group

Once the project has closed and it has been decommissioned, the community group may also have to close, unless there are further projects to deliver or manage or the legal structure allows it to continue.

Therefore, it is essential that, at the point of its establishment, the group sets in place binding agreements as to how the assets and any residual money will be distributed and/or disposed of.

In addition, all agreements, contracts and other obligations must be properly terminated and liabilities managed. These liabilities will have been identified during the development or operating phase allowing mitigation actions to be put in place that may have to extend beyond the life of the group.

Good Governance

What is governance for?

Governance or good governance is the consistent management of a charity vehicle or company to ensure that it meets its aims and policies, legal structure and constitution. In addition, it ensures the decision rights given to its members and leaders are followed; this in turn also ensures proper oversight and accountability.

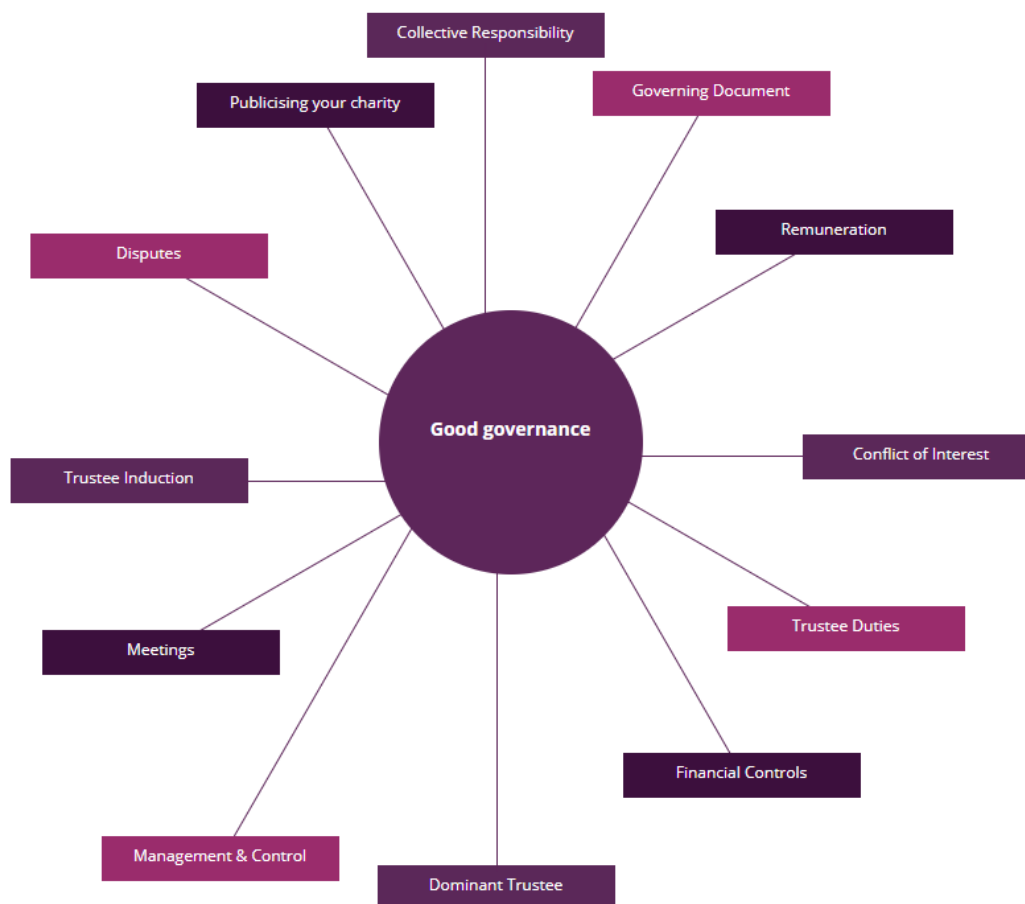
How is governance implemented?

Governance is similar across the different types of legal structure used by community groups.

Good governance is critical to the community group's operation, supporting the group in meeting its goals. Poor governance this can lead to poor accountability and business risk.

OSCR the Scottish Charity Regulator provides a range of advice and case studies for how good governance can be implemented within charities, this can be applied to all forms of community vehicle. This advice is broken down into 12 elements that managed well together lead to good governance. In the Further Information section, the good governance information developed by OSCR is signposted with guidance and case studies covering all 12 elements available.

Figure 1: The 12 Elements of Good Governance as detailed by OSCR (Source: OSCR, 2016)



The code is applicable to all scales and vehicles of community group, focusing on the identifies elements helps the community group to meet its legal and regulatory responsibilities as a foundation.

Collective responsibility

Trustees or directors of the community group must act collectively in taking decisions, with the understanding that they are all accountable for the community groups actions. Where members or sub-committees are established with the power to make decisions this should be made clear in governing documents. The community groups actions, decisions and documents should be regularly reviewed ensure it is still working towards the organisational purpose.

Governing document

All trustees or directors should as a minimum understand the community group’s governing document or constitution. Where possible the understanding should be extended to the wider community group. The governing documents should be accurate and up to date. The document should clearly define the community groups actions, aims and legal structure.

Additional documents can support the Governing Document, including a code of conduct, register of interest and conflict of interest policy.

Remuneration

As a fundamental principle, the community group should not pay or reward its trustees. To prevent any issues occurring where it may appear this is an issue the community group should act in an open and transparent manner. Records of expenditure should be kept in accounts, which are reviewed regularly, with receipts and invoices for noting any appropriate spending denoting any expenses paid. The governing documents of the charity should detail the remuneration policies of the community groups and the steps that should be taken to ensure its appropriateness.

Where the community vehicle is not operating a charity structure remuneration, salary or bonuses, should be undertaken following the strict guidelines of the vehicle and should similarly be kept in transparent records.

Conflict of interest

The community groups trustees must always act in the best interest of the group and those it supports rather than what is best for the individual. Following good governance practice potential conflicts should be identified, as previously discussed, this should be factored into the governing documents and considered during all decision-making process. Where issues occur, they should be reported to the relevant bodies.

Trustee or directors duties

Trustees or directors should act at all times with the community group's best interests in mind, all trustees should be aware of their duties in line with charity law or other company law and the group's governing documents.

Figure 3: Overview of trustee duties as detailed by OSCR (Source: OSCR, 2016)



Financial controls

Financial control should be established within governing documents, then regularly reviewed and audited. Within the governing documents clear decision-making process, level of authority and reporting procedures should be established. Following good governance practice the community groups leadership team should ensure that all financial payments and decisions are made as per the governing documents, whilst also being reported within accounts and reflected in minutes from meetings/ the AGM.

Dominant trustee

No one person should be in overall control of the community group, a chairperson can lead the groups actions but the group should make decisions collectively. The governing documents should reflect the chosen decision-making process and appropriate reporting procedures, as trustees or directors, they are accountable for the decisions they make and the actions of the community group.

Management and control

The governing documents should reflect the trustee's or director's responsibility to manage and control the community groups actions. The trustees selected for the board or leadership team should have relevant skills, see the previous skill and experience section, to fulfil their position and ensure that the community groups actions are in line within its purpose. These management and control procedures should be regularly reviewed to ensure they meet the community group's needs, and should be altered to fit the community groups growth and changing actions.

Meetings

Frequent and regular minuted meetings should be held to discuss the community groups activities; accurate records of the decisions made should be kept. To ensure that the community group and its trustees are well informed dates and agendas should be circulated in advance, with minutes to review, to ensure that matters to be discussed thoroughly.

Trustee induction

Training or an induction process should be undertaken to ensure new and old trustees have consistency and awareness in handling the community groups purpose and issues. This should be periodically updated to reflect the current aims, values and activities of the community group. This requirement for training should be detailed within the governing documents.

Disputes

The trustees of the community group have a duty to address disputes within the community group, governing documents should reflect firstly how disputes are resolved and secondly how they can be prevented.

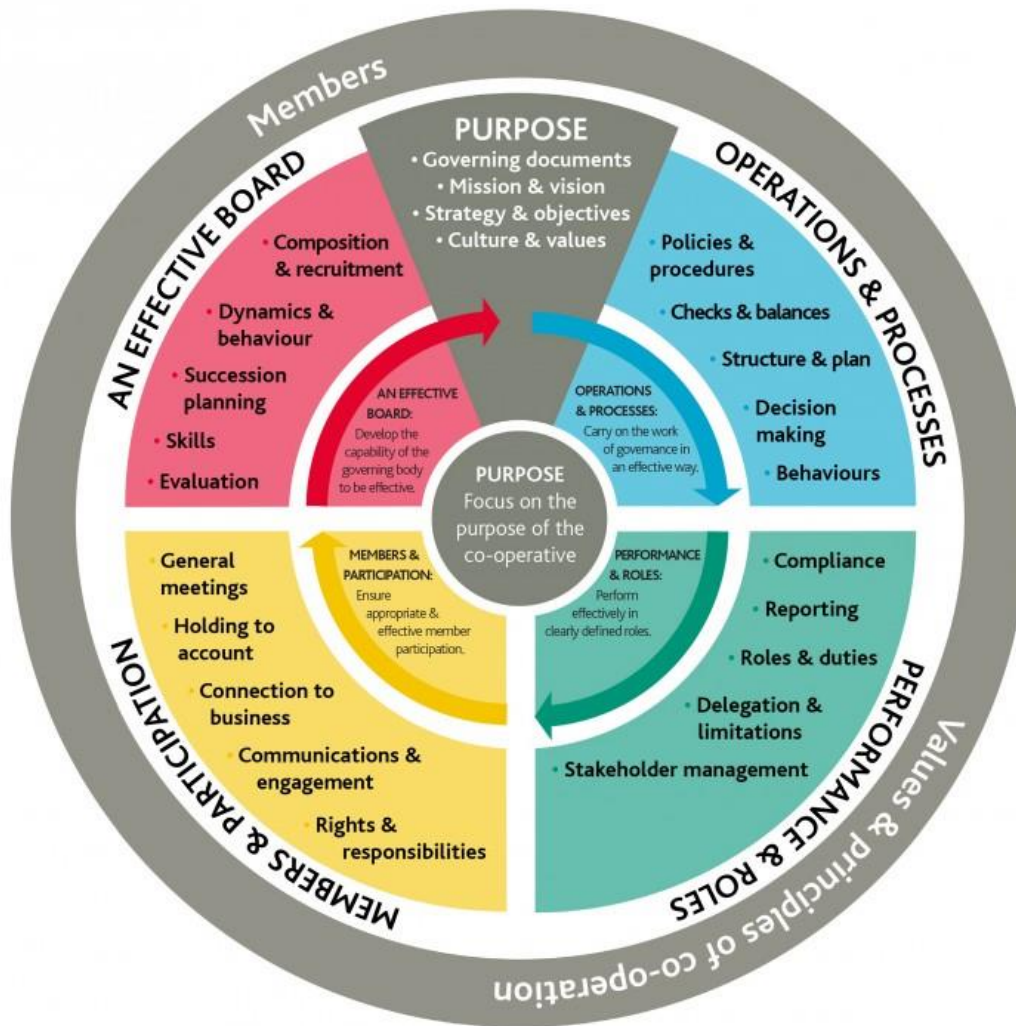
Publicising your community group

The community group must legally publicise its legal status. This means the charities registration number and name must be noted on official documents, online and anywhere the public will view information regarding the community group.

Similar to the support provided to OSCR, Co-Operatives UK has produced detailed good governance support for co-operatives, linked within the Further Information section, which

has produced a wheel of good governance shown in Figure 3, which the principles can then be applied to different community vehicles. This wheel focuses governance in four main areas; the board, operations and process, performance and roles, and members and participation. Where available specific guidance for different vehicles is, available this is detailed in the Further Information section.

Figure 3: The wheel of good governance for co-operatives (Co-Operatives UK, 2017)



Regardless of the community vehicle selected and the scale of project undertaken the community should remain mindful to;

- Consult locally;
- Be public about aims and projects;
- Have proper governance documents and structures in place;
- Follow guidance aimed at transparency, consistency and managing conflict of interest and remuneration;
- Have appropriate leadership and decision-making process in place, and provide training for new trustees.

Working to a structured organised community vehicle is in the best interest of the community to ensure that the community is legally protected and maximising the benefit available to them.

Further information

Project Development Overview

The University of Edinburgh report provides evidence of the social factors which influence the success of community energy projects through different stages of development (from conception to operation)

http://www.climatexchange.org.uk/files/4413/8315/2952/CXC_Report_-_Success_Factors_for_Community_Energy.pdf

Establishing a community group

Legal help should be obtained in setting up the appropriate SPV for your project and all applications for funding, planning, grid connection and support tariffs should be made by the SPV. Further information on securing professional advice can be found in the [Community Investor Module](#) and [Procurement Module](#).

There are a number of good sources of information in Scotland available on setting up a group:

- The Scottish Community Development Centre (SCDC) provides useful information and advice on how to establish a community group (see www.scdc.org.uk/);
- The Scottish Council for Voluntary Organisations supplies general guidance on setting up community based organisations (see www.scvo.org.uk/information/organisational-structures/setting-up-a-voluntary-organisation-in-six-steps/) and on good governance (see <http://scvoshop.org.uk/product/guide-to-good-governance-download/>);
- Information about support for community groups in Scotland is available from Local Energy Scotland (see www.energysavingtrust.org.uk/scotland/Communities/Community-And-Renewable-Energy-Scheme/Community-Groups),
- The Development Trusts Association Scotland also produces a series of documents under the theme 'Asset Transfer Tools', which might have relevance for some community energy schemes (see www.dtascot.org.uk/content/asset-transfer/asset-transfer-tools).
- The Centre for Sustainable Energy has a video overview of managing a community project <https://www.youtube.com/watch?v=HmlaXvhnUyk>

The Charity Commission provides model constitutions for a range of community group set ups: <https://www.gov.uk/government/publications/setting-up-a-charity-model-governing-documents>

Formalising the group

If you required professional advice, further information can be found in the **Procurement Module**.

Conflicts of Interest

There are a number of good sources of information on managing and identifying Conflicts of Interest:

- The UK Government website has information about how to identify, deal and record Conflicts of Interest: <https://www.gov.uk/guidance/manage-a-conflict-of-interest-in-your-charity>
- The Small Charities Coalition has a number of guides and template links for managing Conflict of Interest issues: <http://www.smallcharities.org.uk/resources-conflict-interest/>
- Advice, support and best practice is available from OSCR for Scottish Charities: <https://www.oscr.org.uk/charities/guidance/guidance-and-good-practice-for-charity-trustees/conflict-of-interest>

The Governance Institute has a specimen Conflict of Interest policy, declaration form and register: [http://www.smallcharities.org.uk/fileadmin/user_files_documents/specimen-conflict-of-interest-policy-declaration-form-and-register-of-interests-for-charity-trustees_1 .pdf](http://www.smallcharities.org.uk/fileadmin/user_files_documents/specimen-conflict-of-interest-policy-declaration-form-and-register-of-interests-for-charity-trustees_1.pdf)

The skills you will require

Community group legal framework

Further information on the raising of loans can be found in the **Project Finance Module**.

How can shared ownership work?

If you are thinking of taking forward a community-owned project, see the support and advice available from [CARES](#).

- PlanLoCaL have a document that helps communities identify the most suitable organisational legal structure <http://www.planlocal.org.uk/planlocal-community-renewables/group/exercises/page:5>
- Co-operatives UK have guidance on adopting a formal structure <http://www.uk.coop/starting-co-operative-journey/getting-organised>
- Centre for Sustainability Energy have a video discussing how different legal structures work for community groups <https://www.youtube.com/watch?v=86J1TUpG6CQ>
- Centre for Sustainability Energy have a video showing the importance of having a legally recognised structure <https://www.youtube.com/watch?v=LByzIP4I7W4>
- Shared Community Ownership of Renewable Energy systems portal <http://scores.uk/index.html>
- Visit the London Energy Partnership and Community Pathways www.lep.org.uk/uploads/lep_making_escos_work.pdf and www.communitypathways.org.uk/approach/450/full for more information about community-focused ESCos
- Visit www.uk.coop/ for more information on cooperatives.

Different legal structures for your group

A useful comparison between the different structures can be downloaded here <http://envirofile.wpengine.com/resource/legal-structures-for-social-enterprise-comparison-table/>

DECC have developed a short overview note on society models available to the community energy sector <https://www.gov.uk/government/publications/community-energy-strategy-update/decc-overview-on-co-operative-societies-and-community-benefit-societies>

Community Interest Company (CICs)

For more information on how CICs can be formed - see: <https://www.gov.uk/government/publications/community-interest-companies-how-to-form-a-cic>

Details of how CICs are regulated can be found here: <https://www.gov.uk/government/organisations/office-of-the-regulator-of-community-interest-companies>

For example, and model constitutions for CICs - see: <https://www.gov.uk/government/publications/community-interest-companies-constitutions>

Private Company Limited by shares (CLSs)

More information on private companies limited by shares can be found <http://www.companieshouse.gov.uk/>

Private Companies Limited by guarantee (CLGs)

More information on private companies limited by guarantee can be found http://www.companylawclub.co.uk/topics/companies_limited_by_guarantee.shtml

Charitable Status

More information on the Charities Act 2011 can be found <http://www.legislation.gov.uk/ukpga/2011/25/contents/enacted>

If you are in discussions regarding community benefits from a commercial project, information is available from Local Energy Scotland and also you can browse the [Scottish Government Register of Community Benefits from Renewables](#).

If you are thinking of involvement in a shared ownership project, you may require more tailored advice. Local Energy Scotland has put together some [frequently asked questions](#) as a starting point, after which you may like to submit your own question (email: info@localenergyscotland.org) or contact your [local development officer](#).

Ofgem Feed in Tariff

Information on Feed in Tariffs can be found on the Ofgem website <https://www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme>.

Particular benefits for Communities are at:

<https://www.ofgem.gov.uk/environmental-programmes/fit/applicants/benefits-communities-and-schools>

Community group local engagement

It is important to note that the community group will, in effect, become an energy developer and must take responsibility for community engagement, not least as part of the planning process (see www.scotland.gov.uk/Topics/Built-Environment/planning/National-Planning-Policy/themes/communities). The Development Trusts Association Scotland (<http://www.dtascot.org.uk/>) has guidance on community development plans.

The community group also plays an important role in consulting local people about its own plans and objectives. Funders will look for evidence of community engagement and support as this can reduce some of the risks associated with delay in the development process while objections are dealt with. This should be collated within your [CARES Investment Ready Tool](#).

SCDC has developed a useful online resource to support community development and communication (see www.scdc.org.uk/), and the Scottish Government has produced a 'how to' guide (see www.scotland.gov.uk/Topics/People/engage/HowToGuide). The Homes and Communities Agency (HCA) has developed a community engagement toolkit (see www.homesandcommunities.co.uk/community-engagement-toolkit?page_id=&page=1).

While all of the available sources of information are designed to help a community group to identify the most appropriate legal framework in which to operate, it might also be advisable for the group to seek professional advice in this area.

Community group financial considerations

The role of the community group in the operating phase

Distributing generation income

HIE has published a guide to help community groups identify the best means by which funds from community energy projects can be distributed (see www.hie.co.uk/about-hie/news-and-media/archive/new-guide-published-to-help-communities-manage-funds.html). Joseph Rowntree Foundation has a briefing paper called Finance and business models for supporting community asset ownership and control <http://www.jrf.org.uk/sites/files/jrf/community-assets-business-models.pdf>

The planning system now includes more involvement of the community and includes the creation of community development plans (see the [CARES Planning Module](#)). This may have an impact on how income is distributed, especially if a developer is leading the project. In this case, having a community development plan may be a prerequisite to identifying the benefits that will be delivered using the income generated.

Good Governance

OSCR provides a guide for good governance in charities in Scotland: <https://www.oscr.org.uk/charities/good-governance>

The charity governance code details the industry standard for good governance, as developed by charities in England and Wales: <https://www.charitygovernancecode.org/en>

Details of good governance for small charities, a range of resources:
<http://www.smallcharities.org.uk/resources-governance/>

Details of the Charities and Trustee Investment (Scotland) Act 2005 – see:
<http://www.legislation.gov.uk/asp/2005/10/part/1/chapter/9/crossheading/remuneration>

Governance for different structures

Governance for private companies – see:
<https://home.kpmg.com/content/dam/kpmg/pdf/2016/02/private-company-governance-call-for-sharper-focus.pdf>

Good governance for co-operative societies– see: <https://www.uk.coop/the-hive/growing-your-co-operative/governance>

Governance for Industrial and Provident Society (IPS) – see:
http://www.dtascommunityownership.org.uk/sites/default/files/CoopsUK_SimplyGovernance_webdownload%5B1%5D.pdf

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