



Investing in the Community

Your guide to SSE's Community Investment Funds
for onshore wind farms in Scotland



Introduction

SSE has been building and operating wind farms in Scotland since 2002. Combined with our hydro-electric schemes, many of which have been in operation for over 50 years, our wind farms make us the largest generator of renewable energy across Great Britain and Ireland.

When the majority of our hydro-electric stations were built in the middle of the last century, we never even considered the idea of setting aside funds for local groups to invest in projects that would benefit their communities. At the time, 'community benefit' was considered not least in terms of the electrification of the

highlands and of the resulting prosperity the project brought to the area through the creation of jobs, local business opportunities and improvements to local roads and other infrastructure.

But times change, and today we recognise that the development of new renewable energy projects should also bring more direct financial benefits to the communities that host them.

This leaflet sets out how much money we set aside for investment in the community, who is eligible to apply for funding, what it can be used for and how the funds are run.



Community investment funds

Since we established the first community investment fund in 2002, we have learned a lot from listening to the communities that have benefited. As you'd expect, communities don't always agree – but the way we operate our funds today has evolved from what we have learned over time.

In January 2012, we launched what we believe to be the most generous community investment fund package of any of the major developers operating in Scotland. To make sure everyone is treated equally, this package is offered, **without exception**, for every future onshore wind farm we are developing in Scotland.

Every wind farm is different, so the size of the fund will vary from site to site, but the basis of the calculation remains **exactly the same**, so a wind farm that is twice as big as another will have exactly double the amount of community investment compared with the smaller wind farm.

We measure the size of our wind farms in terms of the 'installed capacity'. This is the maximum theoretical output of the wind farm, measured in 'megawatts' (MW).

In every case, the value of the community investment funds we set aside for onshore wind farms in Scotland is currently £5,000 per MW every year for up to 25 years.

An example of how we calculate the value of a community fund

Taking a 50MW wind farm, the community investment fund would be calculated as shown below:

- Installed capacity = 50MW
- Community investment fund = £5,000 per MW
- Annual value of community investment fund (50 X £5,000) = £250,000

- 50% ring-fenced for local community = £125,000 per annum
- 50% set aside for the regional community = £125,000 per annum

- Total lifetime value of the community investment fund (£250,000 X 25 years) = £6,250,000.

Who benefits?

Our community investment fund should really be thought of as two complementary schemes.

The local fund

Half of the fund (£2,500 per MW) is 'ring-fenced' for the communities in the immediate vicinity of the wind farm. This is usually defined as being the community council areas within close proximity to the wind farm site, but a little common sense is applied to finalising which communities should benefit once the wind farm has been given planning permission.

The regional fund

We set aside the other half of the fund for larger, strategic projects that will benefit the wider community in the local authority area where the wind farm is located. We recognise that some projects may fall close to local authority area boundaries, and therefore we will examine on a case-by-case basis the need to share regional funds across local authority area boundaries.

You will find more details of how both parts of the fund work later in this leaflet.



The local fund

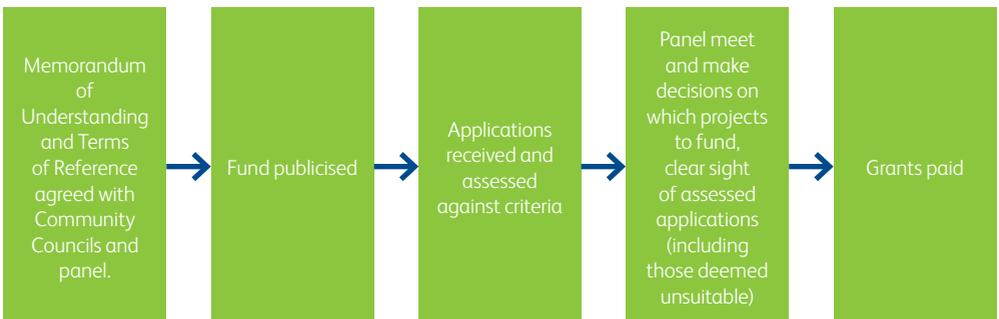
Ever since we set up our very first community investment fund in 2002, we knew that the local community was best-placed to decide what they should invest the fund in. We wanted them to have control over how the money was spent because they knew what was important to their communities – not us!

Today, when we set up a new community investment fund, we work closely with local community councils to set up a small panel of community representatives, usually nominated by the community councils, who will decide which projects to support from the fund.

As you'd expect, we do have some simple safeguards in place to make sure all applications are treated fairly and within the fund's rules.

The local fund is for use by communities, predominantly within their geographical boundaries, as they see fit, for projects such as skills development and training; social enterprise; amenity; educational; charitable; or environmental purposes.

However, the fund cannot be used for: political or religious purposes; to subsidise the costs of energy consumption (instead we encourage funding to be used to provide energy efficiency measures which help reduce energy consumption); for purposes adverse to SSE's interests; to replace statutory funding; or to support individuals for their direct personal gain.



The above criteria do not stop community investment funds being used for: reducing energy consumption for community-purpose buildings, or for community-wide energy efficiency projects, and therefore energy costs, through energy efficiency measures or renewable energy schemes; or supporting individuals through apprenticeship schemes, training programmes and other such purposes which benefit the local economy.

We help communities manage their funds, by receiving and assessing applications against criteria, preparing panel documentation, undertaking annual fund reviews, preparing fund reports, grant-making and publicising the fund and supported projects. We don't charge for this service. We also encourage panels to employ a local secretariat to help prepare minutes, agendas and panel papers.



The regional fund

This part of the community investment fund is relatively new and we've taken an innovative approach to how it will be managed.

Each new wind farm will contribute to a regional fund, ring-fenced to the local authority area. Collectively, this makes up a regional 'pot of money' and this money is made available for community or charitable projects within that region. Preference is given to strong projects close to our wind farm sites, but the fund is open to applications from throughout the region.

The fund is designed to support large, innovative initiatives which support:

- skills development and training – in particular in rural Scotland;
- built or natural environment improvements; and/or
- community renewable energy projects.

Projects might tackle one specific criteria, for example a community company might apply for funding to run an apprenticeship scheme. The scheme could aim to train 30 young people to recycle goods which can then be sold for profit, turning the earnings into future skills and development programmes within the area.



Alternatively, projects might span two or more criteria. For example, a community council or trust could apply to create a new tourist walk through the region. In constructing the walk, they could seek to fund the employment of apprentices who will learn their trade on the job, perhaps working in conjunction with the local college or university.

We will invite applications at set points during the year (depending on the level of funding available). A central panel of independent experts will assess applications.

Frequently asked questions

Where can I get more information about SSE's community investment funds?

There's more information about SSE's current community investment funds and case studies of projects we've supported on our website at sse.com/community/funds.

Do you give presentations to the local community about the fund?

Yes, once the wind farm has been consented and we've been given the go-ahead to build it, we invite representatives from the local community councils to join us in a meeting to discuss the fund in detail and to explain how the process works. We wait until the planning process is completed because it is only then that we know there will be a fund.

Why have you split the fund into 'local' and 'regional' elements?

As the size and number of wind farms have increased, sometimes with existing wind farms being extended, we have recognised that the benefits should be shared by the wider community.

In addition, over the years communities and other stakeholders have been keen to ensure funds are used to support both local and regional priorities. Communities in the immediate vicinity

of our wind farms will have access to both funds of course – but the regional fund offers some flexibility to fund wider schemes which target skills, community energy and the environment.

So from January 2012 we **added an additional £2,500** regional fund to the current local fund which we also simplified and **rounded up to £2,500**. The local funds continue to be used by the communities as before. The regional funds are managed by SSE working with experts in the field of skills development, the natural and built environment, and community energy to deliver projects of regional significance that will benefit the wider communities in the areas where the wind farms are located.

When do you start paying the funds?

We are happy to begin the fund as soon as major construction work starts on site, and the necessary formalities and the community investment panel are in place. Funds are then paid on the anniversary of the first payment for a further 24 years or for the lifetime of the wind farm, whichever is the shorter. The planning consent we have for our wind farms usually runs out after 25 years, so we will either have to dismantle them, or apply to renew the planning consent.

Is the fund linked to inflation?

No, but the value will be reviewed every five years, starting in 2017.

Can local projects be funded through the regional fund?

Yes, we expect the regional funds to benefit people who are eligible to apply for the local fund, as well as benefiting those in the wider region.

Who decides on which applications receive funding?

For local funds, a local panel is established. Community councils each nominate people to sit on the panel (we usually recommend at least one community councillor and one member of the community who doesn't sit on the community council). We work with the panel to provide a full induction, and explain the process clearly. Regional funds are decided on by a central panel made up of external representatives and those from SSE.



Communities visit the Griffin wind farm

How will we know what the money has been spent on?

We will regularly report to the community advisory panel, details of funds that have been supported since the last report. Every year we will produce an 'annual report' for the fund which will be published online. We operate transparently, ensuring the community panel is aware of all applications – including those which have been received but which don't meet the fund criteria.

Can we use the fund to 'match-funds' from other sources?

Yes, we think it's very important that communities use the funds in the way that best suits their needs. We're happy if our funds can be used to unlock other sources of funding, even if these are from another wind farm developer!

Can we use the fund to pay for energy bills?

In practice, operating a system which fairly and robustly distributes an energy subsidy to all residents would be very difficult. We think a far more effective approach to help people with the costs of their energy is by using energy more efficiently and by helping to fund community renewable energy schemes. Therefore, funds can be used to provide energy efficiency measures to the local community, provided this is done fairly,

or for community-purpose buildings. Such measures will help reduce overall energy consumption, and therefore energy bills.

Can we split the fund between community councils?

We used to do this, but whichever way you decide to calculate the split, we found it was difficult, and sometimes impossible, to convince everyone that they were being treated fairly. For example, do you decide on the split based on the relative sizes of the populations of each eligible community council area, or on the number of turbines each can see, or on some other measure? Who is to say which is fairest?

With the benefit of experience, we have decided it is best not to split the fund at all. This way, all good eligible projects can compete for funding without the artificial constraints imposed by arbitrary percentage splits. The panel, which will include representatives from each community council area will decide on which projects to fund first, and which will have to wait until subsequent rounds. Experience tells us this model is successful and effective. For example, our Griffin wind farm panel has been successfully working together to ensure a fair share of funding across the whole area during the life of the fund.

What happens if we can't spend all the money?

You won't lose it! Some communities initially find it difficult to find good quality projects to support, but as awareness of the fund increases among community groups, this tends to be less of an issue. Until that time, any unspent funds are simply carried forward to the next round of funding.

How much can I apply for?

We work with community groups to determine the maximum application value to allow a fair share of applications to come forward. Community councils operate a small 'micro-grants' scheme, distributing money directly through the community council for projects typically up to £250 or £500. Applications above this level come through the panel.

How long does it take to process my application?

This depends on the number of funding rounds there are each year (determined by the community panel based on the annual fund value). From the fund deadline, we take six weeks to process the application, distribute papers to the panel, the application to be reviewed by each panel member, and the panel to meet and make a decision. Applicants are then informed the following week and grant offer letters are sent out to successful applicants. Once the signed offer letter has been returned, it takes 15 working days to process the payment.

Once the application has been submitted, it's important that applicants are available on the phone to discuss their application.



The Griffin wind farm community fund provided a new Land Rover for the Tayside Mountain Rescue team



By March 2012, SSE had set aside approximately **£11 million** for community investment funds linked to its renewable energy projects to support communities throughout Scotland.

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