**KYPE MUIR WIND FARM**

**Information in relation to Community Benefits and proposals for the**

**formation of the Kype Muir Community Partnership**

RE/S/713/PM1

1. **Introduction**
   1. This note provides additional information on how Banks Renewables sees the Community Partnership funding from the operation of Kype Muir Wind Farm being delivered into the surrounding communities.
   2. It also considers the relationship with the South Lanarkshire Renewable Energy Fund (the “REF”).
   3. This is a draft framework for discussion and agreement with the Communities (Strathaven, Stonehouse, Lesmahagow and Sandford Upper Avondale), South Lanarkshire Council (SLC) and Banks Renewables (Kype Muir Wind Farm Ltd).
2. **Kype Muir Wind Farm Community Partnership: Community Funding**
   1. The Kype Muir Community Partnership is supported by the following financial commitments;
      1. Total contribution of 1.5% of the gross annual revenue generated by the wind farm.
      2. Underwritten by a Guaranteed Minimum Payment, based on £5,000 per megawatt installed (index linked).
   2. The expected community funding resulting from the above commitment is shown in Table 1 below.

**Table 1 – Community Funding**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Installed Capacity** | **Lifecycle 1.5% gross revenue\*** | **Annual Average of 1.5% gross revenue\*** | **Annual Guaranteed Min (£5,000 per MW )** | **Lifecycle Guaranteed Min (£5,000 per MW)** |
| **88.4MW** | TBC | £655,040 | £442,000 | £11,530,000 |

\**Based on current estimated long term average wind speeds for Kype Muir Wind farm and independent estimate of long term energy prices. This is a predicted figure and the actual value maybe higher or lower.*

1. **Payments Timing and Administration**
   1. The first Guaranteed Minimum Payment would be made within one month of the Date of Commissioning of the wind farm, with future payments made on each anniversary thereafter until the wind farm ceases exporting electricity.
   2. At the end of each year the balance of community funding would be paid based on,

***Balance Due = 1.5% Gross Revenue for year - Guaranteed Minimum Payment***

* 1. It is envisaged that payments will be made into two administering bodies,
     1. South Lanarkshire Council Renewable Energy Fund (“REF”)
     2. Kype Muir Wind Farm Community Fund (“KMCF”)
  2. The REF will receive a guaranteed annual payment of £2,500 per MW installed. This equates to £221,000 per year.
  3. The KMCF will receive a guaranteed annual payment of £2500 per MW installed. This equates to £221,000, based on 88.4MW commissioned wind farm.
  4. Together these payments make up the Guaranteed Minimum Payment of £5,000 per MW installed.
  5. In addition the KMCF will receive an annual (in arrears) balancing payment as defined in Para 3.2, above. Based on current projections this is expected to average around £213,040, per year.

1. **Kype Muir Community Partnership (“KMCP”)**
   1. We propose that a Kype Muir Community Partnership group is set up, drawing its voting members from the representative Community Councils. We would recommend that the Council shall have the opportunity to have representation on the KMCP. The form of this representation will be advised by the Council. We would also encourage the involvement of important local clubs or groups and the business community in the activities of the KMCP in a non-voting capacity.
   2. Kype Muir Wind Farm Ltd and SLC representatives will also be invited to attend (at their option).
   3. The KMCP must be properly constituted and be transparent in its actions and objectives and ensure that these are at all times wholly for the benefit of the Communities.
   4. We would require an annual review of the membership of the KMCP, as well as a quarterly statement of accounts, the grant assessment reports and minutes of decisions and actions made by the KMCP for each meeting during each year of activity. We would normally expect the KMCP to meet on a quarterly basis.
   5. In the event that such a review highlighted concerns either in terms of the administration, action or decision making of the KMCP (and in particular the inappropriate use of community funding) then Banks Renewables and / or SLC would have the right, at any time during the operations of Kype Muir Wind Farm, to review the administration of the funding; making such changes as may be necessary to ensure that at all times community funding is directed into community projects, initiatives etc that are supported by the Communities as a whole.
   6. The KMCP would determine all applications made into the KMCF in accordance with criteria agreed with the Banks Community Fund and SLC.
2. **KMCP and the South Lanarkshire Council REF**
   1. In addition we propose that SLC agree that the KMCP is a consultee in respect of any application made into the REF for Kype Muir Wind Farm; this having been agreed in principle with South Lanarkshire Council. We would suggest an Annual Report of grants given by the Kype Muir REF is undertaken by SLC along with Kype Muir Wind Farm Ltd and the KMCP. This review would seek to inform the KMCP of supported projects and the financial status of the Fund and would seek to confirm that all decisions are made in line with the REF criteria.
   2. In the above way the communities as a whole secure comfort that,
      1. All community funding benefits their communities; and
      2. They have a clear say in how money is spent; and
      3. There is transparency and accountability in terms of the management of their community funding.
   3. The overall decision making process is illustrated in Diagram 1.

***Diagram 1 – Kype Muir Community Funds: Administration and Decision Making***

**Funding released from REF based on council’s decision**

**Project Application for Funding**

**KMCP provides advice/reviews all applications prior to REF decision**

**Funding Released based on KMCP Decision in line with agreed criteria**

**Project Application for Funding**

**Kype Muir Community Partnership**

**High C**

1. **Kype Muir Wind Farm Community Fund (“KMCF”)**
   1. It is a fundamental requirement of any fund administration that it is managed appropriately with full public accountability and transparency and serves the “Purpose” – which is to ensure funding is directed into community projects and initiatives that are supported by and wholly for the benefit of the Communities.
   2. We require that before any such body begins operating and makes decisions on grant applications using funding from Kype Muir Wind Farm that it is approved by both SLC and Banks Renewables.
   3. We propose that the default position for fund management outwith the REF commitment is the KMCF.
   4. The KMCF would be a ring fenced administrative fund set up by Banks Renewables on behalf of the Communities and managed by an independent community foundation that works with Banks Group across the UK on this aspect of our business. An administrative charge of between 5 and 10% depending on the level of service required will be negotiated with the charitable foundation managing the Fund.
   5. The KMCF would only administer money on behalf of the Communities and would release funding, if available, as directed by the KMCP in line with the agreed criteria for the Fund and based on minuted decisions made by KMCP at a properly constituted meeting of the KMCP Management Committee.
   6. It may be that the Communities decide that the KMCP develops into a corporate entity that can become an “appropriate body” for the purpose of fund administration. Banks Renewables, subject to the requirements for fund administration as set out above, gives the Communities the option to transfer fund administration from KMCF should they so wish.
   7. At all times Banks Renewables and SLC would retain the right to step in and effect change to such administrative arrangements where they are not effectively directing funding to the Communities’ priority projects and cannot evidence appropriate consultation and rigour in decision making.
2. **KMCP**
   1. The key to the success of the KMCP will be that it has the full support of the four communities that it represents. Discussion will need to take place between the Communities, and agreement reached on fund prioritisation, the split of funding between the individual communities and how the KMCP operates month to month and year to year.
   2. It must be democratic and be able to provide evidence that it is has a community mandate and is truly representative of the Communities.
   3. It is required, as a condition of its articles of association, that the KMCP fully consults with the Communities on its key priorities year to year and advertises what funding is available. Annual reporting on all grants made would be required.
   4. We will encourage the Communities to develop Community Development Plans (“CDP”); and applications to the KMCP or REF for project funding should be prioritised where a project is named within an approved CDP or is part of a key strategy within a CDP.
   5. The proposal includes a commitment on behalf of Banks Renewables, the Kype Muir Community Partnership and South Lanarkshire Council to implement a focused employability scheme under the banner of ‘Connect 2 Renewables’ covering the first 5 years of the development. This would involve a £2,500 per MW per annum commitment over those first 5 years to be utilised in the improvement of employability in the areas covered by the Kype Muir Community Partnership. £1250 would come from the REF and £1250 would come from the Kype Muir Community Partnership’s guaranteed minimum. The scheme itself would be run and administered by South Lanarkshire Council who will be obliged to develop a detailed proposal to be agreed with the Kype Muir Community Partnership prior to its implementation.
   6. The Kype Muir Community Partnership, with the support of South Lanarkshire Council and the Kype Muir Wind Farm committed funding, creates a fantastic platform to encourage widespread public participation in community activities and planning and to help maximise the benefits from Kype Muir Wind Farm.
   7. The Communities are currently represented by their respective Community Councils. If at any time, one or more Community Council has concerns about the operation or activities of the KMCP, then it should bring this to the attention of Banks Renewables and SLC and the parties will convene to discuss and agree resolution of any dispute or disagreement.
   8. The KMCP is a body representing four distinct communities, each with its own priorities and different issues.
   9. The KMCP should consider how it would apportion between major and minor projects, short term and long term (strategic) **projects, f**acilities funding and social, economic and environmental initiatives and local jobs and training projects. KMCP should also ensure that projects in all four community council areas receive equal consideration. We advise that this is best done through a Community Development Plan(s).
3. **Conclusions**
   1. The approach advocated in this document requires a greater level of joint working between developer, Community and Council than would normally take place.
   2. From our experiences elsewhere, and based on the levels of support we have had in relation to Kype Muir, we are convinced it is the right approach. It helps to build support for appropriately sited on-shore wind farms; and helps to support economic, social and environmental regeneration in surrounding communities to a much greater degree than has been seen to date.
   3. It also actively encourages public participation in community activities and development and will lead to more sustainable communities in the long term.

Gordon Thomson

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Appendix 1 – Draft Community Partnership Fund Guidelines

Appendix 2 – Connect 2 Renewables diagram