Department for Energy Security & Net Zero

Community Benefits Guidance for Onshore Wind in England

Acknowledgements

Endorsement of the updated Community Benefits Guidance

“We acknowledge the value of this voluntary guidance and its importance to instil fruitful long-term partnerships between onshore wind developers and local communities. We also acknowledge the importance of buy-in from developers and communities alike, and we look forward to building on onshore wind’s strong history of delivering high quality community engagement and benefits. We encourage developers and communities to work together to deliver long-lasting impactful changes that work in the best interests of all parties.”

Jane Cooper
Deputy CEO
RenewableUK

Adam Berman
Director of Policy and Advocacy
Energy UK

Support of the Onshore Wind Community Benefits Steering Group

This guidance has been developed in close collaboration with the Onshore Wind Community Benefits Steering Group, established by the Government with representation from organisations across several different sectors. Their contributions through workshops, engagement and iterative feedback have provided valuable insights. The Government extends its gratitude for their expert support, which has been instrumental in achieving a detailed, practical and informative piece of guidance. All final decisions, errors or omissions regarding the content of the documents remain the responsibility of the Government.

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Introduction

Onshore wind is a mature, efficient technology and one of the cheapest sources of electricity generation in the UK today[1]. It has a key role in strengthening our energy security and helping to control bills by reducing our reliance on expensive fossil fuels. It is a vital technology in achieving the government's clean power ambitions and the UK's net zero targets. The government has committed to radically increase onshore wind capacity by 2030.

However, government wants to bring communities on the journey to net zero. The government has been clear in both its manifesto and the Clean Power Action Plan that communities should be empowered to directly participate and benefit where they take on the responsibility for hosting low-carbon infrastructure. From investment in the local economy to the strengthening of biodiversity, there are many ways in which onshore wind projects can leave a positive long-lasting impact and contribute to creating more resilient, inclusive, and prosperous local communities.

One of the ways that communities can directly benefit from onshore wind built in their local area is through community benefits. Community benefits are distinct financial packages provided to host communities by the onshore wind developer. They are an established part of onshore wind development in the UK and the sector has a strong history of delivery. However, since this guidance was last updated in 2013, the provision of community benefits has evolved. Developers are taking a more proactive role in identifying local needs and preferences, closely involving communities, and delivering innovative and bespoke packages. This updated guidance synthesises these approaches, providing clear expectations and best practice standards for how community benefits should be delivered.

The updated guidance:

- Sets the criteria for providing community benefits, including the expected value of funding for communities;
- Incorporates existing guidance on best practice principles of community engagement;
- Details common models of community benefits that are available to communities;
- Includes additional types of support available to communities;
- Clarifies how community benefits should be treated when a project's circumstances change, such as when it repowers, life-extends or changes ownership; and
- Provides a resource kit to help communities engage with developers and agree community benefits, such as case studies, draft templates and other best practice documentation.

While the guidance sets clear expectations for developers and local communities on the benefits available and best practice approaches, it is not a prescriptive framework. There is no one-size-fits-all approach and government expects developers to work with local people to deliver the types of community benefits best suited to their individual circumstances.

[1] On a levelized cost basis – DESNZ Electricity Generation Costs Report 2023

Community benefits current overview

1. Distinct financial packages that are separate to wider benefits accrued through development or construction of an onshore wind project (such as local employment or improvements to infrastructure).
2. Designed to reward the community for hosting new onshore wind projects. They can deliver social and economic benefits directly to the host community.
3. Not legally mandated and voluntarily provided by the developer.
4. Highly flexible and can be delivered ‘in-cash’ (financial payments to the community) or ‘in-kind’ (when the financial payments are conveyed through alternate means such as shared ownership or direct investment in local infrastructure, projects or schemes).
5. Legally immaterial to planning decisions and cannot be considered when deciding whether to grant planning consent. It is critical the planning process remains a robust system through which communities can raise concerns with proposed developments.

In updating this guidance, government was guided by the following aims and principles:

- **Deliver what the community wants.**
  We expect the community benefits packages to reflect the priorities and preferences of the local communities.

- **Supporting the capacity and capability of communities.**
  Developing the community benefits arrangements and proposals will require communities to volunteer their time, knowledge, and experience. Communities should be supported so that a diverse range of community members can be involved and to achieve their desired outcomes.

- **Lasting legacy.**
  Community benefits should seek to improve the social, economic, and environmental wellbeing of the community and deliver benefits which endure over the long term.

- **Flexibility to adapt to community preferences.**
  We recognise that each community and region has its own unique set of characteristics and priorities. This guidance sets out a framework around which developers and communities can develop their own arrangements to deliver what works locally and to deliver what the community wants.

- **Securing fairer and more transparent outcomes.**
  Flexibility also requires trust that developers are treating communities fairly. The guidance sets an expectation that developers should act transparently and explain how communities can be involved, how final decisions have been reached, and where they have departed from this guidance and why.

Section 1: Eligibility and Extent

Scope

Onshore wind projects of 5 megawatts (MW) or greater in England are expected to provide community benefits to host communities. 5MW is the threshold at which government considers electricity generation projects to be *'large-scale'* and therefore eligible for support under the Contracts for Difference (CfD) Scheme. Both CfD and merchant[2] projects that meet this threshold are expected to provide community benefits in line with this guidance.

Value

Qualifying projects are expected to provide community benefits of no less than £5,000 per MW of installed capacity per year for the operational lifetime of the project. This can be delivered *'in-cash'*, *'in-kind'* (to an equivalent value) or a mixture of both. The delivery of community benefits should commence within 12 months of first power generation.

Index-linking

The annual value that a developer pays (or benefits in-kind equivalent) should be index-linked for the operational lifetime of the project to account for future inflation which would otherwise erode the value of community benefits over time. This should be linked to the Consumer Price Index (CPI) as a proxy for inflation. The total annual value may be index-linked from different milestones in the development lifecycle[3] and this is at the discretion of the developer.

Exemptions and divergences

There are instances where an onshore wind project may be exempt or diverge from providing the recommended value of community benefits under these criteria:

- **Community energy onshore wind projects,** projects that are majority owned by citizens or citizen groups who reside in, or near, the local area hosting the site are exempt from providing community benefits. These projects deliver collective benefits to communities through ownership and the local distribution of revenue.
- Given the nature of project economics and financing at smaller scales, **single turbine schemes** are not expected to provide community benefits. While single turbine schemes will not typically exceed 5MW, advances in turbine technology may mean this is possible in the future. Some flexibility should be allowed in these instances.

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[2] Merchant onshore wind plants are those developed and sell electricity without government support.

[3] For example, when planning consent is received, when a community benefits package is agreed, when construction of the project commences or when a project becomes operational.

- **Onshore wind projects where the end user is on-site**[4], can diverge from the recommended value depending on the size of the business. SMEs[5] should consider impacts on local communities of an on-site project and discuss with them a feasible level of community benefits. However, large enterprises should provide community benefits to the recommended value[6] where there are impacts on local communities[7].

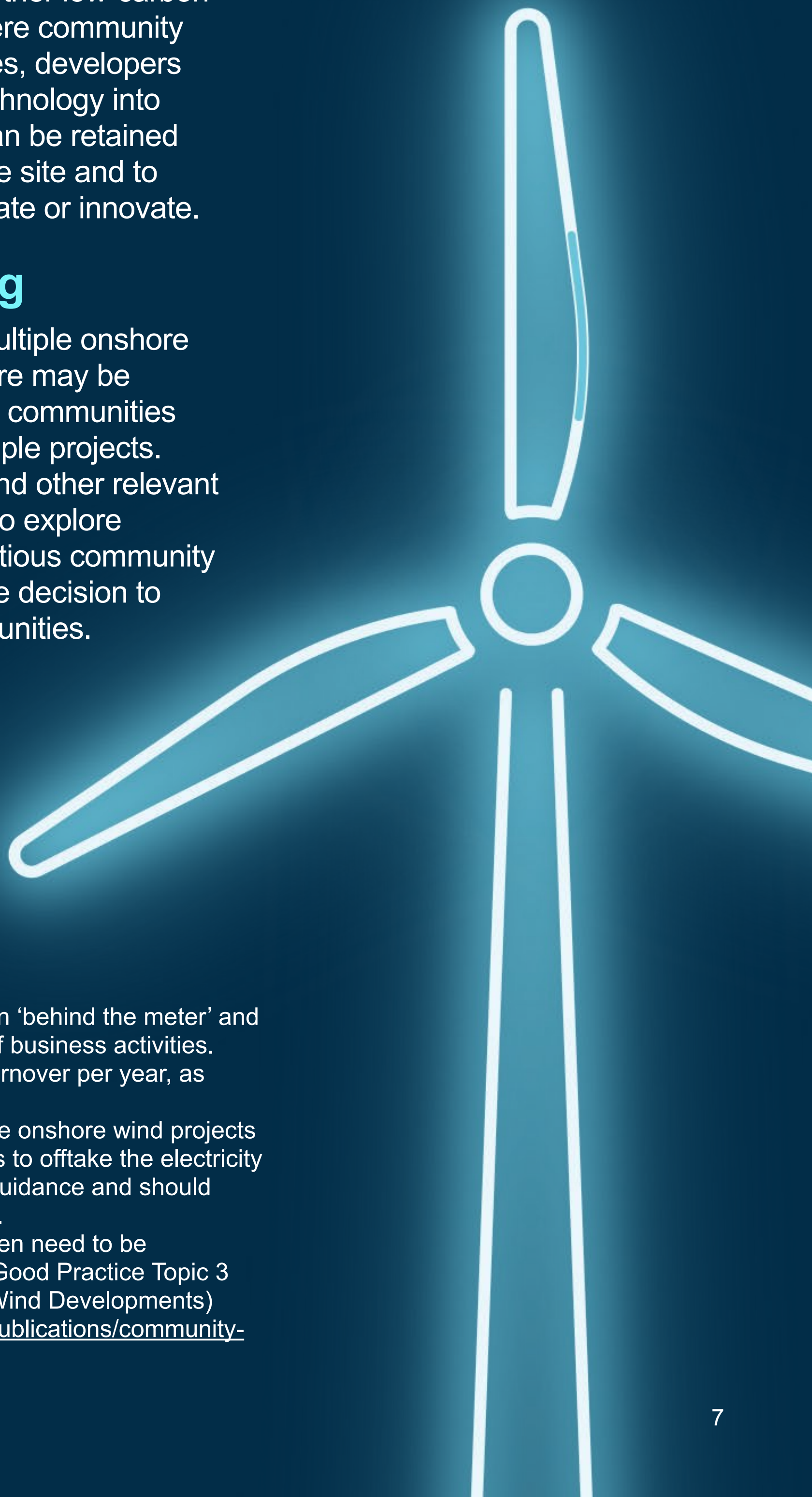
Additionally, each onshore wind project will have different circumstances that will impact on project economics and the value of community benefits that can be delivered, including the size of the project, wind speeds and load factor, and network charging costs (among others). As such, there may be instances where a developer is unable to deliver the full £5,000 per MW value and will seek to offer a more flexible package. Developers should discuss with communities when they need to diverge to ensure transparency and accountability.

Co-located sites

Onshore wind projects may be developed with other low-carbon technologies at the same site (co-location). Where community benefits guidance exists for different technologies, developers should combine the expected value for each technology into a single benefits package. However, flexibility can be retained depending on the individual circumstances of the site and to ensure projects are not disincentivised to co-locate or innovate.

Potential for strategic funding

Regions with strong wind resource may have multiple onshore wind projects developed over time. As such, there may be opportunities for greater strategic funding where communities across a region are receiving benefits from multiple projects. Where appropriate, communities, developers, and other relevant stakeholders should consider working together to explore opportunities that may enable larger, more ambitious community benefits projects to be delivered. In all cases, the decision to work regionally must come from the local communities.



4 When the energy generated is primarily for consumption 'behind the meter' and where the main purpose is to enable decarbonisation of business activities.
5 Fewer than 250 employees and less than £50 million turnover per year, as defined by UK Government.
6 Alternatively, large enterprises may develop or purchase onshore wind projects that are off-site and utilise Power Purchase Agreements to offtake the electricity generated. These projects fall under the Scope of the guidance and should provide community benefits to the recommended value.
7 Identifying who constitutes the 'local community' will often need to be flexible and determined on a case-by-case basis. See Good Practice Topic 3 (Community Engagement and Benefits from Onshore Wind Developments) for more information - https://www.gov.uk/government/publications/community-benefits-and-engagement-guidance-for-onshore-wind

Photo: An image of worker picking up rubbish from a wind farm.

In focus: how much could communities receive from an index-linked benefits package

If we consider an indicative onshore wind project of 30MW in England providing community benefits of £5,000 per MW per year for 25 years.

In nominal prices (i.e. today's value), the local community would receive £150,000 per year (30MW x £5,000), which would equate to a total of £3,750,000 over 25 years (£150,000 x 25 years).

However, by index-linking the annual value, communities will receive a proportionate sum that accounts for future inflation.

With the annual value index-linked to the Consumer Price Index (CPI) as a proxy for inflation, this value will increase year-on-year. While future inflation will vary from one year to the next, for this example let's assume inflation rises at a flat rate of 2% each year.

The first five years are set out below in real prices (i.e. future value) showing how the annual value of £150,000 would increase over time (rounded to the nearest £1):

- Year 1 - £150,000
- Year 2 - £153,000 (£150,000 x 2% = £3,000)
- Year 3 - £156,060 (£153,000 x 2% = £3,060)
- Year 4 - £159,181 (£156,060 x 2% = £3,121)
- Year 5 - £162,365 (£159,181 x 2% = £3,184)

After 25 years, the annual value is almost £250,000, with the total value of the fund in real prices increasing to around £4,900,000. In this example, on a per MW basis, the community benefit value increased from £5,000 per year to around £8,200 over time.

Section 2: Best Practice Engagement

Early-stage engagement is key to establishing the foundations of a productive long-term relationship between the developer and the host community. For onshore developments, proximity to the site is typically the primary indicator for identifying beneficiaries. The guidance acknowledges that there is no single definition of *'community.'* Developers are advised to use site-specific characteristics to identify the most relevant stakeholders and define the boundaries of the host community. Each community has different needs and aspirations, therefore early engagement is best directed towards understanding local goals and any issues that may impact different members of the local community.

This section summarises the key messages from existing government guidance on best practice principles of community engagement for onshore wind in England, which should be considered alongside this guidance: https://www.gov.uk/government/publications/community-benefits-and-engagement-guidance-for-onshore-wind

When should the host community be engaged?

- Engagement on community benefits should be conducted as early as possible, and be proportionate to the size of the project and its stage in the development process;
- Developers should clearly set out their approach to community benefits, the different types available, and outline the process and key principles for agreeing them; and
- Early engagement is also important for identifying any needs for capacity building or upskilling of the local community to manage and administer the benefits.

It is important that engagement on community benefits occurs alongside engagement on the proposals for the development of the onshore wind project itself. This is because decisions on the project (particularly its size) directly influence the potential impacts on the local community, those who are affected, as well as the amount of community benefits funding that is available.

However, there is a strict principle in the English planning system that a planning proposal should be determined based on material planning considerations, as defined by law. Community benefits are not material considerations in determining whether planning permission should be given. Support for the project cannot be contingent on community benefits and community members should always be aware they must treat each matter separately. To aid this, developers should consider separating out the functions of community benefits and business development where possible. A best practice approach would involve developers using a specific community benefit liaison officer to engage with the community on benefits.

Who should be involved?

Designing community benefit packages should be done through consultation between developers and local communities. Whilst the developer should have already identified the local community through early engagement on the development of the project,[8] it is expected that a renewed consultation would be required. Community benefits may have wider applications than, for example, the zone of visual influence of the project, with a different profile of individual affected and/or interested. Therefore, engagement on community benefit schemes should at least reach the same geographical area as the consultation on the project, but in instances may exceed this.

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[8] See also Good Practice Topic 3 (Community Engagement and Benefits from Onshore Wind Developments): https://www.gov.uk/government/publications/community-benefits-and-engagement-guidance-for-onshore-wind

Developers should seek to engage with as wide a cross-section of the local community as possible, seeking input from hard-to-reach and diverse groups to ensure a representative approach. Early engagement with the community should help to identify who to engage and how, so this should be considered an iterative process.

Given the nature of community benefits in providing financial capital for investment into community interests and needs, developers should seek to engage existing, qualified bodies where possible, as well as people and organisations who live and work in the area. The area of interest may comprise multiple, smaller communities, such as villages, towns, and districts that are often governed and represented by different organisations. Developers should consider how to involve these groups, including but not limited to:

- Local residents close to the proposed project and in adjacent settlements;
- Local government bodies, including local authorities, parish, community and/or town councils;
- Members of Parliament (MPs) and local councillors;
- Voluntary sector organisations and anchor organisations such as charities, non-profits, community or development trusts, community energy groups, social enterprises and organisations with an interest in economic regeneration, or local clubs and sports teams;
- Housing associations, tenants' associations, and local residents associations;
- Local businesses;
- Educational and health institutions including local schools, colleges and universities, as well as NHS or community-led health services;
- Other key service providers such as village hall committees, healthcare facilities, residential facilities, care providers, and community transport services.

How should engagement be conducted?

Bespoke and responsive to community needs – developers, communities, and other stakeholders should be as flexible as possible to ensure they find the best solution for their local area. This might include considering the community's wishes for the type of benefit, the feasibility of delivering this and any support required. Aligning benefits with arrangements from other local initiatives can also maximise local benefit.

With opportunities for deliberation and discussion – engagement will benefit from using more interactive techniques such as surveys and facilitated workshops rather than presentations. However, developers should be clear and focussed as to what can and cannot change, so that feedback can be properly integrated into the final package.

With a clear and transparent process for deciding how benefits are distributed – communities can face challenges in getting agreement on who benefits and the geographical area to be covered owing to different priorities within communities.

With broad community support and representation – findings of the consultation should be shared with the wider community, with a process of review and discussion between the developer and local community to confirm the benefits arrangements.

With access to support – the prolonged and resource intensive planning and consent process can be challenging to retain community members who can also support discussions around community benefits. Communities may not be sufficiently well organised or have the skills and capacity to negotiate and organise community benefits. Third-party support to build capability and access professional advice, as well as to cover legal advice costs in these cases is extremely valuable.

Additional support available for communities

Support available from onshore wind developers

Developers will often have prior experience of delivering community benefits and may be able to provide additional support and guidance to local communities. Developers exhibiting best practice may be able to help upskill and increase capabilities within communities, particularly where a community is new to the process, including:

- **Setting up a community organisation to manage and administer community benefits** – developers can signpost to advice and share examples from other communities to help decide which structure may be most suited to the value and type of community benefit. Consideration should be given to creating a paid position within the community organisation, particularly for larger packages or where communities are managing multiple benefits, to provide dedicated support to communities and/or manage the packages on their behalf.
- **Developing a community action plan** – to help support the engagement process, communities should consider developing a community action plan to set the vision and priorities for the local area. This will help developers understand local needs and aspirations and help guide discussions on how and where community benefits should be spent. Developers should help support this process, which may involve some seed funding for communities to develop the action plan. For further information on developing community action plans please see Section 2 of the Community Benefits Resource Kit.
- **Identifying and designing long-term projects** – communities may find it challenging to effectively spend community benefits funds, particularly larger funds, without the use of a community action plan or more strategic longer-term thinking. Community benefits should provide a lasting impactful legacy to host communities and developers should work with communities to explore what long-term priorities they have for their local area. Consideration should be given to alternative approaches and other types of investments that may create longer-term value for future generations.

Where developers are providing additional administrative, resource or financial support, they may decide to absorb the associated costs, however it is also acceptable for those costs to form part of the overall community benefits value. However, those costs should be kept to a reasonable minimum. Where costs may form part of the overall community benefits value, this should be discussed and agreed with communities. In all cases, the focus should be on enabling communities to utilise their community benefits as effectively as possible.

Support available from other organisations

- Community Energy England – hosts a range of information, advice and resources on community energy.
- Local authorities/local government – may have funding opportunities and additional resources for communities or may be able to help support fund administration.
- Centre for Sustainable Energy – provides tools and resources for community engagement and local planning.
- UK Community Foundations – connects communities and organisations seeking to improve their local areas.
- Councils for Voluntary Services – helps connect different voluntary and community organisations, with possible support for training and funding (see National Association for Voluntary and Community Action (NAVCA) or National Council for Voluntary Organisations (NCVO) for more information).
- Local Elected Representative – possible source of information, advice and resources.

Section 3: Guidance on Community Benefits Schemes

This section details common types of community benefits available to communities, outlining best practice principles and example approaches. This is not a prescriptive list of delivery models or an exhaustive description of community benefit schemes, rather a possible selection that communities may wish to consider. Hybrid options are also possible where communities can benefit from multiple types of schemes.

The most common type of benefit scheme is a community benefit fund. This is where a developer makes regular payments into a fund which is then distributed to projects in the local community on a case-by-case basis. Community benefit funds can provide communities with long-term, reliable, and flexible funding to directly enhance their local area. Funds can be used to respond to needs and aspirations of the community and can ensure a positive legacy is left by the onshore wind developer.

There are also other approaches, with schemes that can contribute directly to communities through alternative means such as local electricity bill discounts or shared ownership. However, there is a large range of other opportunities that developers may be able to provide to communities as part of a community benefits package, including: training programmes and skills development, environmental and wildlife enhancements, supporting the promotion of local tourism, home energy efficiency measures and other low-carbon initiatives.

It is important that communities and developers work together closely, recognising that each community and project will be different, with flexibility key to ensuring high quality and innovative outcomes are delivered. Benefit schemes should be responsive to community needs and priorities, have buy-in from the community, and are clearly defined and legally agreed. All schemes should be delivered to an equivalent value of £5,000 per MW per year for the operational lifetime of the project, including index-linking arrangements as set out in the guidance.

Option A: Community benefit fund

Key aspects:

- Regular payments allow communities to plan ahead
- Can be used to finance a range of projects on a case-by-case basis
- Flexible, led by communities and can be altered to suit their needs over time
- Requires community resource to set up and administer

Step-by-step: setting up a community benefit fund

Step 1 – setting a clearly defined purpose for the funds

Feedback from the community and any community action plans developed during the engagement phase will typically inform the purpose and criteria of the fund. This will help communities understand how the fund can be used. For the purpose and criteria, local community representatives involved in setting up the fund should set out:

- The agreed parameters of the fund;
- Who can apply to the fund;
- The types of projects that can be supported; and
- Who is intended to benefit from the successful projects.

This will help support decision-making when assessing applications from the community for projects to receive funding. The process to apply for funding and the criteria for assessing applications should be shared with the local community throughout the fund's lifecycle. For further information please see Section 3 of the Community Benefits Resource Kit.

It is also best practice that communities develop a community action plan under this option to help with Step 1 (see Section 2 of the Community Benefits Resource Kit). While this sets the vision and priorities for the local community, this will also help identify specific projects or schemes that can be delivered through community benefits funding over the lifetime of the project.

Step 2 – agreeing a well-defined, documented, and accountable approach

It is best practice for a fund to be managed by an organisation that has representation and involvement from local community members. There are several approaches a community could take, including using an existing organisation or structure, or by setting up a new body. Depending on the size of the fund and capabilities of the community, different approaches may be better suited than others.

Where communities have the capacity, resources and skills to manage an organisation and administer a fund, it is recommended one of the following structures are used:

- **Community not-for-profit organisation**: this is a formal organisation usually set up as a type of charity[9]. The organisation will primarily include community members that are the charity's trustee board. They are responsible for the operation of the charity and will have specific legal responsibilities. The board retains decision making on use of funds, however charity-status does come with certain restrictions. For further information on how to setup a charity, visit GOV.UK.
- **Community company**: this is another formal organisation set up (without charitable status) as a type of community interest company (CIC). This is a special type of limited company benefitting the local community rather than shareholders but can be more commercially driven, including

[9] There are four main types of charity: charitable incorporated organisation, charitable company (limited by guarantee), unincorporated association and a trust. The appropriate type of charity structure will depend on who is involved, how it will be operated, and the value and type of community benefit scheme.

opportunities to employ staff. Whether a limited company is right for the community will depend on how the community wants to use the funds. This may also be a useful option if pursuing a shared ownership arrangement. For more information on how to setup a CIC, visit GOV.UK.

Where communities are not sufficiently well-resourced to manage an organisation or administer a fund, it is recommended external administrators are used. These are usually third-party organisations[10] with capabilities in managing and administering funds on behalf of a community. Community members, such as a dedicated panel of local representatives, work with the external administrator ensuring the community retains control over decision making on how funds are spent. External organisations will usually charge a fee to administer the fund. Additionally, once a community has built capacity, skill and resources, there may be opportunities to move to a formal organisational structure managed by the community.

Regardless of the type of organisation chosen to manage the fund, the organisation must consider how to best ensure the decision-making process is democratic and that community members are given the opportunity to share views.

Step 3 – producing clear and legally enforceable agreements

Once planning consent has been granted, the details of the community benefit package should be finalised. It is best practice to draw up a legal agreement on the benefits package to minimise the risk of disputes further down the line. It is good practice for communities to seek legal advice before entering into a community benefits agreement.

For further information on legal agreements please see Section 4 of the Community Benefits Resource Kit, however, the legal agreement will typically cover:

- The formula on which the annual value is calculated;
- When the payments will begin and how frequently will they be paid to communities;
- How payment will be triggered and what happens if there are any problems;
- What the length of time for providing community benefits is determined by;
- Index-linking arrangements the payments will be subject to;
- What the fund may and may not be used for (for example, religious and political initiatives may be excluded) and who has liability and responsibility for its management once the money has been paid to the community;
- How disputes should be dealt with;
- What obligations the community has to the developer in relation to the funds, such as annual reporting and auditing of how funds are spent;
- Any agreed review points to assess organisational structures, effectiveness of fund delivery, or to undertake periodic due diligence;
- What obligations the community or developer has for communicating, marketing or publishing information on the fund, and transparency of reporting on the fund;
- What obligations the developer has for ensuring community benefits arrangements are maintained if a project changes ownership; and
- Mechanisms to revise benefit funding if there is a change of circumstances.

Potential for frontloaded or lump sum payments

Communities may identify specific needs that require larger upfront investment than would be available through a yearly benefit fund, which could be delivered through frontloading or providing lump sum payments.

[10] External organisations that may provide services could include community foundations, Councils for Voluntary Services (see the membership bodies NCVO or NAVCA for more information) or grant management organisations. The developer may also be able to administer the fund in some instances.

Developers will need to consider if it is financially viable to frontload benefits payments and how this might be funded, whether through the balance sheet or capital loans. Where a frontloaded lump sum is only a proportion of the overall community benefits value, developers will need to agree with communities how the remaining benefits will be paid. Communities should note that frontloading payments may not be possible in all circumstances depending on the project or developer.

Where it is agreed to frontload most or all of the community benefits funds to deliver a significant piece of infrastructure, major project or large scheme, the developer will usually be responsible for making the investment and managing procurement on behalf of the community where possible. This can be a more streamlined and cost-effective approach than communities directly procuring benefits, and often reduces the burden on communities while retaining their decision making.

When a large project is proposed, it is important that local government is engaged to understand their role. This may include potential opportunities for match funding, identification of other similar existing schemes, or specific considerations on areas that might otherwise be funded and delivered by local authorities, such as education or transport.

Alternatively, communities may wish to receive larger payments less frequently. They should work with developers on the feasibility of supra-annual payments, such as every two years, or even every five years. While this means a greater value is delivered enabling more substantial projects to be financed, the gap between payments may mean communities will need to consider how they might fund projects to meet more urgent or immediate needs. Again, communities should note that providing lump sum payments may not be possible in all circumstances.

With regards to index-linking, frontloaded or lump sum payments should not include potential future increases in the value of a community benefits fund. Payments should only reflect what has currently been accrued under index-linking arrangements. Frontloaded or lump sum payments will also typically have a fair discount rate applied that converts future cash flows into a present value.

Option B: Local Electricity Bill Discounts

Key aspects:

- Low resource burden for local communities
- Supports fuel poverty and alleviates times of high energy bills
- May require switching electricity suppliers
- Challenges in ensuring those on pre-payment meters or non-metered connections receive the discount

Local electricity bill discount schemes are a type of benefit in which households and businesses in the immediate proximity of an onshore wind project can receive a direct discount on their electricity bills. Electricity bill discounts can create a direct link between communities and the low-cost, low-carbon electricity onshore wind generates.

Discount schemes can be complex and administratively burdensome to deliver. Some developers will have existing mechanisms to administer electricity bill discounts, however not all developers will have experience of delivering such a scheme. Communities should keep in mind that not all developers will have the resources or capabilities to do so.

Where developers have no prior experience, they will need to manage the scheme internally or outsource to a dedicated third-party. If managing internally, developers will need to determine any upfront and ongoing costs. This may include (among others) external interfaces for household applications, the delivery mechanism, marketing and comms promoting the scheme and staff to manage the scheme. Communities and developers should be aware that designing and implementing a brand-new scheme may take up to 12 months to deliver.

Below represents a simple template for delivering a discount scheme. This is not prescriptive and other models or modes of delivery may be available. It is important that flexibility and innovation is retained in each step.

Step-by-step: setting up a local bill discount scheme

Step 1 – determining the value of the discount

The level of annual discount offered will predominantly depend on the value of the community benefit and the size of the host community. On average, households could expect to receive a £200 annual discount. However, it is important to note this may not be possible in all circumstance depending on the value of the fund and the number of households.

Step 2 – determining eligibility

Once the annual discount has been set, a radial distance should be drawn around the onshore wind project. This should be expanded until the number of households eligible for the discount meets the annual value of the community benefit fund i.e. annual discount x number of households = annual value of benefit fund. While it is recommended that those who are eligible to receive the discount should be in at least the same geographic area identified during the initial engagement phase, this may not be possible in all instances.

Step 3 – signing up to the scheme

A process will need to be established to contact and publicise the discount to eligible households. This should be based on postcodes, with eligible properties in the radial distance determined in Step 2 identified using publicly available tools and databases.

Developers will also need a process for households to apply for the bill discount. Typically, this will be an online platform, but alternative options should be considered to ensure applying is accessible to all groups in a community. The application window for eligible households should be open for at least one month. Sufficient due diligence should be undertaken to ensure applications are from eligible households. It is estimated that the participation rate of eligible households may be around 75-80%.

Developers will also need to consider whether households are required to change to a dedicated supplier to receive the bill discount. Where communities are asked to change suppliers, it is likely the uptake of a discount scheme will be reduced. In all cases, developers will need to seek agreement from electricity suppliers to facilitate bill discounts.

Step 4 – delivery of the discount

Developers will need to determine how properties will receive the discount. Discounts should be delivered once per year for each household, ideally by developers directly crediting the household's account held with their electricity supplier. Where a developer is unable to credit a household's account, including for those on pre-payment meters or non-metered connections, vouchers or direct payments should be used. Where benefits funding for bill discounts has not been exhausted, this should be recycled into the discount scheme or reinvested to provide additional community benefits.

Option C: Shared ownership

Key aspects:

- Shared ownership can help to create a sense of participation within the local community
- Potential to generate significant incomes for the community
- Typically exposed to market conditions, meaning revenue can go up as well as down
- Schemes are often complex, administratively burdensome and need professional advisors to assist communities
- May require significant upfront investment from the community, with long timescales for returns

Whilst it is common for onshore wind projects to be developed and owned by private commercial organisations (due largely to the investment and expertise required), there are also opportunities for communities to participate in shared ownership schemes. Shared ownership as a community benefit typically represents a model where the local community is offered a financial stake in the development that is equivalent in some respect to the value of the community benefits fund.

Communities and developers should carefully consider the balance between the benefits to individuals that arise from shared ownership and the benefits to the wider community. Good practice models will ensure a secure and reliable benefit to the wider community. Usually this will mean that the commercial partner establishes some form of financial arrangement with a community group or community enterprise that can hold the benefit from the arrangement in trust for the community.

Step-by-step: establishing a shared ownership scheme

Step 1 – seek information, advice and expertise on opportunities for shared ownership

It is best practice for communities to seek out others who have taken up shared ownership options of an onshore wind project, or conversely, those who have actively decided against pursing shared ownership. Organisations such as Community Energy England, community foundations or Councils for Voluntary Services (see NCVO or NAVCA for more information) may be able to assist. The developer should also seek to assist the community.

If the community intends to pursue a shared ownership proposal, they should then seek legal advice. The developer should prepare an agreement of intent (Memorandum of Understanding), which should be signed in advance of the onshore wind project submitting a planning application (where appropriate). Clear and transparent public meeting minutes may suffice where both parties are content. It is at this stage that financial advice should be sought, with the developer producing further documentation for communities to consider prior to signing a legal agreement.

The developer should then work with the community to agree a timetable of next steps for the delivery of the shared ownership scheme. This should include how and when key information will be disclosed as well as setting out how and when in the development process legal agreement will be expected.

Each developer will have its own policy on the timing of an investment offer to a community. For example, some investment opportunities may be available to communities pre-planning (these are typically higher risk), while others may enable the community to invest later in the development process[11].

[11] For example, at financial close (when all project and financing agreements have been signed and all the required conditions have been met, enabling funds (loans, equity, grants) to start flowing so that project implementation can start) or post-commissioning (once a constructed turbine has undergone electrical, mechanical and civil engineering tests).

Step 2 – provide further information and establish a model

Later in the development process (such as after financial investment decision once planning consent has been secured), more robust information on the opportunity should then be made available by the developer to the local community. This should be provided within an adequate timescale to enable the community to engage professional advisors, assess the investment offer and approach commercial funders (if applicable).

There are three common models for shared ownership:

1. **Joint ventures** – a model where the community and renewable energy business create an organisation to take forward a project together. The renewable energy business will own a larger share of the joint venture company.

2. **Shared revenue** – in which a legally constituted community organisation buys the rights to a future virtual revenue stream which will be calculated based on a specified proportion of the output of an installation (minus agreed operating costs and virtual debt service). This is calculated as if the community had acquired the underlying infrastructure.

3. **Split ownership** – in which a legally constituted community organisation owns a proportion of a development's physical assets, for example, the community organisation owns one wind turbine in a development of 20 turbines being installed by a commercial developer.

Shared ownership often requires upfront investment from the community to develop and/or own a proportion of the project. However, when delivering shared ownership as a community benefit, such investment may be funded through part or all of the anticipated community benefits value that would accrue over the lifetime of project. This should be equivalent to £5,000 per megawatt per year as set out in the guidance. Further guidance on providing upfront or lump sum values and how to treat index-linking can be found in Section 2. This does not preclude the community raising additional funding from external sources if desired. Developers and communities should discuss as early as possible how community benefits can deliver shared ownership.

Step 3 – establish a community-led organisation and agree shared ownership terms

This is an important step in finalising terms with the developer and securing any investment funding (if needed). It is good practice for the community to setup a formal organisation or Special Purpose Vehicle, particularly as communities will typically need to enter into formal legal/financial agreements (for more information see *Step 2 and Step 3 of Option A: Community benefits fund*). Again, it is important here to seek further professional advice on the legal and financial implications of entering into a shared ownership agreement, and on the most appropriate type of organisational structure to use. At all stages, developers should assist local communities to access this support.

Key points to remember

Benefits of shared ownership can include:

- Potential to speed up development timelines due to broader community support.
- Potential to retain a greater proportion of the rewards of onshore wind projects with long-lasting benefits within the local community (but there are also greater risks for the community).
- Greater co-operation, coordination, and collaboration at a local level.
- Builds knowledge of the energy sector and supports local skill development in project management, organisation, engagement and fostering relationships.
- Raised local and community pride, leadership, and empowerment.
- A starting point for new ideas and strategies through the bottom-up approach to energy planning.

However, there are also risks associated with shared ownership:

- The return from the investment can go down as well as up.
- The investment should not be regarded as a short-term venture and a community group must be prepared to take a long-term view of their investment.
- Onshore wind projects can have significant construction risks including delayed operation and commissioning, and costs escalation during the construction period.
- Changes in economic conditions and legislation can adversely affect investment.
- Communities may lack the necessary resources, knowledge and access to funds to establish or participate in shared ownership schemes.

It is important that all steps are conducted in accordance with the Financial Conduct Authority's (FCA) rules on shared ownership (collective investment). It is also important for all parties to be aware that an offer of shared ownership is not a proxy for community participation in the planning decision-making process. This means communities have the right to object to a development but are still able to participate in discussions about commercial arrangements for shared ownership if planning permission is granted.

Section 4: Monitoring and evaluation of community benefits

Government expects developers to carry out their own monitoring and evaluation work as part of good business practice and to provide accountability. This could include identifying lessons learned from how their organisation is delivering community benefits and assessing the outcomes they are achieving, including on economic impact and social value.

As a minimum, it is also expected that the organisation or body administering the community benefits should report in an accessible way and make publicly available what has been funded, including what progress has been achieved on previously funded commitments and their impact. This will demonstrate funds are being used appropriately, allow the community and developer to celebrate success, and show that they are delivering on best practice.

Alongside this, government will continue to monitor community benefits to ensure fairness, consistency, and best practice is being delivered.

Section 5: Reviewing community benefits across the project life

It is important to recognise that the community benefits process does not end once the initial agreement has been signed or the first benefits are delivered. It is an iterative, ongoing process in which community benefits should be reviewed frequently across the project lifecycle to ensure they remain relevant and fit for purpose. Maintaining a positive relationship with the community with ongoing, open lines of communication is vital and it is best practice for project owners to put in place a single, consistent point of contact. Maintaining ongoing engagement with the community will also help manage where a project's circumstances change over time, such as in a change of ownership or reaching the end of its operational life.

End of project life

When projects come to the end of their operating life, they will either life-extend, repower or decommission. In each instance, community benefits should be treated differently:

- **Life extension** – where a project seeks to extend its operating life through ongoing repairs and maintenance of existing equipment. Any existing community benefits agreements should continue as normal under existing terms until the project ceases to operate and decommissions, or until it repowers.
- **Repowering** – where a project replaces older turbines with larger and more efficient equipment[12]. Any existing community benefits packages should be renegotiated to align with the capacity of the repowered project, and where there are no existing community benefits packages these should now be delivered.
- **Decommissioning** – where a project closes and ceases to operate. All community benefits packages should end.

Change of project nature

Over time a project may seek to extend the site with additional turbines or introduce other low-carbon technologies. Where this occurs, projects should seek to revise community benefits arrangements to account for the increased size of the project and any additional technologies (where there is guidance on community benefits for other low-carbon technologies). Projects should discuss with communities how additional funds will be structured and should seek to combine or complement an existing fund where appropriate.

Change of project ownership

Where a project changes ownership or transfers to another third party, any existing community benefits packages must be maintained by the new owner. It is the responsibility of the current owner or developer to ensure this happens. Change of ownership provisions must also be clearly set out in the legal agreement on community benefits between the developer and the community.

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12 Where turbines are replaced 'like-for-like' with the same tip height and MW capacity this would fall under life extension.