

# The story of Shetland Community Benefit Fund

## Renewable energy in Shetland and the background to SCBF

Shetland Community Benefit Fund Ltd is an independent co-operative setup in 2011 following an initiative and consultation by the Association of Shetland Community Councils in the very early days of renewable energy in the islands when the Viking Energy development was first proposed.

SCBF and its directors take no view on the rights or wrongs of any proposed wind farm development. SCBF exists to negotiate the best possible agreement for Shetland from commercial developments that do go ahead in the islands.

SCBF is an independent non-charitable co-operative registered and regulated by the Financial Conduct Authority. It was agreed from the very start that community benefits should not be restricted to the most affected individual areas but should be on a Shetland-wide basis and the principle behind SCBF is that all of Shetland should share in community benefit money.

This view has been fully supported by the main developer, Viking Energy Wind Farm LLP, which has only negotiated with SCBF and not been involved with the local authority or other local public bodies. Shetland Islands Council has in the past a couple of times cast its eyes towards the community benefit monies and securing them for its budgets, but this was resisted by SCBF and not supported by Viking itself.

Each of Shetland's 18 community councils can nominate a director for the SCBF board and they need not be a community councillor. Once elected to the board the director has a separate legal responsibility to the co-operative - like any company director or charity trustee.

### A co-op not a charity

From the start it was agreed that SCBF would not be set-up as a charity and therefore be free of the tight legal constraints that charities like the Shetland Charitable Trust can get caught up in, needing Inland Revenue approval for spending.

Unlike other community benefit schemes on the mainland, which are usually run by charities, or controlled by local authorities, SCBF will have greater freedom in using its funds. It can invest in or make loans or donations to community or charitable bodies as well as businesses (although there are restrictions for businesses).

SCBF has taken legal and financial advice and with proper management the tax liabilities of SCBF can be kept to a minimum. SCBF itself will not 'trade' but simply receive and disburse the voluntary payments made by Viking Energy.

## Roller-coaster ride

Because it is the first and largest proposed development, the work of SCBF has, so far, largely concerned the Viking energy Wind Farm (VEWF).

Anyone in Shetland over the past decade knows the Viking project has experienced something of a roller-coaster ride. The work and activity levels of SCBF and its directors has largely mirrored that of Viking Energy.

When its prospects of going-ahead have seemed more likely then the SCBF activity has increased because we had to be prepared in case the wind farm was built. However when the prospects were less likely, as has been the case for some time, then SCBF activity was largely restricted to an annual meeting and a 'watching brief' on what was, or wasn't happening.

Throughout it all, however, work continued somewhat spasmodically on preparing a draft agreement for community benefit if the Viking development did ever happen. SCBF has held numerous negotiations with the company and today (January 2020) the draft is very largely agreed and only needs dates and a timetable added if the Viking project proceeds.

In 2019 and into 2020, the confidence of the company that the Viking project would happen has increased significantly, despite it being unsuccessful in procuring a government subsidy contract.

At the time of writing there appears to be two outstanding decisions that will determine whether or not Viking goes ahead - firstly Viking must make a so-called 'needs case' to the energy regulator Ofgem and convince it that the project is viable and therefore justifies the cost of an interconnector cable to the UK mainland. The second decision will then be whether Viking - or SSE which is the main shareholder - finally decides to go-ahead.

If the Viking development goes ahead, under the proposed agreement there are two main finance proposals.

(a) SCBF would receive £400,000 a year for the projected four years when the windfarm was being built. This money would be used for a scheme where each of the 18 community councils could finance local projects, and for SCBF to administer the scheme and begin developing its overall Business Plan for when the main funding scheme started.

(b) When the windfarm started commercially the initial scheme would stop and the main scheme begin with Viking paying £5,000 per installed megawatt annually to SCBF. At the moment this is estimated to be about £2.2m a year depending on the size of the turbines eventually used by the developers.

## Other schemes

SCBF's work has very largely concentrated on the Viking Energy project. This was the first one in the islands, by far the largest, and the one upon which the future of any other development depended.

However, there are three other proposed wind farms in the islands from two developers - Manchester-based Peel Energy and Energy Isles, a consortium of local people and companies and Norwegian state-owned company Statkraft.

SCBF hopes that these developers and the local communities affected by the three developments will agree to the same general principles used for the Viking project - that all communities in Shetland should benefit in some way from the developments, although not necessarily in the same shape or form as the Viking Energy proposals.

SCBF has been in contact with both developers in the hope of opening discussions.

### **SCBF's future**

The future of SCBF depends on Viking Energy. If it doesn't happen then we will have to see if there is any purpose in continuing. If decisions are made and it goes ahead the workload for SCBF increases dramatically.

- Formal legal and financial opinions and advice needs to be taken
- SCBF needs to prepare for the initial community council grant scheme while the wind farm is under construction
- SCBF must make important decisions on how the initial Business Plan should be prepared and the priorities for any funding schemes. The draft Business Plan, including all the administration, funding application procedures and auditing work must be undertaken by professional consultants and SCBF then consult on the proposals.
- A final business Plan needs to be approved by Viking Energy before the first full annual payment can be made.

When it comes to how the money is spent, it is the intention of SCBF not simply to replace or take over what should be Shetland Islands Council responsibility or that of other local or central government agencies. SCBF will be looking to see how the community benefit can be used to supplement and enhance existing funding schemes, from whatever source, and to help tackle local needs and priorities in imaginative and creative ways.

SCBF

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