

# **Review of Lochluichart Community Trust**

**- Governance, Grant-making and Communications –**

## **Summary and Recommendations**

**Prepared by Foundation Scotland on behalf of EDF Energy  
Renewables**

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# 1 Context

Lochluichart Community Trust (LCT) was established in March 2012 as a company limited by guarantee with charitable status and whose specific purpose is to administer the portion of community benefit funds linked to Eneco's Lochluichart Wind Farm that are ring-fenced for the benefit of the area served by Garve & District Community Council, Ross-shire. The company was formed following ratification of an agreement covering the administration of those monies between the owner of the Lochluichart Wind Farm (LZN Limited, part of the Eneco group), The Highland Council and landowner Lochluichart LLP.

The funds currently received by the company are £176,802 per year, based on £2,750 per megawatt of installed capacity at Lochluichart Wind Farm and including the recent extension to the Wind Farm, and inflated by 3 percent per annum. LCT began making grants in summer of 2014 and by 31<sup>st</sup> March 2016 had distributed £182,274 to a range of causes. Funds available for distribution in 2016-17 were £184,938.74.

EDF Energy Renewables (EDF-ER) owns and operates the Corriemoillie Wind Farm, also located within Garve & District. The company is making available a Corriemoillie Community Fund equal to £5,000 per MW of installed capacity at that site; based on the proposed wind farm export capacity of 48.45MW this will equate to £242,250 per annum. This Fund will be index-linked to rise in line with the Consumer Price Index annually. 20% of the annual amount will be ring-fenced for an Education & Training Fund while the remaining funds will benefit five communities as follows: Garve & District (80%); Contin (7%); Marybank, Scatwell & Strathconon (5%); Strathpeffer (7%); and Lochbroom (1%).

Foundation Scotland, an independent grant making charity with significant experience in managing community funds linked to onshore renewable energy schemes, was appointed by EDF-ER in early 2016 to support the development of suitable arrangements for the disbursement of the Corriemoillie Community Fund. Both the Foundation and EDF-ER recognise that these arrangements need to take cognisance of previous experience of, and structures for, community benefit disbursement in the five communities. This includes Lochluichart Community Trust. Streamlining community fund disbursement through a single body or mechanism would be desirable in terms of achieving greatest impact from the fund and keeping administrative burdens to a minimum. However, EDF-ER requires to have confidence that any such body can be considered fit for purpose if it is to have a role in the disbursement of Corriemoillie funds.

Foundation Scotland ran a consultative workshop in Garve Hall on 17<sup>th</sup> May 2016 where all communities within the area of benefit were represented. During this event it became clear that a number of the Garve & District community were concerned that LCT, in its current form, was not an appropriate vehicle for the disbursement of the Corriemoillie monies. Concerns were voiced about LCT's lack of flexibility in terms of what and who it can award funds to, a disproportionate amount of information requested at application stage, and a lack of creative response to the low capacity of community groups in the area. With this in mind, EDF-ER commissioned the Foundation to undertake a review of

LCT's governance arrangements and grant-making policy and practice with a view to identifying any areas of concern and whether and how these might be addressed.

The review has represented a significant opportunity for both the LCT Board and others in the Garve & District community to assess the overall functioning and effectiveness of current arrangements for distribution of community benefit monies through LCT with a view to ensuring, as far as possible, that it is capable of meeting the current needs and future aspirations of the community. It offered opportunities for LCT Directors, applicants and other stakeholders to share ideas, aspirations and opinions on the work of the Company and distribution of funds under its governance.

## **2 Review Purpose & Objectives**

The overall purpose of the Review was to inform EDF-ER's decisions about administrative arrangements for Garve & District's proportion of the main Corriemoillie Fund; also to enable LCT and the wider community to have confidence that the impact of community benefit funds flowing through LCT can be maximised for the Garve & District area for the next 25 years.

The objectives of the Review were to:

- Review LCT's governance arrangements to ensure these are fit for purpose and reflect good practice;
- Assess the effectiveness of LCT's current strategy and processes for distributing funds;
- Recommend improvements to current governance and fund disbursement arrangements that can enhance the work of the company and the impact and legacy of funds it administers.

Based on our emerging findings, these objectives were later broadened to include a focus on the effectiveness of LCT's communications and profile.

## **3 Approach and Methodology**

Drawing on its extensive experience of supporting the design and delivery of community funds arrangements in partnership with communities across Scotland, the Foundation has sought to approach this review in a way that is constructive, consultative and collaborative. We found that all stakeholders we consulted with were receptive to the exercise and open in sharing information and views.

The following methods were used to conduct the review:

- Initial discussion with the LCT Board about the context, purpose / objectives of the review, its scope and timing, and the methods to be used.
- Desk top review of material related to LCT's governance, administration and grant-making provided by the Company Secretary and/or accessed from the LCT website.

- Observation at an Extraordinary General Meeting and award-making meeting of the LCT Board in November 2016, including procedures followed, custom and practice, and attitudes / behaviours of Directors.
- Semi-structured interviews with a range of stakeholders, including LCT members, to identify their perceptions, expectations and experience of LCT and, in the case of Directors, the skills and understanding they bring. This included:
  - All six Directors of LCT as at start of November 2016 (NB: one further director was appointed in November 2016 but was not interviewed);
  - A representative of Garve & District Community Council who was formerly Chair of LCT;
  - Five grant applicants, including those who were successful and unsuccessful.

This summary report presents Foundation Scotland's key observations and the findings that emerged. Drawing on these findings and our experience of designing and administering community funds of varying levels of complexity across Scotland, we then present a series of recommendations that have been considered by both EDF-ER and Directors of LCT; in relation to both the future governance and operation of the Company generally and any potential distribution of community funds linked to Corriemoillie Wind Farm specifically.

## 4 Key Findings

Our review of Lochluichart Community Trust has highlighted some fundamental issues that need to be addressed in order for EDF-ER monies to be disbursed through the existing structure. Crucially, LCT's legal structure means it cannot currently be used to disburse funds from donors other than Eneco. In order to enable disbursement of EDF-ER funds through the company, agreement from Eneco is required to make the necessary **changes to the existing governance arrangements**. In particular, it appears that the Lochluichart Fund Agreement intends for LCT's Memorandum and Articles of Association to be subsidiary to it.

Our review also found issues in relation to:

- The composition of, and culture that emerged within, the initial Board;
- Certain clauses or articles in the company's governing documents that have curtailed LCT's options for learning and improving its performance;
- Perceptions of LCT within the Garve & District community;
- Clarity over what can or can't be funded;
- Understanding of the impact of funding to date (across stakeholders).

Positively, we found that the current Board has the appetite, skills and attitude required to address many of the issues we uncovered and to continue to improve LCT's engagement of, and standing within, the community. Only minor amendments are required to **custom and practice at Board level** and **administration of the Company**, in line with good practice.

Based on feedback from applicants and the wider community at a public meeting held in September 2016, LCT introduced a number of changes to its **grant making processes and practice** aimed at ensuring a more consistent and transparent approach. These included revisions to application guidance and introduction of a new scoring matrix for use in assessing application for funding. Directors were clear that it is early days for these changes, the effectiveness of which will need to be monitored and reviewed. They considered LCT's grant making process to be "*a good start*", "*moving in the right direction*" but still "*a work in progress*".

While Foundation Scotland would concur to a degree, our findings are that there remain a number of aspects of the grant-making function that do not work as well as they might. A series of changes to the process of making awards and distributing grant are therefore recommended, which seek to improve the promotion of funding opportunities, application and assessment processes, and awarding of funds. Central to these were the need to gather **further information at application stage** to enable a more robust assessment of proposals, and an overhaul of the **assessment process**, in particular to ensure consistency in how criteria are applied and that sufficient weight is given to considerations of organisational competence.

In addition, clarity over the **eligibility** of some types of potential applicant (individuals and non-constituted groups) and consideration of **alternative distribution mechanisms** for enabling the fund to reach deeper and wider into the community are proposed.

We also propose the introduction of a system that enables **fund impact** to be measured and reported. Only then can the LCT Board, its members and other stakeholders be clear about what is being achieved for Garve & District with funds disbursed through LCT, and the strategic direction of the organisation can be adjusted where necessary going forward. There is a need to develop **regular reporting** (at least annually) to both LCT's donors and the local community on the value of the company's work and funded activity. Such reports help build relations with donors and enable them in turn to demonstrate to their stakeholders the value of community funding they have made available

Discussion with various stakeholders revealed that the company and funding opportunities it provides are well known locally. The membership structure of LCT has clearly helped with this. It is also clear that the Board is making real strides to improve the **reputation of LCT** and to **engage local people more** so that they feel it is 'their' organisation and feel able to feedback on what is and what isn't working. Directors were hopeful of the direction of travel in this regard. There is a need to continue with these efforts in order to build trust in the work of LCT and ensure it can deliver maximum impact in terms of the regeneration of Garve & District community.

## 5 Recommendations and Progress

Foundation Scotland is recommending a raft of changes of varying scales in order to enable EDF-ER (and any other donors) to provide funds through the company, and ultimately increase the impact it achieves, as outlined in this section. These were discussed at a meeting between the Board of LCT and representatives of EDF Energy Renewables and Foundation Scotland held on 24<sup>th</sup> April 2017 in Lochluichart Church Hall. Responses from the meeting are also detailed below.

The Foundation's overall recommendation to EDF-ER is that the portion of the Corriemoillie Community Fund ring-fenced for Garve & District could be distributed through LCT where:

- (i) LCT's legal / governance arrangements are reconfigured in order to enable more than one organisation to donate funds to, and have these distributed via, LCT (see recommendations 1 and 2 below);
- (ii) EDF-ER develops its own Agreement with LCT covering the disbursement of Corriemoillie funds;
- (iii) LCT's assessment process for grant applications is revised to ensure good practice, in particular that considerations of organisational competence are factored in (see recommendations 34, 38, 39, 42, 48 or 49, and 50);
- (iv) LCT's standard grant contract with awardees is tightened up to ensure it is robust and provides greater legal assurance for the company (recommendations 56, 58 and 59), and;
- (v) LCT develops and implements a system for routinely measuring and reporting on Fund impact across key themes / priorities, ideally reflecting local needs and aspirations (see recommendations 29-33, 60, 61, 70 and 71).

The remaining recommendations below are around points of good practice. Many have been introduced by LCT since this review concluded, and others are being, or can be, phased in over the coming months and years. However, in some cases LCT do not wish to take the recommendation forward, as detailed below.

Sample material relating to grant making practice, and which may be useful in implementing several of these recommendations, was provided in a separate *Grant-making Templates* booklet. This was prepared by Foundation Scotland specifically for LCT as part of the review. Further material has been requested by LCT, as detailed below.

The review will inform arrangements for the disbursement of Corriemoillie funds but can also be viewed as part of an ongoing process of periodic review and continual improvement in LCT's work. We recommend that LCT is provided with appropriate coaching and support for a three-year period to address / implement some of the recommendations below. Such an arrangement could then be reviewed at the end of that period. This will be considered by EDF-ER and LCT going forward, with EDF-ER commissioning and paying for any third party support agreed to (in relation to costs of establishing arrangements for Corriemoillie funds), and also covering relevant legal expenses incurred by LCT.

Should issues of LCT's legal competence be resolved, EDF will advise on how administration costs in relation to Corriemoillie funds can be covered. It is likely these will be paid for over and above the amount of funding pledged for distribution to local causes. In addition, EDF-ER will require robust reporting and branding in relation to its funds.

## **5.1 Governance**

### ***Legal Structure***

#### **Lochluichart Fund Agreement:**

1. Seek a qualified legal opinion so as to clarify the relationship concerning, on the one hand, the agreement between LZN (a subsidiary of Eneco), The Highland Council and Lochluichart LLP (owner of the Lochluichart estate), and on the other, the Memorandum and Articles of Association for LCT.
2. Should EDF-ER wish to channel funds through LCT, either:
  - a. Amend the above agreement so that EDF-ER becomes an equal party to it (and introduce any further amendments necessary to meet EDF-ER requirements), or
  - b. Seek to have the current Lochluichart agreement revoked and replace it with a fresh agreement relating to Eneco's funding and related requirements alone (but which does not contravene or supersede the Articles of LCT) and another relating to EDF-ER's funding and related requirements.
3. Should the above agreement remain, remove Clause 1.4, enabling LCT to contract any third party support without recourse to any other party.
4. Should the above agreement remain, establish whether LZN and The Highland Council should be registered as Persons with Significant Control.
5. Any reviewed Agreement and / or changes to LCT Mem & Arts to be clearer about the ability of the Board to invest funds subject to such investment not compromising funds available for distribution to worthwhile projects.
6. Any reviewed Agreement and /or changes to LCT Mem & Arts positively allows LCT to fund individuals for charitable activity. Where Eneco is not content with this, funding for individuals may become a USP of the EDF-ER Corriemoillie Community Fund.
7. In whatever agreement remains with Eneco, LCT should seek to either:
  - a. Clarify the four percent cap on LCT's expenditure on company administration as relating to Company Secretary costs only, or
  - b. Request this (Article 2.9) be removed or at least raised to reflect the true costs of company administration, including any third party support that may be required in future in relation to the disbursement of Lochluichart Wind Farm funds.

The Board of LCT were in agreement with the above recommendations, with a preference that the existing agreement with LZN, The Highland Council and Lochluichart Estate be dis-entangled from the

Company's Articles of Association and becomes a stand-alone agreement covering Lochluichart funds, and a separate stand-alone agreement be put in place with EDF-ER in relation to Corriemoillie funds.

EDF-ER confirmed that resolving these legal issues is essential to any funds being paid by EDF-ER to LCT. Initial discussions had taken place between EDF-ER and Eneco, and a draft copy of Foundation Scotland's full report has been sent to Eneco. EDF-ER had also contacted The Highland Council which confirmed that it would not be opposed to varying the Agreement in order to allow EDF-ER to pay monies through LCT.

EDF-ER were taking legal advice on the above issues and would inform the LCT Board of the outcome of that exercise in due course. If it was not possible for there to be a change to the above agreement, EDF-ER would explore alternative ways of disbursing Corriemoillie funds ring-fenced for Garve & District with the aim of keeping this as simple as possible, ideally with LCT making decisions on awards but likely with the funds themselves being paid through a third party such as Foundation Scotland.

#### LCT Articles of Association:

8. Should EDF-ER wish to stream funds through LCT, EDF-ER to consider whether LCT's purposes as they stand require amendment in order to support EDF-ER's aspirations for community benefit funding, and reach agreement with LCT on a motion to implement any changes as required.
9. Amend Article 44 within LCT's Articles of Association so as to either allow EDF-ER the right to nominate a Director or remove the Director nomination rights of Eneco. If the former option is taken, restrict Eneco's / LZN's right to vote on awards from EDF-ER funds and EDF-ER's right to vote on awards from Eneco funds. Note, Foundation Scotland would recommend that neither of the wind farm owners has a place on the Board but that a more reliable reporting arrangement is introduced between LCT and each wind farm owner.
10. Remove Article 56, which enables Eneco / LZN to assume chairmanship of LCT in certain circumstances.
11. Introduce a new Article so as to enable LCT to make loans (or re-payable grants).

LCT were in agreement with these recommendations, however queried whether the ability to make loans would require authorisation / approval from the Financial Conduct Authority. Foundation Scotland had taken advice on this issue, and has been advised that if interest is not to be charged on the sum loaned then this was not required (i.e. it would be a 'repayable grant').

#### **Board and Administration**

12. Ensure all new Directors sign and return a Director's declaration to the LCT Secretary, demonstrating their eligibility to become a Director of the company and Trustee of the charity, and form AP01 for Companies House, formalising their appointment as a Company Director.

Agreed. Status: complete.

13. Adopt a clear operational policy on how conflicts of interest within the Board are to be managed.

Agreed. Status: in progress. LCT had sought clarification via its solicitors. Any changes to the definition of conflicts of interest would require a change to the company Articles. Foundation Scotland explained that the operational policy it uses with Community Panels or Boards is based on the definition of 'connected persons' within the Companies Act (2006), also that it provides separate definitions of 'direct' and 'indirect' conflicts of interest. **Action: Foundation Scotland** to provide LCT with a copy of the Foundation's standard policy on conflicts of interest for Panels/Boards.

14. Develop an induction programme and role description for Directors and office bearers, covering their roles and responsibilities under company and charity law and key LCT policies and procedures (including grant making).

Agreed. Status: In progress. Sources of advice or existing role descriptions may exist, e.g. Scottish Council for Voluntary Organisations.

15. Develop and adopt a Board 'Code of Conduct' that sets out the expected behaviours and norms.

Agreed. Status: **Action: Foundation Scotland** to provide LCT with sample code of conduct; LCT Secretary to provide a version she has.

16. Conduct a skills analysis of the current directorship, identifying any gaps.

Agreed. Status: **Action: Foundation Scotland** to provide sample skills matrix.

17. Provide fund statements in advance of Board meetings.

Agreed. Status: complete.

18. Introduce URNs (Unique Reference Numbers) for each application, and arrange all related filing accordingly.

Agreed. Status: In progress. **Action: LCT Secretary.**

19. Ensure all contact details and applications to become a member are stored electronically, and backed up as such.

Agreed. Status: Complete; these are backed up on an external hard drive and Knowhow cloud.

20. Ensure the register of current Directors held by Companies House is up-to-date.

Status: Complete.

21. Consider setting up payments (including of grants) by electronic transfer, and register four authorised signatories in total.

Considered by LCT but not necessary for the limited amounts of payments the company makes each year. Payment will continue to be made by cheque.

## **5.2 Strategy & Impact**

### ***Disbursement Strategy***

22. Run an annual development and strategy day for the Board, facilitated by an external professional and aimed at team building and continuous improvement, reviewing LCT's impact and achievements to-date, and planning for the future.

The concept was agreed, however LCT Directors felt it would be more appropriate if this was done every three years. Foundation Scotland can provide this facilitation service. EDF Energy Renewables confirmed they would be content to pay for this.

23. Support the creation of a separate community development organisation and related resources (e.g. a development worker) in order to assist in building the capacity of local groups and development of longer term strategic projects to enhance the sustainability of the community.

Agreed. However it was for the Community Council rather than LCT to lead on this as it is outwith LCT's role. LCT had previously voiced support. A Garve and District Development Company is now being formed.

24. Send out messaging that proposals to build the capacity of local groups are welcomed (including, but not limited to, contributions towards volunteers expenses).

Agreed. Status: ongoing. Support has been given to local groups by the LCT Secretary and this will be enhanced by the Development Company, which would likely take a lead role here.

25. Explore options for distributing funds other than open-grant making and which may enable best strategic use of the monies.

It was agreed this should be explored in the future. Also that the new Development Company may enable some of this, e.g. through commissioning specific projects/services or devolved grant-making (e.g. for onward award to individuals, where the fund donor has enabled this).

26. Consider a mechanism for the distribution of funds to individuals and non-constituted groups, up to a set cap per person / group per year.

Agreed. Status: ongoing (as above). LCT can already fund un-constituted groups.

27. Consider ear-marking or ring-fencing a set percentage of the funds each year (e.g. 20%) for projects located outwith the Garve & District area but which provide some benefit to local residents.

Not agreed. LCT assesses each application on its merits and the likely benefit to those resident in Garve & District. Grants are offered for projects outwith the area provided that there is some benefit to the residents (e.g. Dingwall Rock Academy).

28. Initiate a conversation with Garve & District Community Council around creation of a community development plan for Garve & District, building on the findings of the recent survey.

Directors felt that this was for the new Development Company to take forward.

### ***Impact Measurement and Evaluation***

29. Ascribe primary and secondary purposes or themes to each award, from a refreshed list of LCT purposes / themes.

Agreed. Status: In progress; the LCT scoring matrix now includes local priorities that were identified in the community survey. Should a Community Development Plan be produced in future, these could be updated to reflect any changes to themes / priorities.

30. Map the local priorities identified in the recent community survey to LCT's purposes, and incorporate them into the assessment / scoring process in some way.

Agreed. Status: in progress (as above).

31. Revise monitoring forms to request information on the extent to which the grant enabled achievement of the ascribed primary and secondary purposes and local priorities.

Agreed. Status: In progress. **Action: LCT Secretary** to provide revised monitoring form.

32. Conduct a systematic evaluation of the extent to which LCT funding has achieved the purposes / themes of LCT overall and the local priorities identified through the community survey annually, or at minimum every three years.

Agreed. Status: in progress; to be conducted through the three-yearly review.

33. Report back to the community annually on LCT's contribution to addressing LCT's purposes / themes and the local priorities.

Agreed. Status ongoing; this is being implemented through LCT's community meetings and AGM. **Action: Foundation Scotland** to send sample annual report.

### 5.3 Grant-making Processes

#### *Application Process*

34. Revise the application form to address the following information gaps or errors:

- Name and position of main contact
- The applicant's website address (can be a useful barometer of the group's activity and local engagement, and for fact checking)
- Date organisation established
- Type of organisation in terms of legal structure (useful for knowing whether regulated (e.g. a charity or company) and extent of liability).
- Number of staff, Board / Management Committee members, and others e.g. ordinary members, other volunteers (an indicator of group capacity and engagement with beneficiaries)
- Organisation purpose, main activities and beneficiaries (to check organisational competence in delivering the proposed project)
- A more specific request for information on what exactly the project will deliver and how it will be run (project plan)
- A clearer section for information on project finances could be introduced using a table to identify what matched funding has been secured, or when a decision on this is expected.
- A section for details of the independent referee
- A more comprehensive applicant declaration and waiver (an example was provided in Foundation Scotland's *Grant-making Templates*). To enable LCT to use and share applicant contact details for fund publicity, monitoring and evaluation purposes.
- A checklist for enclosures could usefully be included, as per that set out in the application guidance, as a reminder for applicants.
- Page 2 of the guidance notes states that LCT will make awards with an emphasis on projects that will provide improvements for younger generations. This is not supported by the Memorandum and Articles of Association nor the agreement with Eneco and may put some potential applicants off.
- Generally, insufficient evidence is requested to demonstrate whether applicant organisations are competent (see points under recommendation 49 below).
- The form states "*quotes sought from multiple sources where practical*", but a clearer policy on value for money would include preferred numbers of quotes based on the value of the goods or service being requested (e.g. three quotes for items of over £2,000).
- The restrictions on types of activity that EDF-ER wishes to support are generally covered under LCT's restricted activities but the wording could benefit from being more specific / clarified in some instances.

This recommendation was contentious as LCT had recently significantly reduced its application form from 17 pages to two. Foundation Scotland suggested that the revision had gone too far the other way and some key information was not now being requested at application stage. The Foundation for example have different application forms and guidance dependant on the value of the application. A sample of the Foundations standard (£250-£10,000) application form, at five pages in length, had been provided. LCT Directors still felt this was not proportionate for grants at the smaller end of that scale. It was however agreed that the form needs to be revised to gather further information on organisational competence, especially in relation information on the applicant body's governance and financial situation / management.

35. Provide applicants with examples of clear and realistic budgets, and associated guidance on what should be included (e.g. explanation of calculation basis and assumption).

Agreed. Status: In progress. A checklist has been produced, and applications are reviewed against that prior to being sent to LCT directors.

36. Clarify levels of match funding applicants are required to provide (if any).

Agreed. No specific matched funding level is required.

37. Clarify the number of competitive quotations applicants are required to provide relative to grant request / budget item costs.

Agreed. Status: Complete; included in the application checklist referred to above.

38. Require applicant's accounts to be independently examined and signed by the examiner.

Agreed. Status: In progress. Needs to be proportional to the size of the funding requested; for smaller requests this requirement can be waived.

39. Include a declaration in the application form that the constitution is the most up-to-date version as adopted by the group.

Agreed. Status: Complete; included in the application checklist referred to above.

40. Continue to provide advice and guidance to applicants on application requirements, in person and/or through written materials.

Agreed. Status: ongoing.

41. Sign-post applicants to other potential sources of help as appropriate (e.g. SCVO website, Ross-shire Voluntary Action).

Agreed. Status: ongoing / actioned where appropriate. The Community Development Company will play a lead role here.

42. Ensure that the applicant's bank account name and name of the group as set out in their governing document are one and the same. Where this is not the case, applicants must give a reasonable justification before any grant payment is made.

Agreed. Status: In progress; this will be added to the application checklist.

43. Introduce a comprehensive checklist for applicants for capital grants involving land or buildings, covering all preliminary work and permissions required in advance of an award decision.

Agreed. **Action: Foundation Scotland** to provide a sample checklist for capital grants involving land or buildings.

44. Make clear in the application guidance that groups may be asked for further information or points of clarification after they have submitted their application.

Agreed. Status: Complete.

45. Provide clear information about when applicants can expect a decision, setting out Board meeting dates over the coming year.

Agreed. Status: In progress. Meeting dates are to be placed on the LCT website. Applicants are informed of when their grant will be decided on during assessment.

46. Develop a policy on multi-year grant-making.

Agreed. **Action: LCT Board** to agree a policy and enable LCT Secretary to create a written policy document.

### ***Assessment and Decision-making Process***

47. Streamline the process for requesting further information of applicants is revised, setting a clear timescale for Directors to submit questions to the Company Secretary for onward communication to applicants.

Agreed. Status: Complete.

48. Discontinue use of the current scoring matrix and outsource assessment work. This to be a proportionate but comprehensive approach to assessment of applications ensuring the following aspects are considered:

- Purpose of organisation
- Purpose of grant
- Need/opportunity for project & grant
- Project planning
- Organisational competence
- Impact/outcomes
- Recommendation

This recommendation was not accepted by LCT. Directors felt a clear sense of duty to carry out assessment work themselves and felt they know the community, its needs and the work of local groups best. Foundation Scotland explained that the recommendation was solely about taking the assessment burden away from volunteers and ensuring some independence in the process, with a report of all findings sent to LCT, and the Board would always be able to overturn any recommendation from the third party. However Board remained keen to review application material themselves, and were confident in the new assessment process. They did consider it may be worthwhile buying in some support in relation to larger/more complex applications as and when necessary.

49. If the above is not practical, revise the scoring matrix so that it addresses the following points, and introduce a traffic light system across the aspects under recommendation 48 above:
- It does not include any criteria covering the competence of the applicant organisation; its governance (checks and balances, open-ness / transparency and inclusion) and the skills and experience of the team that will deliver the project;
  - It does not prompt consideration of levels of reserves versus the need for a grant;
  - It misses some key requirements around project planning (e.g. permissions, insurances)
  - It incorporates scoring bands that are too broad / lack gradation, or binary scoring (score 0 or 1), which don't adequately reflect considerations around issues like quality of delivery, levels of demand, nor extent / depth of impact. It splits complex considerations around impact into un-related scoring exercises;
  - It makes some assumptions that don't always hold true (e.g. that projects delivered outside of Garve & District cannot be of significant benefit to the community);
  - It requires some clearer guidance or definitions of key words / phrases, e.g. the community regeneration criterion;
  - It uses seemingly arbitrary thresholds in order to merit different sizes of grant award, whereas there may be significant benefit (and significant reputational considerations for LCT) in awarding a small grant to a key local group/service, over some much larger grant requests. Having said that, the application guidance does state that *"where minimum percentages are not achieved, the LCT directors may, at their sole discretion award part of the amount requested or make a contribution, where the spirit and intent of the application otherwise justifies this decision."*;
  - Overall the matrix as it is currently configured introduces too much potential for variances in project scores based on minor variances in likely project benefit and/or delivery, and tends

to focus discussion around a limited range of considerations. In some instances it provided little room for manoeuvre, leaving Directors feeling they had to defend a score which in fact they no longer wished to after discussion;

- Furthermore, the current banding within the matrix means that just one Director may give a low score and all others an acceptable score (just over the threshold) but the one low score results in the project coming in under the threshold on aggregate. This effectively means one person can change the fortunes of an application, where the majority deem it fundable or vice versa. This is a fundamental governance point and we would suggest the Board needs to be able to make a decision based on the majority view (where consensus does not exist).

Agreed. Status: In progress.

50. To minimise risk, ensure assessment process identifies and addresses any organisational weaknesses before a grant is awarded, or as a condition of grant.

Agreed. Status: Complete.

51. Cease publishing assessment scores for applications

Agreed. Status: Complete.

52. Seek to capture clear, publicly defensible reasons why an application is or isn't awarded funding, recording these in Board minutes and in rejection / award letters. To build the Board's confidence in this, Foundations Scotland to provide training / coaching as part of an ongoing role in supporting LCT going forward (see below).

Agreed, however the Foundation was not asked to provide any training or coaching in this. LCT Board felt it was now competent in this regards, e.g. the recent award to Dingwall Rock Academy.

53. Seek a 'minimum for impact' figure from applicants as a matter of course.

Directors decided to consider this further but were concerned that applicants would think that they will only receive an award at the minimum. Foundation Scotland agreed that a well-presented budget should enable the Board to make a decision on funding part of the requested costs if required.

54. Approve a policy that the Board will not be bound to accept / take account of assessment scores or views which are submitted in advance of an award making meeting but where the Director does not then attend that meeting.

This was not accepted. LCT Directors felt that it was appropriate to consider the views of those who were not present at meetings, but that those present were ultimately free to make the final decision on applications.

55. Provide a summary of applications to Directors in advance of each Board meeting, including the total amount requested across all applications.

Agreed. Status: complete. The summary is also made available on LCT's website prior to award decisions being made.

### ***Post Award Processes***

56. Ensure award letters include the following:

- A unique reference number (URN) so that each grant can be clearly identified in any future correspondence and in the LCT filing system, along with all related files
- Names of the grantee and provider of the grant
- Amount of grant offered
- Summary purpose of the grant
- Any specific conditions of grant, as clear and separate points
- Reference to LCT generic terms and conditions (see below)
- Reference to guidance on acknowledging the grant
- Requirement to sign and return the grant letter as a binding grant contract
- Reference to the fact that all submissions by the applicant to-date form the full and binding grant contract.

Agreed. Status: In progress. It was also agreed that the Company Secretary, rather than Treasurer, would send out award/rejection letters.

57. Provide rejection letters with summary rejection reasons.

Agreed. Status: In progress.

58. Introduce a proportionate set of standard terms and conditions as part of the grant contract with awardees.

Agreed. Status: In progress. **Action: Foundation Scotland** to provide sample standard terms and conditions of grant.

59. Distinguish between levels of award to reflect risk to LCT funds, with differing terms and conditions, payment schedules, and reporting requirements. As a minimum we would encourage a threshold (e.g. £10,000) between small awards and larger awards.

Agreed. Status: Completed. The new banding has been introduced with three bands, at: up to £1,000; £1,000 to £5,000; and over £5,000.

60. Monitoring reports to be revised so as they are more focussed on generating evidence of impact / outcomes and capturing learning.

Agreed. Status: In progress.

61. Completed monitoring reports to be circulated to the Board for information.

Agreed. Status: ongoing.

62. Introduce a grant variation form to enable clear authorisation and recording of any requested changes to an award.

Agreed. Status: In progress. **Action: LCT Secretary** to create grant variation form. **Foundation Scotland** to provide example.

63. Introduce a form for recording grant withdrawal / project discontinuation and return of any remaining grant funds.

Agreed. Status: In progress. **Action: LCT Secretary** to create grant withdrawal form. **Foundation Scotland** to provide example.

## 5.4 Communications and Profile

64. Promote LCT funding through a range of methods including:

- Local media: newspapers/radio
- Community websites
- Posters at local information points
- Social media, including Facebook page
- Third / voluntary sector networks.

Agreed. Status: Ongoing through website, LCT Facebook page, posters and direct mailing. There is no community newsletter for Garve & District.

65. Ensure all contacts are aware of the LCT Facebook page.

This had already taken place. Status: Complete.

66. Issue press releases to local media raising awareness of recent awards and stories of fund impact. Ensure these give due recognition to fund donors.

Agreed. Status: Ongoing.

67. Provide donor logo(s) to awardees as a matter of course.

Agreed. **Action: EDF-ER** to provide logo pack for awardees, if and when EDF-ER funds are disbursed through LCT.

68. Require that all project promotional materials (e.g. press releases newsletters, websites, leaflets) produced by awardees acknowledges fund donors.

Agreed. Status: In progress.

69. Provide latest award reports to the Community Council following each award making round.

The Board felt it was not appropriate / necessary to provide reports to any specific stakeholder other than Eneco, and the information is in any case readily available to the community via LCT's website.

70. Provide regular (annual) fund reports to donors, members, and other key stakeholders (e.g. the Community Council), setting out use of funds, fund balances and considerations going forward.

Agreed. Status: ongoing. This is provided at the AGM. **Action: Foundation Scotland** to provide sample report for a fund it administers.

71. Use completion / monitoring reports to develop case studies for publishing on the LCT website and to feature in fund reports.

Agreed. Status: In progress. Information gathered from the revised monitoring report form (recommendation 60 above) will be used.

72. Discuss with Garve & District Community Council the potential for formal representation of LCT at Community Council meetings.

To be considered further by LCT. This would depend on the Community Council's view and the time commitment.

73. Develop links with Ross-shire Voluntary Action, exploring potential for their providing support to applicants on issues such as constitutions, accounts, matched funding and so on.

It was considered more appropriate for the new Development Company to take this forward.