

**The Ray Windfarm Fund  
Community Interest Company**

**Governance Handbook**

Version: October 19, 2018

# 1) Introduction

The Directors of the Ray Windfarm Fund Community Interest Company (CIC) believe that good standards of governance are essential to achieving the community benefit purpose for which the CIC has been established. This Governance Handbook is drawn in part from the Articles of Association of the CIC. In the event of any doubt about the policies herein the Articles take precedence over the description in this Handbook.

In order to comply with best practice the CIC will use as its chief source of reference the National Council of Voluntary Organisations' Good Governance code for the voluntary and community sector. Though the language of the Code refers to 'charity' much of the substance is relevant to CICs<sup>1</sup>.

## 2) Background

The Ray Wind Farm Fund was established in 2017. It is funded by Vattenfall, the company that has built and now operates the Ray Windfarm near Kirkwhelpington in Northumberland.

Vattenfall originally recruited a Steering Group of local residents to advise on the allocation of funds and initiated a community profile and needs survey carried out by Community Action Northumberland. In the course of considering the results of that survey, together with other feedback and professional advice it was agreed to establish a Community Interest Company ('CIC'), named the Ray Windfarm Fund CIC, to manage the Fund.

## 3) Purpose and Vision

Ray Windfarm Fund Community Interest Company has been registered with the Registrar of Community Interest Companies. Its purpose is stated in its Articles of Association as being to 'carry on activities which benefit the Community in the Area of Benefit and in particular (without limitation) to:

- Oversee a fund to deliver benefits to the community; and
- To ensure that the funding received by the Company brings long term benefit to the Community.

The Directors of the CIC have decided that there are three broad purposes that they would like to see the Fund address:

- Charitable grants for the benefit of the community.
- Improving the physical infrastructure of the area (such as internet connection, mobile phone coverage and transport).

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<sup>1</sup> This is the web link:

[http://www.governancecode.org/wp-content/uploads/2017/02/NC940\\_good\\_governance\\_11.pdf](http://www.governancecode.org/wp-content/uploads/2017/02/NC940_good_governance_11.pdf)

- A legacy fund that will benefit the area after the income from the wind farm ends.

Our vision is that in 20 years time the Fund will have substantially improved the quality of life for people living in the vicinity of Ray Windfarm. In particular:

- The community facilities will be better and the levels of community activity will have increased.
- The infrastructure supporting the area will have been improved in accordance with Key Performance Indicators that are community priorities and identified in accordance with Schedule 3 of the Grant Agreement.
- The local economy will have improved through more businesses, more prosperous businesses and better local employment opportunities.

Thus the people in the area will be better connected to each other and the wider world, more active locally and more prosperous. The aim is to ensure that such improvements are sustained.

#### **4) The Area of Benefit**

The Area of Benefit is defined as the geographical area within 10km of the Ray Wind Farm.

#### **5) The Legal Structure**

The structure chosen for the organisation is a Community Interest Company limited by guarantee. This structure has been chosen because:

- The Fund needs a separate legal identity in order to enter contracts and to protect the liability of Directors.
- The funds will be applied to purposes that are exclusively of community benefit, but not all of them will be necessarily strictly charitable. The CIC structure provides more flexibility in this regard as compared to a registered charity.
- The CIC will be limited by guarantee as opposed to by shares. This is simpler and local accountability is ensured because half of the Directors are appointed upon the recommendation of the local parish councils.

The CIC's activities are governed by its Articles of Association, which are registered with Companies House and the CIC registrar, and by relevant legislation. The Articles include an Asset Lock which requires that in the event that the company is wound up, and after its liabilities are satisfied, residual assets will be transferred to a body with similar objectives.

#### **6) Our Values**

- a) Good governance. The Directors believe that good standards of governance for the CIC are essential to managing its reputation and thus in maintaining the confidence of the local community and other stakeholders.
- b) Transparency and Consultation. In order to achieve our strategic objectives the Directors have committed to ensuring that the business of the company is

carried out transparently and with a good standard of local consultation. In particular:

- i) Papers covering the business of the company will be available for the public on request (and online when we have established a website), except where they are of a commercially sensitive nature or relate to confidential HR matters.
  - ii) We will produce an annual review and hold an annual open meeting to review our progress and invite discussion and comment from the community within the area of benefit.
  - iii) Major strategic decisions will be taken only when we are confident that we have consulted properly. The consultation will depend upon the nature of the decision and might include making information available on relevant websites, media outlets, at public events and by directly consulting those people most affected. In each case comment will be invited and the results of this will be considered by the Board in advance of a decision.
- c) Equality and diversity. Our organisation's main purpose is to manage a Fund on behalf of the community living in the vicinity of the Ray Wind Farm. As such we believe it is important to ensure that we have processes, behaviours and a culture of operating that encourages participation and benefit to that full community and that everyone that we work with to achieve our purpose is properly valued and respected. This is regardless of age, disability, ethnicity (including race, colour and nationality), gender, gender reassignment, religion or belief, sexual orientation, marriage and civil partnership, pregnancy and maternity, refugees and asylum seeker status, people's diverse communication needs and their record of offending.

Achieving this will be a matter of deploying a range of measures according to the 'business of the day' but underpinning this will be:

- i) Understanding who our community is. We will supplement the CAN research with details of the local population, its diversity and geography that we can glean from our contact with them and the voluntary and public bodies who serve them.
- ii) Making the CIC and its work known widely to the community through the communities networks and web and media outlets
- iii) Seeking the involvement of the community through the consultation processes described elsewhere
- iv) Regularly reflecting on how well these approaches are working in achieving this value.

## 7) Appointment of Directors

- a) **Board of Directors.** There may be between 6 and 15 Directors of the Company. Six local parish councils (Bavington, Birtley, Corsenside, Elsdon, Kirkwhelpington and Otterburn) are each entitled to nominate one resident of their Parish to be a Director.

Directors that are not nominated by a Parish Council will be appointed by the existing Members of the CIC. Following the resignation of a Director the post will be advertised in the local press and through the CIC's website. The suitability of each candidate will be assessed, and suitable candidates will be interviewed. Through this process, existing Directors will seek to ensure that there is a balance of skills and experience to pursue the objectives of the Fund

and take steps to ensure that the Board reflects the community as far as is practicable.

Each Director will be appointed to the Board for a 3 year term and may be re-elected to the Board for a further 2 terms following their initial appointment. In total a Director will be able to serve a maximum of 9 years. Such Directors will have full voting rights and be capable of serving on a Committee.

The Board will give consideration to its long term succession strategy and how it can spot and nurture community members from diverse geographies and backgrounds that could be supported to take on a role as Director. This might initially be through work on Committees for example.

- b) **Committees.** Where a Committee is formed its terms of reference, memberships and method of reporting back to the Board of Directors will be approved by the Board. It is expected that at least one member of each Committee will be a member of the main CIC Board. The CIC Board may dissolve a Committee at any time. Committees are expected to operate in line with the principles outlined in this Governance Handbook.

## 8) Co-opted Directors

The existing Directors may co-opt Directors on a fixed short term basis to fill a skills need provided the total number of Directors does not exceed 15.

An existing Director would identify a suitable candidate to fill this shortage gap and propose the person to the CIC. The existing members of the CIC would then vote, and if a majority are in favour, the identified person would be asked to join the CIC up until the subsequent AGM and then for a further 12 month term.

At the end of the 12 month term they may be asked to remain as a Member if it is still considered necessary to do so. A Co-opted Member can only serve for a total of 2 years.

## 9) Term of Office for Directors

Directors serve for three years and may be nominated to serve for a further two three year terms after which they must step down for at least three years.

The term of office for Co-opted Directors is outlined in paragraph eight above

Where a Director wishes to resign before the end of their current term of office they are asked to provide three months notice of their intention to resign in order to allow a replacement to be found.

Directors are expected to adhere to the Articles of Association and this Governance Handbook but it is acknowledged that there may be a potential for a Director to act outside these documents resulting in the need for their position to be reviewed.

The Articles of Association sets out specific instances where a Director would be immediately removed from office.

In other instances, if it becomes apparent that one of the Directors is acting outside the terms of the Articles and this Handbook, then the Director will be asked to explain their actions to the meeting of the Directors. The remaining directors will then make a decision as to whether there was any misconduct and /or whether they were justified and explainable. A decision on whether that Director will be asked to resign their office on the basis of any misconduct will be taken by the Full Board of Directors.

## **10) Quorum for Decisions and Decision Making**

The required quorum is set out in the Articles of Association of the CIC. Two thirds of the minimum Directors (6 is the minimum number of Directors as set out in 24.1) are required.

The Articles require Directors to take decisions collectively and by majority. The chair will seek to achieve decisions by consensus wherever possible. In the event that votes are cast a simple majority will suffice, with the chair holding a casting vote in the event of a tie.

## **11) Observers at Meetings of Directors**

The Directors may invite non-directors to observe Directors' meetings. The wind farm operator, Vattenfall, is extended an open invitation to send a representative to attend as an observer. At certain points, for example during the negotiation of a new agreement between the CIC and Vattenfall, this may be deemed inappropriate by the Directors of the CIC.

## **12) Honorary Officers**

The Directors will appoint one of their number to be a Chair and one to be Vice Chair. The Articles allow the Directors to choose the length of time for these appointments. In practice the appointments will be for three years.

## **13) Delegation**

The Directors may delegate the business of the CIC to such people and to such committees as they see fit. In each case they will set out the terms of delegation in order to ensure that their overall responsibility is fulfilled.

## **14) Members**

The members of the company act as the equivalent of shareholders despite the fact that the CIC is a company without shares. The Directors of the CIC will be also be appointed as members of the company and when they cease to be a Director they will also be removed from membership of the company. The Company Secretary will

maintain a register of Members and ensure that the Directors of the CIC are registered at Companies House.

## **15) Decision Making by Members**

Decisions are made collectively and by a majority.

In rare circumstances members may be required to meet to make a decision that is reserved to members. An example could be the agree a change to the Articles of Association. Details of such circumstances and decisions are set out in the Articles of Association. In these events, the Company Secretary will ensure that the notice of meetings and records of meetings of the members will be maintained clearly as separate from the meetings of the Board of Directors.

## **16) Directors' Responsibilities**

The board of directors of a company is primarily responsible for:

- determining the company's strategic objectives and policies.
- monitoring progress towards achieving the objectives and policies.
- appointing staff, committees, advisors and volunteers.
- accounting for the company's activities to relevant parties. In this case such parties include Vattenfall, the beneficiary community, Companies House and the CIC Registrar.
- to review risk.
- to set policies to protect and provide guidance to the Directors of the CIC.

In addition to these specific responsibilities Directors have certain common law and equitable duties regarding 'how' they fulfil these responsibilities. The Companies Act 2006 codified these for the first time. The Act sets out seven general duties of directors which are:

- to act within powers in accordance with the company's constitution and to use those powers only for the purposes for which they were conferred.
- to promote the success of the company for the benefit of its members.
- to exercise independent judgement.
- to exercise reasonable care, skill and diligence.
- to avoid conflicts of interest.
- not to accept benefits from third parties.
- to declare an interest in a proposed transaction or arrangement.

## **17) Discharging the Directors' Responsibilities**

The Directors' responsibilities are set out in section 16. To fulfil these responsibilities the Directors will:

- a) Set objectives and policies.**

The Directors will prepare a business plan every 5 years that includes the strategic objectives and the steps that will be pursued to achieve them. These will be based on the review and consultation processes set out in the Grant Agreement. In year 4 the draft objectives will be set out at the Annual Open Meeting and reviewed in the Vattenfall Review meeting . The agreed objectives will be published and will then be taken forward for the next 5 years.

Every 5 years the Directors will review the strategy for the CIC in consultation with the community to reflect their priorities. This work will begin in year 3, to be completed and submitted to Vattenfall by year 5.

- i) Policies for assessment and monitoring of risk will be established and risk assessment will comprise part of the Annual Review
- ii) Policies to achieve the objectives and those to run the CIC, including this Governance Handbook, will be prepared and reviewed by the Board as necessary. The company secretary will maintain copies of all written policies. They will be made available for public inspection.

**b) Monitor progress**

- i) Our Small Charitable Grants Programme will be monitored by the Community Foundation. We will review the overall portfolio of grants on an annual basis.
- ii) Our progress on the Local Initiatives projects will be reviewed at the Board meetings through reports back from the Committees tasked with achieving the objective.
- iii) We will present a plan of our progress on relevant websites and hold an annual open meeting to answer questions and seek feedback. This feedback will be reviewed by the Board of Directors in considering their strategy each year and at significant decision points.
- iv) We will seek feedback from the key stakeholders that we work with as part of our annual review process (see section 17d below).

**c) Appoint staff, Committee members, advisors and volunteers.**

The Board will approve the appointment of all staff, Committee members, advisors and volunteers or delegate their appointment to such people and Committees as they shall determine to be appropriate. Appointment processes will be in line with the stated values of the organisation.

**d) Account for the CIC's activities.**

The Board will account for the activities of the CIC to Vattenfall (the Windfarm operator), the beneficiary community, Companies House and the CIC registrar. Progress will be reviewed on an ongoing basis, however after each 12 months of operation there will be a formal annual review process in four stages:

- i) Annual review meeting of the Board of Directors.
- ii) Annual Open Meeting. The date of the Annual Open Meeting will be published in local media and relevant websites. The CIC Directors will

present a review of what they have done during the year, their proposals for activity in coming years and invite discussion and comment on both.

- iii) Annual Vattenfall Review. A short time after the annual open meeting The CIC Directors will meet with representatives of Vattenfall to review the feedback from the open meeting and other consultation activity and to discuss the review of the year and the plans for forthcoming activity.
- iv) The CIC will complete a proforma annual report for purposes of this review (Proforma available from Vattenfall).

These reviews will consider:

- i) The extent to which the CIC has achieved the objectives set out in its business plan.
- ii) The objectives for the coming year and beyond and the extent to which they meet the mission of the CIC and that the mission remains relevant
- iii) The financial performance and projections.
- iv) The extent to which the CIC has carried out its business according to its values.
- v) The extent to which the governance of the CIC as it is set out in the Governance Handbook is being managed effectively and whether any aspect of the Governance Handbook should be amended.

The CIC will comply with all regulation governing its registration as a CIC at Companies House. Currently this includes providing:

- i) Abbreviated financial statement.
- ii) Confirmation statement.
- iii) Updated register of people with controlling interest.
- iv) Corporation Tax return.
- v) Details of how the CIC has benefited the community.
- vi) Confirmation of how the stakeholders were consulted about the activities.
- vii) Information on any assets transferred to another locked body.

#### **e) Manage Risk**

The CIC will manage risk by:

- i) Ensuring that there is a written record of any meeting of the CIC.
- ii) Ensuring that the reason for granting funds or withholding funds is fully recorded.
- iii) Ensuring that, as far as it is practicable, that the grants are given to individuals/ organisations who have assessed the risk within the projects they are seeking funding for.
- iv) Reviewing the risk to the CIC on an annual basis.

#### **f) Set Policies to Protect and Guide Directors**

- i) This Governance Handbook is the main document which will guide the Directors in the work associated with the CIC
- ii) It may be necessary to set specific policies in relation to certain areas of work that may come forward for funding to the CIC. This will ensure that the CIC is providing the community with guidance on those project areas.

## 18) Frequency and Planning of Meetings

### a) Meetings

Directors are required to meet at least four times per year. Where at all possible dates of meetings will be organised at the beginning of the year to support high attendance and information will be circulated about the agenda and matters to be considered in sufficient time to allow Directors to prepare. Directors are expected to have prepared by reading the papers and given prior thought to the business on the agenda, raising matters in advance with the Chair where they feel insufficient information is available to support the Board making a decision.

### b) Extraordinary meetings

Where a meeting occurs outside of this schedule, this meeting shall be called an Extraordinary meeting and notice given to all parties to attend as soon as possible.

### c) Committees

The Directors may decide to create Committees of at least 5 Directors each (with a quorum of 3 Directors) to discuss specific areas of work. . The Chair of any such Committee may agree expenditure of no more than £5,000 in any 12 month period to further investigate proposals. Any decision on the full proposal can only be made by the full Board of Directors. Any spending over £5,000 in any 12 month period must be approved by the full Board of Directors.

The Directors sitting on the Committee are subject to reappointment or replacement every 2 years as agreed in a full board meeting.

## 19) Managing Conflicts of interest and Conflicts of Loyalty

Directors have a legal duty to act in the CIC's best interests when making decisions as a Director. If there's a decision to be made and a Director has a personal or other interest that could be affected by the decision, this is a conflict of interest. The Director then needs to follow certain steps to resolve that conflict.

For example, a Director would have a conflict of interest if the CIC is thinking of making a decision that could:

- benefit the Director financially or otherwise, either directly or indirectly through someone the Director is connected to.
- Competes with a duty or loyalty that the Director has to another organisation or person,

Conflicts of interest are common in organisations; having a conflict of interest doesn't mean a Director has done something wrong. But each Director needs to act to prevent themselves from interfering with the Board's ability to make a decision that is in the best interests of the CIC.

The CIC will follow the three step approach proposed by the Charity Commission (identify, prevent, record) so that it is able to comply with its duty and avoid making decisions that could be overturned or risking the CIC's reputation.

**Identify.** Whenever a Director finds himself/herself in a situation that is reasonably likely to give rise to a conflict of interest or of loyalty they must declare this interest to the other Directors. If any questions arise as to whether a Director has a conflict of interest or loyalty this will be decided by a majority of the other Directors.

**Prevent.** Where a matter is discussed or decided upon where a Director does have a conflict of interest, they

- Must only remain for such part of the meeting as, in the view of other Directors, is necessary to inform debate
- Must not be counted in the quorum for that part of the meeting and
- Must withdraw during the vote and so have no vote on the matter

**Record.** The CIC will maintain a register of Directors interests and will record the way that conflicts of interest and/or loyalty are dealt with in each case in the minutes of its meetings.

## **20) Directors' Remuneration and Out of Pocket Expenses**

Directors will not be remunerated for their role as Directors. Directors are entitled to reimbursement of expenses incurred in carrying out their duties as Directors of the company. An Expenses Policy is available.

Directors are not excluded from being paid for roles that support the work of the CIC above and beyond their role as a Director. For example - It is conceivable that a Director may simultaneously be appointed Administrator. However, such roles must be open to people who are not Directors and the process of appointment be fair and be able to be demonstrated as fair to the external stakeholders of the CIC

## **Appendix A: Director Role and Personal Specification**

### **Director Role**

- To ensure that the CIC complies with its governing document, company law and any other relevant legislation or regulations
- To ensure that the CIC pursues its objects as defined in its governing document
- To ensure the CIC uses its resources exclusively in pursuance of its objects: the CIC must not spend money on activities which are not included in its own objects, no matter how worthwhile
- To contribute actively to the board of Directors' role in giving firm strategic direction to the CIC, setting overall policy, defining goals and setting targets and evaluating performance against agreed targets
- To safeguard the good name and values of the CIC
- To ensure the effective and efficient administration of the CIC
- To ensure the financial stability of the CIC
- To protect and manage the property of the CIC and to ensure the proper investment of the CIC's funds
- To appoint such staff and advisors as are necessary to pursue the objectives of the CIC and monitor their performance

### **Personal Specification for a Director**

- Integrity
- A commitment to the CIC and its objectives
- An understanding and acceptance of the legal duties, responsibilities and liabilities of being a Director of a CIC
- A willingness to devote the necessary time and effort to their duties as a Director
- Strategic vision, good, independent judgment and an ability to think creatively
- A willingness to speak their mind
- An ability to work effectively as a member of a team

## Appendix B: Form of Declaration of Commitment and Qualification for Directorship

I, \_\_\_\_\_ am committed to achieving the objectives of the Ray Windfarm Fund CIC

I will undertake to fulfil my responsibilities and duties as a Director of the CIC in good faith and in accordance with the law and within the CIC's objectives, policies and procedures

I understand the responsibilities and liabilities I am taking on in becoming a Director of the CIC and agree to devote the necessary time and effort to my Directorship.

I declare that:

- I am over age 16.
- I am not an undischarged bankrupt.
- I am not under a disqualification order under the Company Directors' Disqualification Act 1986.
- I do not have any financial interests in conflict with those of the **CIC** (either in person or through family or business connections) except those that I have formally notified in a conflict of interest statement. I will specifically notify any such interest at any meeting where Directors are required to make a decision which affects my personal interests, and I will unless agreed otherwise absent myself entirely from any decision on the matter and not vote on it.

Signed:

Date:

## Appendix C: Director - Declaration of Interests for Ray Windfarm Fund CIC

As a Director, you are required to act in the best interests of the CIC.

Directors may have a wide range of interests in private, public and professional life and these interests might, on occasions, conflict, (for example: Director of supplier or consultant to the CIC).

Please give details of any such potential conflicts below. Including relevant

- Directorships or significant business interests
- Details of any connected persons (including close family members and business partners) and their potential associations with the CIC which might conflict with your position as a Director:

Organisation	Nature of potential interest

If none, please write 'None'

I confirm that I am not debarred from acting as a director of the Company in accordance with current legislation

Name:

Signature:

Date: