

The Highland Council

Community Safety, Public Engagement and Equalities Committee – 12 June 2014

Agenda Item	9
Report No	CPE 18/14

Revised Community Benefit Policy

Report by Acting Head of Community and Democratic Engagement

Summary

This report revises Highland Council Community Benefit policy.

1. Background

- 1.1 The development of the Scottish Government Good Practice Principles for Community Benefit from Onshore Renewable Developments in 2013 (published on 24 April 2014) coincided with the Council Administration tasking the Community Benefit Officers Working Group to review the Highland Council Community Benefit Policy. The Good Practice Principles, alongside the extensive work already done by Highland Council on Community Benefit, offer a firm foundation on which to further develop the Policy, aligning it with national guidance, whilst recognising the Highland context.

The current review has only considered Community Benefit from onshore renewable developments, however the Council is engaged at Officer level in the development of the Scottish Government Good Practice Principles for Community Benefit from Offshore Renewable Developments, which will inform any future revision of the Council's policy with regard to offshore renewable developments.

- 1.2 To date, Highland Council Community Benefit Policy has achieved a number of key improvements in the provision of Community Benefit including:
- establishing Community Benefit rate of £5,000 per MW (installed generating capacity) per year as a baseline now recognised by Scottish Government. Most agreements in Highland now achieve this.
 - establishing a methodology for the distribution of Community Benefit amongst communities. Whilst the Highland Council methodology is not universally applied, many developers use it as a starting point or comparator for their own Community Benefit allocation proposals.
 - establishing regional funds – leading developers have recognised the impact of developments on the wider community and are starting to introduce regional funds including, for example, SSE Highland Regional Sustainable Development Fund.

However, whilst many developers have recognised and implemented the principles underpinning the Council's Community benefit policy, no developers have signed up to the Council's Community Benefit Concordat. Consequently, the Local, Area and Highland Trust Funds have not been established as outlined in the policy.

The Community Benefit Officers Working Group has reviewed the policy and, following discussion with the Council's Administration, the Chair of the Community Safety, Public Engagement and Equalities (CPE) Committee and the Executive Leadership Team, the Group has developed a set of guiding principles which underpin the revised Community Benefit policy. These are intended to introduce flexibility and to make the policy more attractive to developers and communities. Furthermore, the Policy review identified that the current policy focusses on engagement with developers and securing Community Benefit, rather than identifying how communities can be supported to make the most of the opportunities offered by Community Benefit. This ties in with the revised approach being taken by the Council in respect of the Community Challenge Fund.

2. Amendments to HC policy

2.1 In light of the review, the revised Policy (See Appendix One) is based on a set of guiding principles and aims to be more supportive of communities to maximise their benefit from Community Benefit. The guiding principles are outlined below:

2.2 Community plans are developed to guide expenditure

A community that has gone through a rigorous and participatory planning process is more likely to understand the issues it faces and better able to prioritise projects that address those issues and promote community cohesion. It is important that plan-making processes account for any existing community plans and frameworks (e.g. LEADER development plans) and are inclusive of the whole community – indicated by use of National Standards of Community Engagement. The effectiveness of community plans is amply demonstrated by initiatives such as the Badenoch and Strathspey Strengthening Communities project and HIE Community Account Management.

The policy encourages developers to resource the planning process as a precursor to the Community Benefit package, on the basis that developers have a significant interest in Community Benefit yielding positive outcomes for the community. Many developers already engage with communities and support the development of community plans, for example RWE in Caithness.

2.3 Communities invest Community Benefit to generate sustainable income

Increasingly communities are looking for opportunities to invest Community Benefit, especially in renewables. However, there remain significant barriers with finance and community capacity – specialist skills, confidence and time.

The policy encourages developers to give communities the opportunity to invest in proposed developments, enabling communities to create sustainable income streams, with the security of a professionally managed project. Similarly, where developers have established Highland-wide Community Benefit funds, these funds should be used alongside other funding streams to provide the advice and support that communities require. These funds could also form part of the capital to be invested in renewable developments. The Council has a role supporting communities through the process, coordinating

and signposting expert advice and, where there is a role for the Council, engaging with initiatives to improve community access to finance.

2.4 Communities invest Community Benefit in service improvements and assets

Communities may wish to take over or improve services where resource constraints mean that a requested service or capital project is unlikely to be delivered by the Council or other service provider in the short or medium term. The Council Community Challenge Fund already supports initiatives in some communities and the provisions of the Community Empowerment Bill are likely to promote community led asset ownership and service delivery.

The policy states that developers should not preclude communities from investing Community Benefit in infrastructure or service provision when communities identify these as priorities. Some developers already recognise the potential barrier that the eligibility clauses present and take a flexible approach to community-led support for service and infrastructure investment.

2.5 Community Benefit is available to local communities and to communities across Highland

The revised policy replaces the three-tier fund structure with a two-tier arrangement. The methodology for the local fund is retained, as is the need for Highland wide funding, albeit only as a guiding principle.

Local Fund

The current policy sets out a methodology for the allocation of funds among communities within a 15km radius of the development. The allocation is based in three factors:

- proximity
- population
- visual impact

The allocated funding will be administered by local, constituted organisations, either existing or established for the purpose. The revised policy retains this methodology as it offers a transparent approach to the local allocation of funds, and is used by many developers as a starting point for discussion with communities. The Council is already generating this information for developers and it is proposed that it continues to do so, whilst making this information available to the affected communities.

Highland Trust Fund

The Council policy promotes a Highland wide fund because it ensures that:

- funds are available for strategic and cross-community projects
- funds are available for projects proposed by communities of interest
- funds are available for projects in communities unlikely to host renewable developments or those impacted by supporting infrastructure (substations, pylons etc.)
- funds are available to communities that provide services to neighbouring, recipient communities, but themselves are not in receipt of Community Benefit

The current fund structure has not proved attractive to developers or communities. It is proposed that the Council continues to lobby developers to set up Highland-wide Community Benefit funds. The revised Policy retains the option of the Highland Trust Fund being operated by an arms-length organisation, although it is recognised that developers may wish to set up and administer funds themselves (for example SSE Regional Sustainable Development Fund) or through other organisations. Whichever methodology is used, the key policy aim is that Community Benefit is available to communities across Highland.

3. Policy Implementation

- 3.1 Section 6 of the Policy, “How we will Implement the Policy” identifies how the Council will implement the Policy by working with communities, developers and Community Benefit Trusts. Members are asked to note the key role that will be played by Ward Managers and the Community Benefit Officers Working Group. Periodic updates on progress will be reported to the CPE Committee.

4. Implications

Legal: The proposals outlined above support the anticipated provisions of the Community Empowerment Bill in relation to community involvement in the improvement, management and ownership of public assets and services.

Equalities: Promotion of the National Standards of Community Engagement will ensure that all sections of the community have an equal opportunity to participate in the development of community plans in line with the Equality Act.

Climate Change/Carbon Clever: Community support for and investment in renewables contributes to the reduction of regional carbon emissions as required by the Climate Change Act.

Risk: There is a risk that communities may be wary of the Council’s motives – this will be mitigated by a transparent approach as outlined in the policy and a supportive approach to community decision making.

Resources: The proposals can be achieved using existing resources and staff.

Recommendation

Members are recommended to approve the revised Highland Council Community Benefit Policy.

Designation: Acting Head of Community and Democratic Engagement

Date: 29 May 2014

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Appendix One:
Highland Council Community Benefit Policy (Revised May 2014)

COMMUNITY BENEFIT POLICY

[NB Revised sections are in Italics]

The Council will work with public and private sector partners to maximise community benefits from new development, and to channel those funds into new community developments, training and jobs. We will encourage communities to make full use of The Highland Council's community benefit system.

Working together to empower our communities. Paragraph 9.
2012 – 2017 Working together for the Highlands

1 INTRODUCTION

The Highland Council has taken an important step towards securing significant local funding for communities across Highland from renewable energy developments. They have agreed this revised policy on how future funds are allocated and also set out how the Council will secure the highest level of benefit possible.

2 COMMUNITY BENEFIT GUIDING PRINCIPLES

The Council's policy applies to all renewable energy developments.

Highland Council Community Benefit Policy builds on the Scottish Government Good Practice Principles for Community Benefit from Onshore Renewable Developments, interpreting them for the Highland context. The policy seeks to support Highland communities to maximise the benefit they derive from Community Benefit by promoting the following four guiding principles

1. Community plans are developed to guide expenditure

A community that has gone through a rigorous and participatory planning process is more likely to understand the issues it faces and better able to prioritise projects that address those issues and promote community cohesion.

The policy seeks the support of developers to resource this planning process as a precursor to the Community Benefit package, on the basis that developers have a significant interest in Community Benefit yielding positive outcomes for the community.

2. Communities invest Community Benefit to generate sustainable income

Increasingly communities are looking for opportunities to invest Community Benefit, especially in renewables. However, there remain significant barriers with finance and community capacity – specialist skills, confidence and time.

The policy encourages developers to give communities the opportunity to invest in proposed developments, enabling communities to create sustainable income

streams. Highland-wide Community Benefit funds should be used alongside other funding streams to provide the support and advice communities require and to provide capital to be invested in projects. The Council has a role supporting communities by coordinating and signposting expert advice and, where there is a role for the Council, engaging with initiatives that improve community access to finance.

3. Communities are enabled to invest community benefit in service provision and asset management and acquisition

Some communities are prioritising investment in the acquisition and management of assets and the provision and improvement of services, recognising that these present opportunities for sustainable improvements in service provision in their communities. Highland Council Community Challenge Fund already supports initiatives in some communities and the provisions of the Community Empowerment Bill are likely to promote community-led asset ownership and service delivery.

The policy encourages developers to facilitate this process by taking a flexible approach to community-led investment in assets and services and by removing eligibility clauses from Community Benefit agreements that prevent communities from investing community benefit in services and assets, including in partnership with Highland Council.

4. Community Benefit is available to local communities and to communities across Highland

Whilst the Council recognises that communities hosting renewable developments, and in some cases developers, will be keen to retain benefit locally, communities beyond the immediate area are also entitled to benefit. The Council's policy is that Community Benefit should benefit communities across Highland as well as those neighbouring renewable developments. The Policy encourages developers to create a Highland-wide element to Community Benefit packages ensuring that:

- funds are available for strategic and cross-community projects
- funds are available to support projects proposed by communities of interest
- funds are available for projects in communities unlikely to host renewable developments or those impacted by supporting infrastructure (substations, pylons etc.)
- funds are available to communities that provide services to neighbouring, recipient communities, but themselves are not in receipt of Community Benefit

3 POLICY FOR ONSHORE DEVELOPMENTS

The Council will seek to identify means whereby communities can participate in and benefit from the development of renewable energy across the Highlands.

Working together for the economy. Paragraph 16.
2012 – 2017 Working together for the Highlands

Highland Council's policy seeks a minimum payment to Community Benefit funds equivalent to £5,000 per Megawatt of installed capacity per year (Retail Price Index

linked with 2011 as the baseline year). *The Council's policy is that Community Benefit should be made available to communities across Highland as well as the local communities neighbouring renewable developments.*

The Council has developed a methodology for the allocation of a Local Fund based on the following three Allocation Factors:

- proximity to the site
- visual impact
- number of residences

The allocated funding will be administered by local, constituted organisations, either existing or established for the purpose.

Whilst the Council recognises that communities hosting renewable developments, and in some cases developers, will be keen to retain benefit locally, it is expected that communities beyond those neighbouring the developments will have access to Community Benefit through the establishment of a Highland Trust Fund. The Council advocates a split between Local Funds and the Highland Trust Fund and will negotiate with developers who wish to work with the Council in the establishment the Highland Trust Fund which will be operated by an organisation at arm's length from the Council. However, it is recognised that developers may wish to set up and administer Highland-wide funds themselves. Developers who choose to set up and administer their own regional funds in accordance with this policy will be encouraged to work together with other developers and the Council to establish a single application process.

It is expected that communities neighbouring those in receipt of Local Funds would have access to Local Funds for projects that bring benefit to the Local Fund Area. The Highland Trust Fund would be open to all Highland communities, including those in receipt of Local Funds. It is intended that both the Local and Highland Trust Funds would receive bids from communities, groups and other appropriate organisations for the following project types:

- financial and other support for business and community projects (including provision of infrastructure and services)
- alternative and renewable energy research
- energy generation and efficiency schemes (including community ownership or stakes in renewable energy developments)
- community ownership or control of assets
- projects which address issues of fuel poverty
- other community interest projects based within the community
- skills development and apprenticeships.

4. OFFSHORE RENEWABLE ENERGY DEVELOPMENTS

The Council wishes to see Crown Estate revenues directed to coastal communities and management of the estate transferred from Crown Estate Commissioners to the Scottish Parliament and local communities, as appropriate. The Council will continue to make a case for the review of the management and income derived from the Crown Estate.

Working together for the economy. Paragraph 26.

2012 – 2017 Working together for the Highlands

There is a significant renewable energy resource off Scotland's shores with much of that contained within waters around Highland. There are no clear mechanisms in place for coastal communities to benefit from the use of our seas for energy generation. In addition, the impact of some off-shore developments will be far-reaching and may involve communities beyond the Highland boundary.

Off-shore developments are regulated by the Crown Estate Commissioners and by Marine Scotland. The Council will negotiate with these bodies to ensure that Highland communities benefit from developments around their shores. In addition, the Council will negotiate directly with developers to achieve the same aim and once again will seek £5,000 per megawatt installed capacity per year (Retail Price Index linked, with 2011 as the baseline year).

The Council recognises the significant sums that may, in time, accrue in the way of Community Benefit from off-shore activity. Again, the Council is of the view that these benefits should be spread as widely as possible across Highland. The Council proposes that where development takes place in open waters, 20% of the benefit realised will go to coastal communities. The remaining 80% will go to The Highland Trust Fund. Given the potential amounts of benefit, the Council believes the Trust should realise significant sums that are currently not available to support development in any Highland communities. The Highland Trust Fund will be open to bids from communities impacted by development and other appropriate organisations working with communities, including, for example, the University of the Highlands and Islands.

In inshore waters, such as the Pentland Firth, the Council will look at each case on its merits so that benefit accrues to those communities more closely affected by developments. This will reflect the proximity of development to local coastal communities and, for example, construction activities and any displacement of fishing activities. It may also be that the Council will need to involve other Local Authorities in negotiation.

The Council will apply this policy in a manner that recognises the fact that in the short to medium term, off-shore developments may be of a research and experimental nature only and that community benefit will only become available as these experimental developments become commercially viable.

5. IN KIND BENEFITS

Whilst many communities will want to take advantage of benefit in the form of monetary payments, others may wish to realise alternative forms of benefit. These might involve, for example, in-kind developments or the setting up of local apprenticeship schemes, reduced electricity tariffs or energy efficiency measures. *The Council welcomes the principle of in-kind benefits, on the basis that any in-kind benefits realised are agreed by communities and are based on transparent valuations to facilitate informed community decision making.*

6. HOW WE WILL IMPLEMENT THIS POLICY

- *We will lobby Scottish and UK Governments in relation to renewable energy developments so that the aims of the policy can be achieved in a realistic timescale. We will engage with consultations, with other Local Authorities and continue to monitor policy developments throughout Scotland.*
- *We will work with partners and communities to ensure that, if appropriate, Community Benefit is included when any community plans are developed.*
- *We will lobby developers to resource the development of community plans as a precursor to Community Benefit packages.*
- *We will work with communities to ensure that the local allocation of Community Benefit is determined using the Allocation Factors, including, on request, providing communities and developers with detailed information on how HC policy would allocate Community Benefit to local communities for a given scheme.*
- *We will lobby developers to contribute to a Highland Trust Fund to spread benefits as widely as we can throughout Highland for the good of all communities. Communities hosting developments will be able to apply for funding to the Local Fund and to The Highland Trust Fund.*
- *We will encourage developers to give communities the opportunity to invest in renewable developments.*
- *We will signpost communities to appropriate expertise for advice on development of community renewables, investment, Trust/Company formation and governance.*
- *We will monitor developments and initiatives that support community investment in renewables and engage if there is a clear role for the Council.*
- *We will work with communities to identify options for service delivery or improvement including alongside Community Challenge Fund bids, through Ward Forums or through any new duties arising from Community Empowerment legislation.*
- *We will work with developers and advisory agencies to challenge Community Benefit eligibility criteria that preclude the investment of community benefit in service and infrastructure provision, where identified as a community priority.*
- *We will enter dialogue with the major developers and Community Benefit Fund trusts to develop standardised application forms and procedures.*

If you wish to receive further advice, please contact your local Highland Council Ward Manager.

This guidance note will be updated as and when required and in line with any changes in Highland Council policy.

The Highland Council
29 May 2014