

**Review of the Argyll and Bute Guidance on Community Benefits from Onshore Renewable Energy**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 The main purpose of this report is to advise the Policy and Resources Committee of the work undertaken in reviewing and updating the current Council policy in relation to community benefit from renewable energy developments and to seek approval of the principles contained within the draft Framework. This will allow further consultation to be undertaken.
- 1.2 Community benefit payments derived from renewable energy represent a significant opportunity for communities as they offer a long-term source of funding to support community and economic development which will be provided over the life of the development, in the case of wind this would usually be 25 years.
- 1.3 The current policy on community benefit was approved in 2005 and is now outdated. Following discussions with the Argyll and Bute Renewable Alliance (ABRA), feedback from a recent public seminar and consideration of up to date Government guidance it is felt that a framework for community benefit for onshore renewable would be the most appropriate approach. The development of a framework as opposed to a policy approach allows each developer the flexibility to use a different model and acknowledges that each community differs in regard to capacity, needs and aspirations.
- 1.4 The draft Framework will provide guidance to developers and communities and seeks to maximise economic and community benefit as a result of renewable energy development across Argyll and Bute.
- 1.5 It is recommended that Policy and Resources Committee
1. Notes the contents of this report and the review process which has been undertaken;
  2. Approves the principles within the draft Framework contained at Appendix 1.
  3. Agrees that the draft Framework is subject to a period of consultation with key partners and communities including Argyll and Bute Renewables Alliance (ABRA) and the Community Planning Partnership (CPP) with the final document being reported to appropriate committees for approval in Spring/Summer 2015.

## Review of the Argyll and Bute Guidance on Community Benefits from Onshore Renewable Energy

### 2.0 INTRODUCTION

- 2.1 Community benefit payments derived from renewable energy represent a significant opportunity for communities as they offer a long-term source of funding to support community and economic development over the life of the development, which in the case of wind is usually 25 years. As the payment levels per megawatt (MW) and the size of renewable energy developments increase so do the community benefit funds. The funding provided to local communities through these payments offers them an important opportunity to support local organisations and facilities as well as developing a wider sustainable community over the longer term.
- 2.2 The Council's current policy was approved in 2005 and sets down a protocol whereby voluntary contributions will be sought from onshore windfarm developers on the basis of a recommended payment of £2,000 per megawatt (MW) of installed capacity. Based on information provided to us by the operators we understand that currently approximately £145,000 of community benefit payments are made across Argyll and Bute per annum (most are index linked). The payments are wholly voluntary and the levels and scale of payments vary across the developments. These are often reflective of the age of the development and associated start date of the fund with the earliest being in place from as far back as 1999. The individual funds are detailed in the table below.

Wind Farm	Value of Fund (yr 1 base rate)	Start Date	£/MW	Most Recent Income	Date
Beinn Ghlas, Taynuilt (16T - 8.4 MW)	£8,000 pa*	1999	£952.38	£12,165.50	2013
Beinn an Tuirc, Carradale (46T - 30MW)	£21,000 pa*	2001	£700	£30,646.99	2013
Deucheran Hill, Carradale (9T - 15.75MW)	£10,500 pa*	2001	£666.67	£15,804.19	2013
Tangy, Campbeltown (15T - 12.75MW)	£1,500 pa	2002	£117.65	£1,500	2013
Cruach Mhor, Glendaruel (35T - 29.75MW)	£21,000 pa*	2003	£705.88	£28,307.39	2013
Tangy 2 (7T - 5.9MW)	£7,140pa*	2006	£1,210.17	£13,414.63	2013
Clachan Flats, Cairndow (9T - 15MW)	£21,902*	2008	£1,460.13	£13,973.39	2013
An Suidhe (23T - 19.3MW)	£28,500*	2011	£1,476.68	£29,760.50	2013

\* Index linked

- 2.3 Community benefit in relation to onshore windfarms can help to support the

outcomes identified in the Single Outcome Agreement (SOA) by providing funding for communities to develop infrastructure (Outcome 2), support education and skills development (Outcome 3) and provide facilities which support Outcomes 4-6. Securing community benefit is in line with the Economic Development Action Plan (EDAP) (Sustainable economic Assets: Priority One - Renewable Energy) and the Renewable Energy Action Plan (REAP) which states that securing related benefits for the communities is one of four energy development priorities.

- 2.4 However much has changed since the policy was approved in 2005, in particular the standard rate of payment which has recently increased to £5,000 per MW. Scottish Renewables' Onshore Wind Community Benefit Protocol and the Scottish Government Good Practice Principles for Community Benefit from Onshore Renewable Energy Developments both advocate this higher rate of contribution as an industry best practise.

### 3.0 RECOMMENDATIONS

3.1 It is recommended that Policy and Resources Committee

1. Notes the contents of this report and the review process which has been undertaken;
2. Approves the principles within the draft Framework contained at Appendix 1.
3. Agrees that the draft Framework is subject to a period of consultation with key partners and communities including Argyll and Bute Renewables Alliance (ABRA) and the Community Planning Partnership (CPP) with the final document being reported to appropriate committees for approval in Spring/Summer 2015.

### 4.0 DETAIL

4.1 In order to update the policy a review was launched and the components of the review were agreed by the Argyll and Bute Renewable Alliance (ABRA) to include the following:

1. Review the minimum level of contribution from onshore windfarm developments – *the minimum recommended contribution in relation to onshore wind is set to be increased to £5,000 as a widely accepted contribution proposed by both Scottish Renewables, as the industry representative, the Scottish Government and Forestry Commission Scotland.*
2. Review the distribution and application of funds (consider local and regional split) – *the 2005 policy advocates a 60:40 split in funds with 60% to go to the local community and 40% to ALI Energy to deliver a wider regional benefit as a result of the development. The concept of delivering a wider benefit is supported and it is proposed that where the value of funds is sufficient a split of up to 50% to a wider regional or sub-regional fund is made however ALI Energy is not always the most appropriate mechanism for delivering the wider benefit and therefore a number of mechanisms are proposed to ensure that a wider benefit is achieved.*

3. Review the need and mechanism to prioritise/capture local contracting – *the Framework is not felt to be the most appropriate mechanism to progress this although it is considered as part of the wider ABRA agenda.*
  4. Explore the opportunities for Community Investment – *community investment in commercial schemes is becoming more widely available and will be encouraged within the Framework to reflect the draft Community Energy Policy Statement issued by the Scottish Government.*
  5. Consider expansion of scope for inclusion of other renewable technologies – *the Framework will cover other renewable technologies although no defined payment level will be set £5,000 per MW is the preferred payment level.*
- 4.2 The existing policy recognises the long-term relationship the Council wishes to have with the renewable energy companies operating in the area and to seek to maximise benefit to local communities and the wider Argyll and Bute economy. The principal approach in securing this long-term commitment from both parties is the development of a strategic concordat, a formal agreement between the Council and developer which identifies common priorities and areas for joint working linked to future investment and as well as the principles for community benefit payments from renewable energy schemes. Strategic concordats have been agreed with developers including Scottish Power Renewables and have proved successful in creating a close working relationship which delivers benefits for our communities.
- 4.3 In recognition of this success, the concordat approach remains the model through which the framework is being sought to be delivered.
- 4.4 More recently, the Council held a seminar focusing on maximising the impact from community benefit. The seminar was attended by over 70 representatives from local community organisations and developers. The seminar reiterated the need to update the Council's guidance on community benefit.
- 4.5 The principle issues arising from the seminar were:
- The rate of payment for onshore wind should be increased as soon as possible;
  - Guidance is required for both developers and communities;
  - Community plans form an important tool to help communities plan for the long-term but can be challenging to develop, support is often required;
  - Community benefit funds should operate in an open, accountable and proportional way with decisions being made by the local community;
  - An element of regional funding, where funds are sufficient, is supported and can help to spread the benefits across a wider area;
  - Community benefit funds should not be used to replace existing statutory services;
  - Community investment in renewable schemes should be encouraged;
  - There is no one model which will suit all communities.
- 4.6 The issue of community investment/development plans was widely discussed at the seminar and is advocated as the most appropriate way to establish local priorities. Community plans should identify the needs and priorities of the community over a short, medium and long term and set down actions to address these. The community investment/development plan should work

towards creating a sustainable community and consider implications in relation to ongoing revenue costs associated with any new facilities/services and projects proposed. The community investment/development plan should link closely to the outcomes of the SOA and should focus on delivering community needs which link to the SOA and include the identification of support to community facilities/services which may have previously been provided by the public sector but which may no longer be able to be provided due to future funding restrictions.

- 4.7 Using information obtained through ABRA, the seminar and recent Scottish Government guidance, a draft framework with a list of recommendations which should be considered by both developers and communities has been produced.
- 4.8 Following these discussions, it is felt that a framework for community benefit for onshore renewable would be the most appropriate approach. The development of a framework as opposed to a policy approach allows each developer the flexibility to use a different model and acknowledges that each community differs in regard to capacity, needs and aspirations. It is considered that a Framework provides a much more flexible approach to take account of the above and can also incorporate best practice guidance to communities and developers alike.

## **5.0 CONCLUSION**

- 5.1 The current Council Policy on Community Benefits from Windfarms has become out of date and is in need of review.
- 5.2 A draft framework is proposed and is based on initial consultation with communities and developers. The purpose of the framework will be to help to maximise the economic and community benefit from a range of commercial renewable energy developments across Argyll and Bute.
- 5.3 The Council will continue to promote strategic concordats with developers to create a long lasting relationship which will maximise benefits to Argyll's communities and economy.

## **6.0 IMPLICATIONS**

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| 6.1 | Policy     | The Framework is in line with Single Outcome Agreement, EDAP and REAP. It also accords with the Scottish Government Good Practice Principles for Community Benefit from Onshore Renewable Energy Developments. |
| 6.2 | Financial  | The Framework seeks to maximise the community benefit derived from onshore commercial renewables.  |
| 6.3 | Legal      | None.  |
| 6.4 | HR         | None.  |
| 6.5 | Equalities | None.  |

6.6 Risk If the Framework is not agreed then the level of community benefit realised from new developments may not be maximised.

6.7 Customer Service None.

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**APPENDICES**

Appendix 1 Argyll and Bute Framework for Community Benefit from Onshore Renewables

## APPENDIX 1

# Argyll and Bute Framework for Community Benefits from Onshore Renewables

This document represents Argyll and Bute Council's Framework to guide consideration of community benefits by renewable developers and communities. It sets out the key principles that should be taken into account when considering community benefits and seeks to promote best practice.

Community benefits in relation to renewable energy can include voluntary monetary payments (funds), benefits derived from community investment and other voluntary benefits provided to the community. In line with Scottish Government guidance, community benefits do not include direct economic or supply chain benefits arising from the individual developments.

Since the development and adoption of the Argyll and Bute Community Benefit Policy in 2005, community benefit arrangements have been completely separate from the regulatory planning process in the Argyll and Bute Council area. Instead, voluntary community benefit arrangements made under the Powers of Wellbeing in the Local Government (Scotland) Act 2003 are negotiated for each development post planning. The 2005 policy was based on the payment levels of £2,000 per MW and £1,000 per MW of installed capacity.

Argyll and Bute Council considers that there is a case for forging strong long-term relationships with renewable energy developers in order to ensure that maximum benefit is delivered to the local communities from any development. The 2005 Policy sought to secure this through the drawing up of a Strategic Concordat, a formal agreement between the Council and developer set down following grant of planning consent which sought to identify common priorities and areas of joint working. This will be continued in this Framework.

There are concordats in place with a number of developers and these have secured the delivery of wider local economic benefit. The Concordat typically lasts several years and includes details of the community benefit fund arrangements, including level of payments, which would apply to any future wind farm developments. It seeks to maximise the benefit to local communities and the local economy through a range of different activities which can bring mutual benefits to developer and community. These have included renewable energy resource assessments, support for a schools energy education officer and the promotion of green energy projects. A parallel can be drawn with the relationship between the Shetland and Orkney Islands and the Oil industry.

After consultation with the Argyll and Bute Renewable Alliance (ABRA), developers and local community representatives it is proposed that the following principles form the basis of the draft framework which will update and replace the 2005 policy.

### **This Framework recommends:**

1. Community benefits are provided for all new renewable developments in excess of 5MW;
2. Commercial developments between 50kW and 5MW seek to provide community benefits although it is appreciated that the margins would be much tighter and therefore any level of community payments will be much smaller. In addition this

scale of project may represent a form of farm/estate diversification and a payment may not be appropriate. Each case should be looked at on its own merits.

3. The minimum community benefit payment in relation to onshore wind is £5,000 per megawatt of installed capacity per annum;
4. Payment levels for other forms of onshore renewables are negotiated on a case by case basis with the objective of providing a contribution of £5,000 per megawatt of installed capacity per annum;
5. All community benefit funds are index linked and last the lifetime of the renewable energy project;
6. A community investment option should be offered on all commercial renewable developments;
7. Community development funds shall include a regional /sub-regional contribution with a focus on delivering a wider community economic benefit aligning to the priorities set out in the respective community investment/development plans. This wider fund should be considered in all cases unless it can be demonstrated that the level of funding from the development, when considered in light of the scale of the community within the renewable development catchment area, is insufficient to meet immediate community need as demonstrated by a community investment/development plan. Any sub-regional/regional fund should represent 50% of the value of the overall fund and should have a more strategic focus, i.e. skills and education, benefit to service centres which support the communities where the renewable energy development is located etc. this could be achieved through:
  - a. A locally administered fund which is open to applicants from across the regional or sub-regional area; or
  - b. Provision of a percentage to be added to existing local Common Good Fund which operate in many of our key service centres to be held in perpetuity for the benefit of local people; or
  - c. Funding provided to Argyll wide bodies delivering key economic outcomes and working in key economic sectors to deliver local economic benefit e.g. ALI Energy (renewable energy and energy efficiency), Argyll and the Isles Tourism Co-operative (tourism), Argyll and the Isles Coast and Countryside Trust (outdoor access and environmental improvements), Argyll College (skills and education).
8. The detailed fund arrangements for each new project are negotiated and agreed in writing with the community, developer and the Council using the framework of the Local Government (Scotland) Act 2003.

#### **Developers should:**

- Engage with the local community early in the process, separately to consultation on the planning process where possible, and making clear to them that the receipt of community benefit is not dependent upon their support for the proposal;
- Provide professional support to communities to secure the development of a community investment/development plan to allow the maximum community and economic benefit to be delivered from any future community renewable fund(s) and/or other sources of external funding;
- Offer a community investment buy in option to appropriate community bodies;
- Carryout consultation in an open and inclusive way allowing the community sufficient time to respond (particularly in relation to community buy in discussions);
- Be flexible in relation to the governance structure for community benefit funds and work with the community to find a solution which accommodates their needs particularly where they are already administering existing funds;



- Where existing renewable developments are being upgraded (re-powered) ensure that there is early discussion with the community to secure continuity of funds and agreement on any changes to existing community benefit payments;
- Ensure decision making in relation to allocation of funds is carried out at a local level;
- Ensure the governance structure is robust and is operated in an open and transparent way;
- Investigate with the Council the opportunity to enter into a strategic concordat to define wider local economic opportunities;
- Define an appropriately wide geographical area to ensure all communities affected by the construction or operation of the renewable energy development can access community benefit and encourage development of a regional/sub-regional fund in accordance with the Framework;
- Start community benefit payments from the commencement date of the construction period;
- Enable projects to be funded for several years or for large projects to be funded by making advanced aggregated payments;
- Ensure community benefit arrangements will be honoured should the site be sold;

#### **Communities should:**

- Be aspirational – this is an excellent opportunity to make a difference not only to your local area but also to the wider region/sub-region.
- Create a community investment/development plan to provide a strategic view of community priorities across the region/sub region with a focus on contributing to the outcomes set out in the Single Outcome Agreement and addressing key issues including support for community facilities and organisations, job creation or new businesses, improving skills of local people, support for tourism and addressing issues of rural isolation. This may identify support to new or additional facilities/services which may have previously been provided by public bodies but which are no longer able to be provided due to funding restrictions. Any plan should be sustainable and give full consideration to meeting the ongoing revenue liabilities related to maintaining services and facilities in the long-term including in the period after community benefit payments have ceased. The plan should be reviewed periodically to reflect changing circumstances and needs.
- Create a robust governance structure to administer community benefit funds which includes open and transparent allocations of funding;
- Create a decision making process which is fair, transparent and proportional to grant amount with any assessment criteria publicly available;
- Seek representation from all sectors of the community on community benefit fund administering bodies to make them as inclusive and representative as possible;
- Review and report on the operation of the community benefit fund annually to ensure it is operating effectively and maximising benefit;
- Seek match funding where possible to maximise the benefit received;
- Consider long-term aims of the community and particularly whether to invest some of the fund to buy an equity stake or to invest directly in the commercial renewable project or alternatively to develop their own renewable project to provide an additional income. The community investment plan may identify this as an action/opportunity;
- Work with neighbouring communities where funds and/or projects are operating across administrative boundaries;

This Framework is designed to relate to community funds associated with commercial

developments however some of the principles will apply equally to funds derived from renewable project owned solely by the community with the principal difference being that community projects will usually provide all surplus funds as community benefits.

#### **Argyll and Bute Council:**

- Offers guidance to local community groups on appropriate governance of community benefit funds, further information can be provided by the Council's Governance Team;
- Maintains a Wind Farm and Renewables Trust which can form the governance structure for community organisations free of charge;
- Offers support to community groups who are preparing Community Investment/ Development Plans or involved in consultation and engagement with their community through our Social Enterprise and Community Development Teams;
- Maintains details of community benefit funds operating across Argyll and Bute and makes these available at <http://www.argyll-bute.gov.uk/crop-benefits-community>.
- Will review this framework every two years to ensure that it remains up to date.

This Framework is prepared to align with Scottish Government Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments and its purpose is to secure the maximum economic and community benefit for Argyll and Bute communities.

#### **Further Reading**

- Scottish Government Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments - <http://www.localenergyscotland.org/developers/good-practice-principles/>
- Community Energy Policy Statement - <http://www.scotland.gov.uk/Publications/2014/08/1223>
- Investing in your community - A guide to managing community funds - <http://www.hie.co.uk/community-support/managing-community-funding/default.html>
- Community Renewables Opportunity Portal – <http://www.argyll-bute.gov.uk/crop-introduction>
- Onshore Wind Community Benefit Protocol - <http://www.scottishrenewables.com/technologies/onshore-wind/>
- Renewable energy on Scotland's National Forest Estate - <http://scotland.forestry.gov.uk/managing/work-on-scotlands-national-forest-estate/renewable-energy>