

In some circumstances it may be appropriate for communities and developers to consider broadening the eligible geographic area, where, for example:

- the main visual impact of a wind farm could be for a community council area (or areas) further from the wind farm site, or
- a large wind farm could yield an annual sum significantly disproportionate to the small population of the immediate area, allowing a certain proportion to be more widely available to other communities in the area.

In these situations, two Trust Funds could be set up – a "Community Trust Fund" for the immediate community, and an "Area Trust Fund" for the wider community. The renewable energy developer would make payments to each fund in accordance with an agreed proportionate division.

5. How will the community benefit agreement be established?

The Council wishes to emphasise the importance of protecting community benefit funds through an appropriate legal framework that safeguards the interests of all stakeholders. To do so the Council recommends that the developer enters into a Minute of Agreement with a legally-established community body, such as a new or existing Community Trust, whose role and purpose is sufficiently broad to administer and distribute the community benefit fund.

Where an appropriate community body does not exist or is unlikely to be set up, it may be appropriate for the Council to enter into a legal agreement with the developer to receive and distribute community benefit funds according to an agreed formula. In this way the Council could offer communities the security of its legal standing as long term entity in the administration and distribution of community benefit funds.

The Minute of Agreement should typically address the principles underlying the payment, administration and distribution of community benefit funds. The terms of the agreement might address, for instance:

- The scale, pattern and duration of community benefit payments
- Details of how the funds will be administered
- Details of how the distribution of funding will be determined
- Guidance on the broad purposes to which funds should be put (for example, charitable, educational, environmental or amenity) together with any ineligible purposes (for example, those that are adverse to the developer's interests),
- The scope for the community to accumulate funds as appropriate, for long term investment
- The developer's audit and reporting requirements and use of funded projects for public relations purposes

It is the Council's wish that community benefit funds be used for the long-term benefit of the community. The Council therefore favours the use of these funds to develop "community asset" projects such as affordable housing, community land buy-outs and community energy / energy efficiency schemes. To achieve this, community benefit funds could be used to lever appropriate match funding from various public agencies and other external funding sources. The Council recognises the importance, however, of ensuring that community benefit funds are additional to, rather than substituting for existing public agency responsibilities.

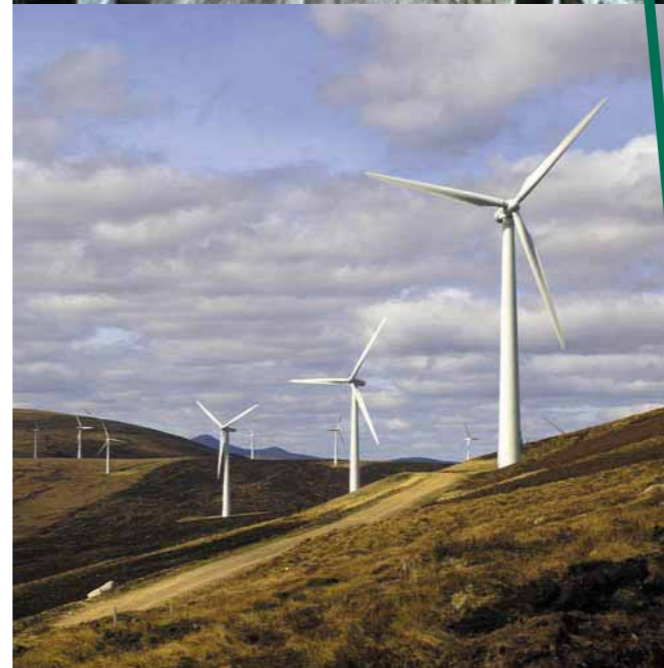
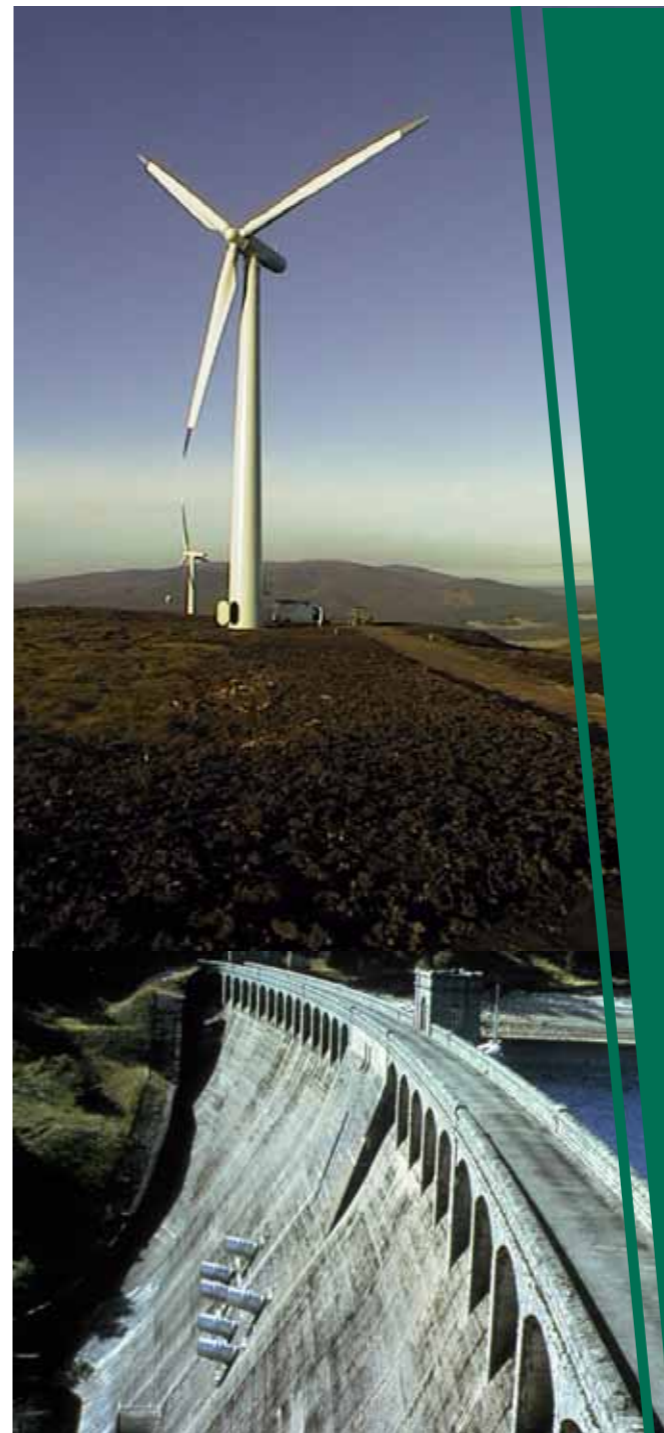
6. At what level should the community benefit be set?

It is for developers and community representatives to agree an acceptable level of community benefit. Up to now, the scale of community benefit contributions from windfarm development has been in the region of £1000/ MW/ annum. In terms of the impact that renewable energy development is set to have both on the Highland environment *and* its communities, it is the Council's view that this level of contribution should be significantly enhanced. On the basis of information currently available, the Council considers that the level of community benefit contribution, or its equivalent equity, should rise to *at least* £4-5000/ MW/ annum.

If the environmental impacts of the development are likely to be particularly evident - for example in terms of visibility - and furthermore are affecting a fragile economic community, then an above average community benefit arrangement is anticipated.

Conclusion

The Highland Council supports the development of the area's renewable energy resources so that it can play its part in addressing wider climate change concerns. However, this must be linked to providing economic benefits to the local communities that are host to such schemes. This benefit must be realistically linked to the level of anticipated return that developers expect from renewable energy projects. Local communities must directly benefit from the use of their local resources. Given the contribution that the area already makes through earlier development of large scale hydro electricity schemes, together with the exceptional quality of the environment, further renewable energy development must pay full regard to local community wellbeing. The Council therefore looks for these arrangements for securing local community benefit and commitment in order that both national and local interests are addressed.



Community Benefit in relation to Renewable Energy Proposals

GUIDANCE NOTE

Approved by
The Highland Council
10 April 2003

If you require further information, please contact: -
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INTRODUCTION

Policy G4 in the Highland Structure Plan (Approved by Scottish Ministers in March 2001) states:

The Council will expect developments to benefit the local community and contribute to the well being of the Highlands, whilst recognising wider national interests.

The Council will seek to enter into agreements with developers as appropriate on behalf of local communities for environmental and socio-economic purposes as indicated below:

- **Where development will have a long term impact on the environment contributions will be sought towards a fund for local community initiatives;**
- **Where as a result of development new infrastructure proposals require to be implemented by the Council or other agencies, or existing programmes brought forward, developers will be expected to pay those costs as an integral part of that development; and**
- **In appropriate circumstances the Council will expect a financial bond to be secured for long term environmental restoration and/or socio-economic stability.**

This guidance note has been prepared to assist renewable energy developers and communities in meeting the objectives of this policy.

1. Why does the Council expect community benefit from renewable energy schemes in particular?

The Council wishes to ensure that local communities benefit directly from the use of their local resources. The environment and natural resources of the Highlands are sensitive and finite. Any exploitation of this environment and resources should not only be physically acceptable in land use planning terms but also have clear and direct benefits for those who live and work in the area. In such a way, development can be achieved taking account of the interests of both the environment and the community. For renewable energy projects, individual proposals may comply with the development plan and other material considerations, yet they may have environmental impacts affecting local communities that will endure for the lifetime of the development. For wind farms these could include –

- visual impact (exacerbated by any cumulative effect)
- landscape character alteration
- noise
- other nuisance

For hydro electricity schemes these could include –

- visual impact (including in the case of storage schemes the draw down eroded margin)
- reduction in fisheries activity

In contrast to many other forms of development, these local environmental impacts are not offset by local economic benefit including employment creation. After the construction stage, few if any local jobs remain for the longer term. The economic justification for renewable energy projects connecting to the national grid is based on national and international considerations (meeting targets set by Government linked to reductions of greenhouse gas emissions) rather than any local considerations of need or demand. In addition all the electricity generated in Highland is already renewable and non-greenhouse gas emitting in nature, being mainly the large scale hydro electricity stations constructed in the three decades after the Second World War.

A burden is therefore being carried by Highland communities for the exploitation of the natural resources of wind and water power with very little local economic benefit. A community fund or other form of benefit will help to address this local imbalance.

2. How should developers make arrangements for community benefit?

The securing of community benefit under the first bullet point of this policy is not a prerequisite for the granting of planning permission. This is a key difference to the rest of Policy G4. Community benefit cannot be pursued as part of the planning process. The Council therefore promotes a twin track approach, which encourages community benefit negotiations to take place as early as possible, in parallel with the planning process.

The Council's preferred option is for developers to discuss community benefit directly with local community representatives, e.g Community Councils or a local community trust. Local communities can receive advice and possible technical assistance from the Community Energy Unit of Highlands and Islands Enterprise and Highland Opportunities Ltd (the Council's arms length local economic development company). The Council's Area Managers will facilitate community negotiations with developers and will assist communities in securing appropriate support and advice. There may be situations, however, where it is not practical or feasible for community representatives to take the lead in this process. In such circumstances the Council, through the relevant Area Manager, will assist by facilitating the negotiation process. The community, however, would still be engaged as much as possible as discussions proceed. Where Area Managers are involved in facilitating negotiations, details of proposed renewable energy developments will be handled in confidence as necessary.

The Council will encourage all prospective renewable energy developers to enter into a concordat with the local community at the outset of community benefit discussions, which commits the developer to:

- engage openly with/within the community affected
- work to assist the maximum direct/indirect community benefit
- openly and honestly divulge true financial figures as to the profitability of the operation within the locality, in confidence, to those administering any area Trust Fund established for this purpose
- on completion, restore and reinstate the landscape to the highest possible standard.

Although the Council expects community benefit negotiations to take place in parallel with the planning process, their outcome will not be considered in deciding whether or not to grant planning consent, or whether to object to an Electricity Act proposal. These decisions will be assessed purely on planning merits and issues. Officials involved in processing a planning application will not discuss this aspect of a proposed scheme with developers.

The Council is committed to ensuring separation between the planning process and community benefit negotiations. Council Elected Members are free to take part in negotiations with renewable energy developers to secure community benefit but in so doing, are required by the Council to forego any involvement in determining the relevant planning application. This does not preclude elected members from discussing with and assisting the communities they represent in their approach to such negotiations.

The Council's Area Managers will report regularly to Area Committees on the progress in negotiating community benefit for proposed schemes within their areas.

3. What form should community benefit take?

Community benefit is separate from Planning Gain, which is the contribution expected of a developer - either financial or in kind - towards improvements in infrastructure, amenities etc, where a development has created a need for this improvement. It is also separate from any planning agreement under Section 75 of the Town and Country Planning (Scotland) Act 1997 in respect of, for example, a restoration guarantee or a habitat management scheme.

Community benefit can take several forms depending on the nature and size of the renewable energy development, the community's aspirations and the wishes of the developer. Most community benefit agreements will consist of one, or a combination, of the following options:

- An annual sum linked to the size of the renewable energy scheme over the lifetime of the working, which is normally index linked. (This is the model that has been operating for the wind farm at Novar, near Evanton, since 1997, where a sum is paid half yearly.)
- An annual lump sum payment or community investment, up to a maximum sum. (This may be appropriate, for instance, for smaller hydro electricity schemes)
- An equity stakeholding in the renewable energy project by the community. A direct proportion of the net revenue will then be received. Developers would therefore have to be prepared for and supportive of communities wishing to take a shareholding in the project.
- Benefit in-kind, consisting of, for example, improvements to a local road that are over and beyond those necessary for the development to proceed.

Community benefit agreements are independent and separate from any other financial agreements linked to a project, such as rental payments to landowners and crofters.

4. To what area would the community benefit relate?

The geographic area eligible for community benefit will vary according to local circumstances and must be defined through negotiation with local communities who may be represented by, for instance, a Community Council, community group or local community development body. The Council's Area Managers are available to initiate and facilitate discussions between developers and communities in defining this geographic area.