

AGREED APPROACH TO ACHIEVING COMMUNITY BENEFIT CONTRIBUTIONS FROM WINDFARM DEVELOPMENTS

1. Reason for Report

To consult Area Committee on the proposal to adopt a Dumfries and Galloway region wide Code of Practice for governing the community benefit contributions to be derived from windfarm developments, which will be objective in approach and aimed at providing guidance to both local communities within Dumfries and Galloway and potential wind farm developers.

2. Background

2.1 Members will recall a similarly entitled report which went before the Planning and Environment Committee on 9 March 2004 recommending researching a proposed way forward which:

- Sets out the criteria through which the funding derived from windfarm development proposals can be accessed by the communities affected and how this process will be monitored.
- Establishes objective criteria for determining which communities are affected by windfarm proposals and sets out a formula to determine the percentages awarded to those communities along with the percentage to be retained by the single body referred to at the final bullet point, for management and administration of the fund.
- Identifies a period of time over which this will be trialed, after which a further report will be submitted to the Council reviewing these arrangements, which could be used as the basis for a submission to COSLA and the Scottish Executive contributing to the debate on the issue nationally.
- Considers whether or not this could be a generic framework to be used for proposals other than windfarms where local communities face similar issues.
- Recommends a single body prepared to work with and or act on behalf of local communities affected by windfarm proposals to advise, guide and negotiate community benefit settlements.

This was followed by a report and presentation to the seven Area Committees throughout April and May suggesting a general approach and encouraging member and public input.

2.2 Feedback from the Area Committees supported the suggestion of a Code of Practice, based on an objective approach, which spread the benefits to as many people in the region as possible, whilst at the same time recognising the need to "weight" community benefit received to those communities nearest the proposed windfarm developments.

2.3 Members also expressed their concerns about the potential conflict between their role as members dealing with planning applications for windfarms and the Council's potential role in negotiating community benefit from windfarm developers. They expressed a desire to see a Code of Practice adopted, which divorced those roles to ensure that any planning decision stood up to scrutiny.

2.4 The current position in Dumfries and Galloway and across the rest of Scotland will be highlighted in the accompanying presentation.

3. Dumfries and Galloway Proposal

3.1 The following proposal, which if approved by this Committee would form the basis of the Dumfries and Galloway Code of Practice, builds upon the strategic approach endorsed by Argyll and Bute and to a lesser extent, Western Isles, but reflects the Dumfries and Galloway context.

3.2 The proposal will cover the five main areas

- Strategic Partnership Agreements
- Defining 'community affected' by windfarm development for application of the code of practice
- Recommendation of the proposed level of community benefit that should be paid (the financial formula)
- Community benefit funding management arrangements
- Criteria for use of the community benefit funding

3.3 Strategic Partnership Agreements

From the research and consultation undertaken in preparation of these proposals, there are four key drivers suggesting the need for a Strategic Partnership Approach.

3.3.1 The long term view – windfarm developments generally have a life expectancy of 20-25 years indicating not only a long term commitment to the region in terms of time, but also in terms of potential investment in the regions economy and environment. This being the case, it is important to understand the basis of this relationship from the outset, and to try to maximise the benefits as a result.

3.3.2 Economic Regeneration potential – whilst the operation of windfarms is unlikely to create many jobs, there is a great deal of potential surrounding the manufacture and construction of these facilities in terms of turbines, blades and towers. Whilst nothing can be guaranteed, a strategic partnership approach to the long term development potential might help to lever in an important contractor or contractors and help to develop a local supplier chain network benefiting local companies and the economy.

3.3.3 Other renewable energy opportunities – one of the concerns raised during the Area Committee consultation process and echoed at a national level within the media, is the suggestion that there is an over reliance on wind power as a source of renewable energy to meet our current and future renewable energy targets. Whilst it is important to remember that this report is not making any judgements about windfarms as such, a strategic partnership approach could encourage the windfarm developers to explore the potential of alternative sources of renewable energy, for example wave and tidal, impacting upon the concern that there is an over reliance on wind.

3.3.4 Consistent approach to community benefit – by signing up to a strategic partnership agreement, which encompasses a Dumfries and Galloway region wide approach, it encourages developers to adhere to the Code of Practice and fund management arrangements, hopefully bringing with it consistency.

3.3.5 **Appendix 1** is a draft version of the proposed Dumfries and Galloway Strategic Partnership Agreement, which windfarm developers would be encouraged to sign up to when they enter into dialogue with the Planning Authority. They would also be given a copy of the Code of Practice relating to the community benefit fund, and encouraged to sign up to the regional arrangements relating to the level of community benefit to be paid, the definition of communities affected and the criteria for use of the community benefit funding.

3.4 Defining Communities Affected

3.4.1 The proposal being put forward for Dumfries and Galloway on the issue of defining communities affected is as follows:

(i) **Communities within a 15 km radius of the outer edge of a windfarm development are deemed to be the communities likely to be most affected. In this regard they should receive 60% of any community benefit funding received as a result of a development going forward. The 15 km radius, whilst not wholly scientific pays cognisance to the Planning Advice Note 45 (Revised 2002): Renewable Energy Technologies, which describes the general perception of a windfarm in an open countryside as follows:**

Up to 2 kms – Likely to be prominent feature
 2-5 kms – Relatively prominent
 5-15 kms – Only prominent in clear visibility
 15-30 kms – Only seen in clear visibility

Taking the key word Prominent, the 15km figure is the maximum distance at which a windfarm is deemed to be prominent.

(ii) In recognition of the need to spread the community benefits to as many people in the region as possible and in order to ensure a strategic approach to the issue of renewable energy, energy conservation and energy efficiency, the remaining 40% of the community benefit funding will be available across the whole of the Dumfries and Galloway region, for projects specifically related to energy efficiency, energy conservation and the exploration of other alternative renewable energy sources.

3.5 Community Benefit Level – The Financial Formula

3.5.1 The proposal for Dumfries and Galloway region is as follows:-

Community benefit to be paid on the basis of not less than £1.00 per kilo watt /hour actual output from a windfarm. The £ per kilo watt/hour figure can be negotiated upwards depending upon the individual development investment and projected rate of return, etc. However, should output targets not be met, or the value of ROCs fall or any other unforeseeable factors emerge which affect the output of the windfarm, the value of the community benefit will not fall below a figure of £2,000 per mega watt of installed capacity. These arrangements to be index linked over the lifetime of the project and to be reviewed on a 5 year basis in the event that new guidance from the Scottish Executive or circumstances change which could enhance the community benefit payments to be expected.

3.6 Community Benefit Funding Management Arrangements

3.6.1 Management arrangements for community benefit funding across Scotland range very significantly and once again reflect local circumstances.

3.6.2 For Dumfries and Galloway, community benefit fund management arrangements need to reflect the two-tier definition of communities affected highlighted earlier. This being the case there will need to be two separate arrangements and these need to respect members clear view that the Council should take no part in managing the funding.

3.7 Management Arrangements

(i) Management arrangements for the 60% funding for communities within 15km of windfarm development.

3.7.1 The proposal for Dumfries and Galloway, is as follows:-

- **Appoint Solway Heritage as management trustees for all of the funding awarded to communities within the 15km radius of windfarms. Solway Heritage will be required to establish a separate accounting stream for each windfarm development to ensure clarity and transparency as far as each separate award is concerned.**
- **Solway Heritage to establish management, accounting, reporting and grants panel management arrangements for each fund.**
- **Solway Heritage to retain 5% from each fund established as a contribution towards management and administrative costs.**

(ii) Management Arrangements for the 40% community benefit funding retained for energy conservation, energy efficiency and renewable energy research and exploration projects.

3.7.2 The proposal for Dumfries and Galloway is as follows:-

(i) Appoint, under a service level agreement, the Energy Agency to manage the 40% community benefit funding retained from each windfarm development on behalf of Dumfries and Galloway, with a specific remit to spend all of the funding received within the Dumfries and Galloway region on projects which promote energy conservation, energy efficiency, etc within the home, school or the local community or for research into the use of other renewable energy technologies in the region. Up to 5% of the funding received from each windfarm to be retained for management and administration.

3.8 Criteria for Use of Community Benefit Funding

3.8.1 Once again because of the 2 tier approach being proposed for Dumfries and Galloway, there will need to be 2 sets of criteria developed for the two elements of funding, one for the 60% funding to communities within the 15km radius of windfarm development and one for the 40% funding available regionally for energy efficiency, energy management and renewable energy research type projects.

3.8.2 Eligibility Criteria for Communities within 15km Radius of a Windfarm Development

Proposal for Dumfries and Galloway

Funding drawn down in the form of Community benefit from windfarm developments, can be accessed by communities, or groups/organisations within local communities within the 15km radius of the windfarm development for the following,

- **Charitable, educational, community, environmental, energy efficiency and general community amenity schemes or projects, either capital or revenue, however, if revenue related projects, these must clearly be time bound projects not in need of continuation funding.**
- **Communities, groups or organisations may wish to put forward individual project bids or alternatively, may wish to put forward annual development plans covering a number of projects they wish to seek funding to deliver.**
- **Funding shall not be used to benefit individuals or for any political or religious purpose, nor should the funding be used to replace projects already funded through the public sector.**

3.8.3 Eligibility Criteria for the 40% Community Benefit Funding Managed through the Energy Savings Trust

3.8.4 Rather than create entirely new criteria for drawing down the 40% community benefit to be managed through the Energy Trust, the proposal for Dumfries and Galloway is to mirror their existing criteria as follows:-

3.8.5 Funding made available for renewable energy or energy efficiency projects (or research into same) which would reduce or displace fossil or mains energy usage.

3.8.6 Potential project themes include: Biomass development, ground source heat pumps, photovoltaic, wind and solar energy, Energy educational initiatives etc.

3.8.7 Projects may be scored according to:-

- **Degree of social benefit to Dumfries and Galloway region**
- **Cost effectiveness (whole life energy cost over total project cost)**
- **Educational value**
- **Resulting absolute carbon emission reductions**
- **Creation of employment and/or other economic benefits**

3.8.8 A detailed eligibility criteria based on the Building Research Establishment accreditation scheme (as used by the Scottish Community and Householder Renewables initiative) will be drafted to ensure clarity for applicants.

4. Financial Implications

4.1 There are no immediate financial implications for the Council in so far as the proposals recommended for the management of both community benefit funds, will be the responsibility of external/independent, 3rd party organisations. Their management and administration costs to be restricted to a maximum of 5% of all funding received through this Code of Practice.

4.2 All costs associated with the setting up of the Code of Practice, and the production of any literature and documentation associated with its promotion, will be borne from within the Councils Economic Regeneration staff and revenue budgets, therefore no additional costs will be incurred. A figure of up to £5,000.00 from the revenue budget is sought for the production of promotional literature, leaflets etc to promote the scheme.

5. Consultation

Consultation on this report has included the Corporate Director for Planning and Environment, all seven Area Committees prior to the research being carried out and following the development of the proposal, the Corporate Director of Corporate Services and the Stewartry Convention of Community Councils, though consultation with other community councils is ongoing.

6. Recommendation

Members are asked to approve:

6.1 Strategic Partnership Agreements to be signed in order to maximise:-

- the long term view
- economic regeneration potential
- other renewable energy opportunities
- consistent approach to community benefit;

6.2 Definition of Communities affected:-

- Communities within a 15km radius form the outer edge of the windfarm to receive 60% of community benefit funding
- 40% of funding to be available to the whole Dumfries and Galloway region for projects specifically related to renewable energy and energy efficiency. This is in recognition of the need to spread community benefit to as many people in the region as possible and to ensure a strategic approach to an energy policy;

6.3 Community Benefit level:-

- To be paid on basis of £1 per kw/hour actual output. Should output targets not be met or the value of ROCs falls, the payment will not fall below a figure of £2,000 per MW installed capacity;

6.4 Management arrangements:-

- 15km radius 60% funding: Appoint Solway Heritage as management trustees subject to appropriate agreements.
- 40% Region-wide renewable energy funding: Appoint the Energy Agency subject to an appropriate Service Level Agreement. (5% per windfarm Administration fees to be retained by each management Agency); and

6.5 Criteria for use of funding:-

- 60% 15km radius: Charitable, Educational, Community, Environmental, Energy Efficiency and general Community schemes. Community Groups may propose individual or annual development plans covering a number of projects.
- 40% Region-wide benefit: for renewable energy and energy efficiency

**projects (or research) which assists to displace fossil or mains energy usage.
(Detailed criteria will be developed for both categories to assist applicants).**

6.6 Receive a further report in 12 months time reviewing the arrangements.

6.7 Officers taking a leading role in stimulating debate on the issue at a national level through SLAED and COSLA.

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Background Papers:

DUMFRIES AND GALLOWAY COUNCIL**Strategic Partnership in Renewable Energy**

Whereas:

- (a) Dumfries and Galloway Council ("the Council") have recognised the significant renewable energy resource within the region and wish to see this developed responsibly for the maximum long-term socio-economic benefit for the population of Dumfries and Galloway.
- (b) **(Name of Developer)** have interests in Dumfries and Galloway with plans for expansion in response to demand for renewable energy.

Without prejudice, Dumfries and Galloway Council and **(Name of Developer)** have agreed to create a Strategic Partnership, to ensure that benefits from renewable energy developments are maximised locally through further renewable energy developments and energy efficiency measures. This partnership would recognise the long-term relationship, which the Council wishes to have with **(Name of Developer)** ensuring the responsible harvesting of the full range of renewable energy resources in the longer term while maximising benefit to local communities and the local economy.

The Strategic Partnership between Dumfries and Galloway Council and **(Name of Developer)** will co-ordinate activities for mutual benefit in the following key areas:

Key areas to be agreed with each developer.

(Insert developer specific objectives and actions agreed in each case)