

ORKNEY

ISLANDS COUNCIL

Orkney's Community Wind Farm Project

Consultation on location-specific community benefit scheme

June/July 2021

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Executive Summary

Orkney Islands Council is consulting with the public and with key stakeholders on a 'location-specific' community benefit scheme for 'Orkney's Community Wind Farm Project'.

Community benefit schemes are a well-established, integral part of renewable energy developments. They are voluntary arrangements offered by renewable energy developers to communities located near developments and are not a material consideration in a planning application.

There are two specific questions we are looking for feedback on and one more general one. We've listed these below and presented the options for the first two questions in a graphic:

There are two specific questions, and one more general question, we are looking for feedback on:

1. What should be the geographical spread of the location-specific community benefit scheme be? *i.e. which communities should get the money?*
2. How should the location-specific community benefit scheme be administered? *i.e. who should look after the money?*
3. Do you have any more general views on the type of projects that the funding could be used for?

<u>Amount</u>	<u>What should the geographical spread of the fund be?</u>	<u>How should the scheme be administered?</u>
<p>£5000/MW/year. Circa £144,000 per year per site</p>	All Orkney	Orkney Islands Council
	Host community where wind farm situated	Community Councils
	All communities within a set distance of the wind	Special Purpose Vehicle
	A mix of the above options	A mix of the above options

This document provides background on the scheme and explores the options in more detail. We therefore recommend that you read the document before submitting your views.

Views can be submitted through an online survey available at www.orkney.gov.uk/orkneycommunitybenefit. For further enquiries - or to request a paper copy of the survey - please contact Kirsty Groundwater, Project Officer, Orkney Islands Council by email on kirsty.groundwater@orkney.gov.uk or by phone on 07818508323. The deadline for submitting comments to the Project Team will be 12:00 on July 26 2021.

Introduction

Orkney Islands Council is consulting with the public and with key stakeholders - like local Community Councils - on the 'location-specific' community benefit scheme for 'Orkney's Community Wind Farm Project'.

Orkney's Community Wind Farm Project is the potential development of three council-owned six-turbine wind farm sites in Orkney.

If the projects go ahead, they could generate significant income for Orkney Islands Council, helping to provide services that local people rely on and providing a location-specific community benefit scheme for communities to develop projects of their own.

Community benefit schemes are a well-established, integral part of renewable energy developments. They are voluntary arrangements offered by renewable energy developers to communities located near developments and are not a material consideration in a planning application.

Through this consultation process we hope to work alongside local people to develop a location-specific community benefit scheme for Orkney's Community Wind Farm Project that, as far as possible, best meets the needs and aspirations of our community.

There are two specific questions, and one more general question, we are looking for feedback on:

- 1. What should be the geographical spread of the location-specific community benefit scheme be? *i.e. which communities should get the money?***
- 2. How should the location-specific community benefit scheme be administered? *i.e. who should look after the money?***
- 3. Do you have any more general views on the type of projects that the funding could be used for?**

It should be noted that this consultation is not about expressing an opinion for or against the project or sites themselves – separate consultation processes exist for this.

This consultation document provides some background information on Orkney's Community Wind Farm Project and on the guiding principles that have already been set for community benefit from the scheme. The document sets out two key questions that we are looking for feedback on and also highlights two existing schemes that are in place in Orkney and in Shetland for reference.

An online survey is available at www.orkney.gov.uk/orkneycommunitybenefit

We are hugely disappointed that we can't hold face to face events with the community about the scheme but given the current Covid-19 situation we hope you can understand why it wouldn't be possible or sensible to do so.

For further enquiries please contact Kirsty Groundwater, Project Officer, Orkney Islands Council by email on kirsty.groundwater@orkney.gov.uk or by phone on 07818508323

The deadline for submitting comments to the Project Team will be 12:00 on 26 July 2021.

Background

Orkney's Community Wind Farm Project

Whilst the purpose of this consultation is to gather feedback on a location-specific community benefit scheme for 'Orkney's Community Wind Farm Project' – and not the projects themselves - it is important to set the scene.

'Orkney's Community Wind Farm Project' currently includes three potential wind farm sites - one in Hoy in the area around Wee Fea, another on Faray in the North Isles, and at Quanterness in St Ola.

Each site has the potential capacity for six turbines at approximately 150m and a generating capacity of 28MW on each site. The notable thing here is the size of the turbines which are larger than any on Orkney.

The aims of the project are to:

- generate income from publicly owned wind farm projects to support services in the local community and deliver community benefit.
- together with the other developers, support the needs case for a new interconnector for Orkney which would open up wider economic benefits via further opportunities within Orkney's energy industry
- make sure that, if we have a new cable, that as much of the benefits as possible stick within Orkney. The best way of doing that is to have local ownership which benefits everybody, not just the shareholders.
- contribute as part of a meaningful response to the climate emergency, net-zero targets and green recovery.

The three individual sites are at various stages in the planning process; we are awaiting a decision on the Quanterness and Hoy sites from Scottish Ministers, and a planning application was submitted this month (June 2021) for the Faray site.

It's possible that a decision to approve or refuse the planning application for any of the sites could come from the Scottish Government during this consultation process. An announcement of a decision wouldn't impact or affect this consultation on the location-specific community benefit fund, as the feedback we gather will be valuable to future project considerations.

Community benefit schemes

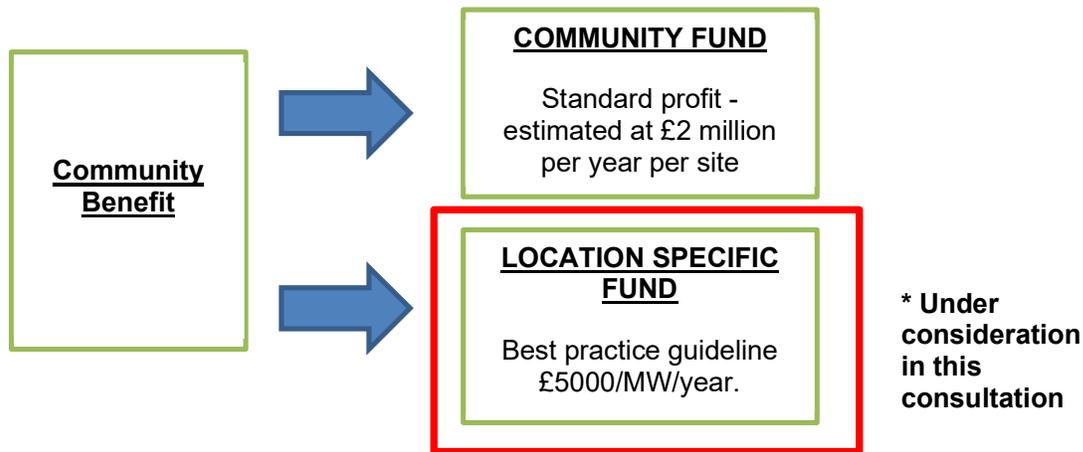
Community benefit schemes are a well-established, integral part of renewable energy developments. They are voluntary arrangements offered by renewable energy developers to communities located near developments and are not a material consideration in a planning application.

According to Local Energy Scotland, in the year leading up to November 2020, more than £21 million of community benefit payments were offered to local communities across Scotland from renewable energy schemes.

In Orkney, there are currently eight renewable energy developments providing some form of community benefit scheme to their local area.

Orkney's Community Wind Farm Project and Community Benefit

When we talk about the community benefit from Orkney's Community Wind Farm Project, it's important to note that there are two elements to this – community benefit from the profit generated from the projects and location-specific community benefit payment, as illustrated below.



Due to the fact that the projects will be owned by the Council – or in ‘public ownership’ – it's estimated that our projects could provide close to four times more gross value added economic benefit to the local economy compared to privately owned developments. It's estimated that the projects could make up to £2 million profit per year per site and decisions will be made in the future by Councillors as to how that income will be distributed/spent – but as the income is coming to the Council (who provide vital local services) - it will benefit everyone in Orkney in some way. That element is therefore referred to as ‘the community fund’.

The location-specific element is a payment made directly to the communities to fund projects of their own – and that is the element we are consulting on.

Why are we consulting and who with?

It's important to us that we consult with local communities and key stakeholders – like Community Councils - on the location-specific community benefit scheme so that our communities get the opportunity to have their say and that the final scheme - as far as possible - best meets the needs and aspirations of our community.

Members of the public can take part in the consultation and we'll also be attending virtual meetings with local Community Councils to discuss the scheme and gather feedback. Details on how to take part are included at the end of this document.

What are we asking?

In considering our location-specific community benefit scheme, we've followed the Scottish Government's Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments.

You can access these here - <https://www.gov.scot/publications/scottish-government-good-practice-principles-community-benefits-onshore-renewable-energy-developments/>

In the document, the Scottish Government says that developers need to consider the following issues when creating a community benefit scheme:

- a) What should the value of the fund be? *i.e. how much money should the scheme provide?*
- b) What should be the geographical spread of the fund? *be i.e. which communities should get the money?*
- c) How should the scheme be administered? *i.e. who should look after the money?*

In this document we've looked at (b) and (c) in more detail and set out potential options under the question headings for you to provide feedback on. You'll find more on (b) on Page 10 and more on (c) on Page 12.

We're also seeking more general views on the types of projects that could be funded through a location-specific community benefit fund. .

What are we not consulting on?

- We're not consulting at this point in time on the 'community fund' which represents the wider profit from the projects, as described above. Should the projects go ahead, then Councillors will make further decisions on that.
- In terms of what the value of the location-specific community benefit fund should be the Council already decided at a meeting of the Policy and Resources Committee (see Page 8) to follow Scottish Government recommendations. The Scottish Government says that they expect developers who are providing a location-specific community benefit scheme to make the value of that fund £5000 per MW per year. **That means that the location-specific community benefit fund for each site (assuming 28.8MW installed capacity) would be £144,000 per year, or £432,000 per year across all three sites.**
- We're also not looking for feedback at this point on the overall project or sites themselves. Separate consultations have already taken place on these under statutory planning processes. We're now awaiting a decision from the Scottish Government on the Quanterness and Hoy sites (these decisions may be published during this consultation process) and further planning processes for the Faray site will get underway soon.

What has already been decided?

At a meeting of the Council's Policy and Resources Committee in September 2019, Councillors agreed some guiding principles for community benefit from Orkney's Community Wind Farm Project

These guiding principles covered the wider 'Community Fund' and also a 'location-specific' fund and were:

- The key purpose of the Orkney Community Wind Farm Project is to generate profit to be used for the benefit of the people of Orkney.
- Community benefit from the project will be delivered via a 'Community Fund' with funding distributed in accordance with the principles of Section 69 (e) of the Orkney County Council Act 1974.
- Financing of the project will be structured to achieve a profit which can be used for community benefit as soon as reasonably practicable in the project lifecycle, noting that any wind farm constructed must pay-off its own construction costs and provide a return on capital invested.
- Profit may be retained for the purpose of extending the life of the 'Community Fund', such as through developing new projects, or repowering existing projects.
- The Orkney Community Wind Farm Project is for the benefit of the whole community with benefit delivered through the distribution of funds. It will not be possible for private individuals to take a shareholding in any project.
- Communities located closest to projects will be impacted most by developments. It is therefore considered appropriate to provide these communities with a 'location-specific community benefit payment'.
- In determining the level and geographic extent of any 'location-specific community benefit payment', the principles outlined by the Scottish Government in Community benefits from onshore renewable energy developments: Guidance on good practice principles for communities, businesses, local authorities and others (2019) will be used. This commits the Council to undertaking community consultation on the geographic extent of 'location-specific community benefit payments' as well as on delivery mechanisms for such payments.
- Receipt of a 'location-specific community benefit payment' by any area will not impact on the likelihood of an area receiving further community benefits from the 'Community Wind Farm Fund'.

You can read the full committee report here - https://www.orkney.gov.uk/Files/Committees-and-Agendas/Policy-and-Resources/PR2019/PR24-09-2019/I17_Community_Wind_Farm_Community_Benefit.pdf

What are the options?

For the first two questions – ‘What should be the geographical spread of the fund be?’ and ‘How should the scheme be administered?’ we’ve come up with four options.

We’ve set these out in a graphic below and they are explored in further detail from Pages 10 – 14.

For each option we have provided a short description and what we see at the positive and negative aspects of each.

You might feel there are other options which we have not considered or that there are positive or negative aspects we haven’t included. You can suggest additional options and positive/negative aspects through the feedback survey www.orkney.gov.uk/orkneycommunitybenefit.

<u>Amount</u>	<u>What should the geographical spread of the fund be?</u>	<u>How should the scheme be administered?</u>
£5000/MW/year. Circa £144,000 per year per site	All of Orkney	Orkney Islands Council
	Host community where wind farm situated	Community Councils
	All communities within a set distance of the wind farm	Special Purpose Vehicle
	A mix of the above options	A mix of the above options

What should the geographical spread of the fund be?

We think there are four main options for the geographical spread of the fund. These are:

Option 1 - all of Orkney

Option 2 – the host community where the windfarm is situated.

Option 3 – all communities within a set distance of the wind farm.

Option 4 – a mix of the above options.

For each option we have provided a short description and what we see at the positive and negative aspects of each.

You might feel there is another option which we have not considered or that there are positive or negative aspects we haven't included. You can suggest additional options and positive/negative aspects through the feedback survey at www.orkney.gov.uk/orkneycommunitybenefit.

Option 1 - all of Orkney

Option 1 would see all of the areas in Orkney having equal access to all of the location-specific community benefit fund, which would total up to £432,000 if the three sites currently under development are to be built out. The amount of funding allocated to each community would depend on how the scheme was being administered (see Page 12).

For example, if the three sites currently under development are built, and each community council area in Orkney was allocated an equal amount of money from the full fund - and they were responsible for administering it - then each community council would receive £21,600 per year. If the Council administered the full fund, then it could be that there wasn't a specific community allocation and that allocation of the fund was dependent on applications from the communities.

The positives of this option are that all of Orkney benefits from the scheme and that a greater range of projects would be developed as a result.

The negatives of this option are that funding would be spread more thinly making it more difficult for communities to develop large projects and that the host communities, who would be most impacted by the turbines, could be unhappy at receiving less funding than through the other options.

Option 2 – the host community where the windfarm is situated.

Option 2 would see the location-specific community benefit fund going entirely to the 'host community' for the wind farm project i.e. the specific area where the wind farm is located.

This would be based on Community Council areas, therefore for the Quanterness development it would be Kirkwall and St Ola, for the Lyness development it would be Graemsay, Hoy and Walls and for Faray, it would be Eday (as the historical parish is Eday and Faray). Each area would therefore be allocated £144,000 of location-specific community benefit fund each year if the site in their area was developed to operation.

The positives of this option are that it could be seen as the fairest option for the communities who are hosting the turbines and it is also very simple and easy to understand.

The negatives of this option are that the communities surrounding the host communities could argue that they are impacted just as much as the 'host community'. The sum of money is also quite large meaning that some of the fund could potentially go unspent and there would also be a perceived lack of benefit for the rest of Orkney from the location-specific fund.

Option 3 - all communities within a set distance of the wind farm

Option 3 would be similar to Option 2, but instead of it being a specific 'host community' it would be the 'host community', plus the neighbouring communities around the project. Again, this would be based on Community Council area and we've suggested that be grouped as follows:

- Quanterness would be Kirkwall and St Ola, Firth and Stenness, Evie and Rendall – giving an annual allocation for each Community Council of £48,000;
- Hoy would be Graemsay, Hoy and Walls and Flotta – giving an annual allocation for each Community Council of £72,000;
- Faray would be Westray and Eday Community Councils – giving an annual allocation for each Community Council of £72,000. A second option exists for Faray. where all of the North Isles Community Councils are included – giving an annual allocation for each Community Council of £18,000.

The positives for this option are that all the communities who could potentially feel most impacted by the development receive the benefit.

The negatives for this option are that the host communities get less funding than under Option 2 which they may feel is unfair. A decision would also need to be made on which communities were considered to be a 'neighbouring community'.

Option 4 – a mix of the above options.

As with any situation where a series of options have been identified, sometimes the best option may be to mix a few options together. In this case, there could for example, be an option for the host community council areas to receive a set allocation from the fund, with the rest of the fund then made available for the rest of Orkney.

How should the scheme be administered?

We think there are four main options for the administration of the fund. These are:

Option 1 - Orkney Islands Council holds the funds and administers grants.

Option 2 – Orkney Islands Council passes the money directly to Community Councils to administer the fund.

Option 3 - a new body, called a Special Purpose Vehicle, is set up to administer the fund.

Option 4 - a mix of the options above.

For each option we have provided a short description and what we see at the positive and negative aspects of each.

You might feel there is another option which we have not considered or that there are positive or negative aspects we haven't included. You can suggest additional options and positive/negative aspects through the feedback survey at www.orkney.gov.uk/orkneycommunitybenefit

Option 1 - Orkney Islands Council holds the funds and administers grants

Option 1 would see Orkney Islands Council retaining the fund and allocating grants through local community groups and organisations applying to the fund.

The positive aspects of this is that there are existing structures in place within the Council to handle grant applications, particularly large grant applications that might require additional administrative processes.

The negative aspects of this are that members of the public may feel that it is no longer a 'community' fund if the Council retains full control of it.

Option 2 – Orkney Islands Council passes the money directly to Community Councils to administer the fund

Option 2 would see Orkney Islands Council passing the money directly to the Community Councils (which Community Councils would depend on what was decided about the geographical spread of the fund) and the Community Councils would then be responsible for administering grants – or actioning projects of their own.

The positive aspects of this are that existing mechanisms and experience are in place for most Community Councils in administering grants and they are already a recognised funding source for local groups.

The negative aspects are that, with the awards potentially being up to £144,000 for some Community Councils, it is a large sum of money for Community Councils to deal with, potentially requiring additional resource for handling the significant administrative requirements of bigger funding applications.

Option 3 - a new body, called a Special Purpose Vehicle, is set up to administer the fund

Option 3 could see a new body set up to administer the fund. This would be set up by the Council initially but would be separate to the Council. It could be structured in such a way that Community Councils could be represented within that organisation, perhaps through a Board who make decisions on funding applications.

The positives of this are that the fund retains a 'community' feel rather than being retained by the Council and that an SPV could be set up in such a way to be representative of communities across Orkney.

The negatives are that the setting up of the organisation would require extra resources, so there may be additional costs and it would take more time to set up.

This option is used for location-specific community benefit funds in Shetland, which you can read about on Page 14.

Option 4 - a mix of the options above

As with any situation where a series of options have been identified, sometimes the best option may be to mix a few options together. In this case, there could for example, be an option where the Community Council is responsible for administering part of the fund and Orkney Islands Council retains the rest. This option is used for the location-specific community benefit fund from the Spurness wind farm on Sanday, which you can read about on Page 15.

How is it done elsewhere – Shetland Community Benefit Fund

The 'Shetland Community Benefit Fund (SCBF)' was initially established on the back of the Viking Energy Project, which is a 103 turbine development set around the central Mainland of Shetland (currently under construction).

Shetland's 18 Community Councils formed SCBF as an independent co-operative to negotiate and administer community benefit funding from developers. It was agreed from the very start that, as far as possible, community benefits should be available on a Shetland-wide basis – so all local communities have a chance of accessing the funds.

Through the organization, each of the Community Councils have a Director on the Board who make decisions on funding awards. All 18 Community Councils can put forward a project and there's a weighting mechanism in place for the areas hosting the turbines.

During construction of the Viking Energy project the fund will be worth £400,000 and then £2.2m a year once the wind farm is operational.

There will be three tiers of funding £50 - £500, £500 - £5,000 and grants over £5000, with the fund aimed at projects which will sustain and develop local communities.

The organisation has now signed a second benefit fund agreement, signed in May 2021, with the local renewable energy company – Shetland Aerogenerators Ltd, operators of the Burradale Wind Farm. The Shetland Aerogenerators Community Benefit Fund will be worth an additional £10,000 a year for 10 years to SCBF.

Discussions are ongoing with other developers in the islands about their community benefit plans, with a view to these funds coming under SCBF too.

More information on the scheme is available here - <https://scbf.org.uk/>

How is it done elsewhere – SSE Spurness Wind Farm in Sanday

Spurness Wind Farm is a five turbine, 10 MW, development in Sanday operated by Scottish and Southern Energy Renewables.

The value of the Community Benefit fund is £25k per year and supports the community council area of Sanday.

The fund is split into £5000 for microgrants of £250 or less, which the Sanday Community Council is responsible for administering, and a larger funding pot for grants of between £250 and £10,000.

SSE provides support on the administration of the larger grants. Application forms are sent to their Community Investment team who carry out various administrative checks and funding award decisions are then made by an advisory panel, made up of local residents and representatives from the Community Council area. Grant awards of more than £10,000 can be made, but this requires additional consultation with the SSE Community Investment Team.

The application process for the microgrants scheme is much quicker and 'light-touch' with a shorter application form, applications going direct to the clerk for the Sanday Community Council and decisions made at community council meetings.

Community groups and organisations can apply for more than one grant per year, but not at the same time and not towards the same expense. Groups can also apply for multi-year grants of up to three years.

Examples of local projects that have benefited from the fund include a lunch club, improvements to the community hall and various activities at Sanday Junior High School.

You can read more about the Spurness fund here -

<https://www.sserenewables.com/communities/community-fund-locations/great-britain/spurness/>

What should the fund be used for?

Whilst it is not essential to specify what any location specific community benefit fund should be spent on at this stage, we are interested in gathering thoughts, opinions and ideas on this.

The information gathered could then be used to inform future discussions with communities on this specific aspect of the fund.

By way of example the Spurness fund (see page 15) has guidelines around the types of projects that can be funded, as follows:

Grants can be used for community-focussed or charitable activities which:

- Encourage community activity and promote community spirit;
- Ensure adequate access to services for all community members;
- Improve local transport infrastructure;
- Build the local economy;
- Build community capacity and cohesion & between groups; and/or
- Develop or maintain community assets.

Grants can't be used for:

- Projects which do not benefit people living within the Community Council area of Sanday;
- Individuals, or groups without a constitution;
- The advancement of religion or politics (including requests to support the core activities of religious or political groups);
- The purchase of second hand vehicles;
- The purchase of firearms;
- Costs of energy consumption (instead they encourage funding to be used to provide energy efficiency measures which help reduce energy consumption);
- The repayment of loans or payment of debts;
- Trips abroad;
- Costs already incurred or activities which will take place before we have made a decision on an application (retrospective funding);
- Payments towards areas generally understood to be the primary responsibility of statutory authorities.
- Applications that are for the sole benefit to flora and fauna. Applicants are invited to demonstrate the direct benefit to the local community and/or service users in cases where the grant application is concerned with flora and fauna
- Anti-wind farm/renewable energy activities, including activities contrary to the interests of SSE and its subsidiaries

How do I make my views known?

There are various ways in which you can make your views known about the location-specific community benefit fund:

- You can submit a response to this consultation by filling in an online survey at www.orkney.gov.uk/orkneycommunitybenefit
- Paper copies of the consultation material, including a survey, can also be sent out to you.
- You can arrange to have a chat with the Project Team either on the phone or on a video-call.

To arrange a postal pack or a discussion with the Project Team, or to ask any further questions, please contact Kirsty Groundwater, Project Officer, Orkney Islands Council by email on kirsty.groundwater@orkney.gov.uk or by phone on 07818508323.

The deadline for submitting comments to the Project Team is 12:00 on 26 July 2021.