Community Wealth Building Framework from Renewables: a summary for South of Scotland Enterprise





# **Executive Summary**

## Background

Energy, and the benefits which can flow from it, has remained a highly discussed topic in Scotland for many years. Whether from hydro power in the 19th century, to the oil and gas boom of the 70s and 80s through to the present day and renewables, energy is a hot topic.

This is particularly true for the South of Scotland. A report by BiGGAR economics in 2023 highlighted that an estimated almost £900m will flow to the region in community benefits over the next 35 years and on average £12m will be flowing annually by 2033.<sup>1</sup>

Further reporting by BiGGAR economics for Highland and Moray Council into the wider economic impact of renewable developments<sup>2</sup> proposed taking a community wealth building approach to delivering socio-economic and community benefits from renewable energy developments, to strengthen the opportunities for communities. This has ignited South of Scotland Enterprise's interest in the development of a community wealth building framework for renewable energy developments and the benefits which flow from these.

The following summary sets out the policy context, the local context the framework operates within, the development of the framework and concludes with recommendations.

## Policy Context

Energy is reserved to the UK Government so there is a limit to the role the Scottish Government can play in this context. However, there has been a recent public consultation from the Scottish Government around community benefits from both onshore and offshore net zero energy developments, as part of a review of the good practice principles, which asks questions around who should decide which communities receive benefits, whether regional or national approaches to benefits should be considered, and how the funds can meet the needs and wants of communities.<sup>3</sup> The current voluntary standard in Scotland for community benefits is for £5,000 per megawatt to flow to communities closest in geography to the onshore wind development. According to BiGGAR Economics, the average is due to increase to £4,800 per megawatt in forthcoming years<sup>4</sup> – which shows there is inconsistency of approach and there is room for improvement. The South of Scotland has an opportunity in the coming years to realise a significant economic benefit from onshore wind development. In particular, this will come from the flow of community benefit payments to local communities but can also be delivered through other means.

<sup>&</sup>lt;sup>1</sup> Onshore Wind Community Benefits Study (2023) South of Scotland Enterprise. <u>Link</u>.

<sup>&</sup>lt;sup>2</sup> Developing a new model to maximise local economic benefits from development in Moray and Highland (2024) BiGGAR Economics. Link.

<sup>&</sup>lt;sup>3</sup> Community Benefits Consultation. Scottish Government. <u>Link</u>.

<sup>&</sup>lt;sup>4</sup> Developing a new model to maximise local economic benefits from development in Moray and Highland (2024) BiGGAR Economics. Link.

## Community Wealth Building Framework

The community wealth building framework was developed through an iterative process. Workshops and focus groups were held with CLES team members, communities in the South of Scotland, community representative bodies, renewable energy developers and the public sector. The draft framework was revised throughout based on the feedback from these groups and the deliverability of the asks within it.

#### **Spending**

- Commit to support local, SME and social economy enterprises through procurement practices
  - Set targets for proportion of the supply chain to be from local, smaller and social economy enterprises.
  - Split contracts into smaller lots to aid uptake by local, smaller and social economy enterprises.
  - o Publish local spending figures breakdown to Scotland, regional and local authority area.
- Create simplified procurement processes
  - o Collaborate with Business Gateway, Chamber of Commerce and FSB to simplify procurement processes.
  - o Work with local authority procurement teams to understand barriers to procurement.
- Support supplier engagement events and training
  - Support local supplier engagement events in collaboration with enterprise partners to stimulate local market.
  - Work with local supply chain to support capacity building.

#### **Employment**

- Promote employment opportunities to local jobs market
  - Engage with Business Gateway, TSI's, council employability services to showcase local job opportunities.
  - Stipulate subcontractors utilise the local workforce in contracts.
- Offer local training and apprenticeships through each development
  - Develop training programmes to upskill/retrain people in 'green skills' careers and/or those required in a local community.

- Commit to support local young people with apprenticeships at each development.
- Pay real living wage to all subcontractors
  - Commit to paying real living wage to all subcontractors through contracts.

#### Land and assets

- Commit to green development practices
  - o Where possible ensure developments take place in a climate friendly way and the damage to local nature is minimised.
- Work with communities to understand local need around land
  - Recognising developers do not always own the land they use, where practical, investigate access arrangements with local landowners or on other landowner sites.
  - Collaborate with local communities to identify local needs and priorities around land and support utilisation of development land to help meet these if appropriate
- Support local infrastructure
  - o Investigate using Local electricity discount schemes (LEDS) to provide an annual discount on the electricity bills for residents of communities living near renewable energy developments.
  - o Investigate whether local broadband networks could be upgraded if required by communities.
  - o Investigate whether local walking and cycling routes can be developed if required by communities.

#### **Finance**

- Commit to reporting on payment of community benefits to a national register
- Increase community benefits payments in line with inflation
  - o Community benefits should be set to an inflation-linked benchmark, which developers must meet or exceed. This should be set as a percentage of the project's gross revenue, with a minimum 'floor' which the local community would be guaranteed.
- Enable community capacity building
  - Ensure communities are renumerated for their time participating in discussions and negotiations at the rate of the real living wage for a time bound period once financial investment decision has been made.
  - Support paid roles for communities through funding if required by communities.

#### **Ownership**

- Support community energy initiatives
  - o Developers should support communities looking at developing their own renewable energy initiatives by providing guidance, advice and expertise.
- Explicitly offer shared revenue/ownership on all developments
  - Developers should introduce support programmes to enable communities to engage in shared ownership opportunities. Including paying for access to financial and legal advice.
  - Explore whether community bonds or shares could be used to finance part of development costs.
- Support regional/subregional mechanisms for community and developer collaboration

### Recommendations

The work undertaken through this project has highlighted that there are significant opportunities to develop strong, collaborative relationships between renewable energy developers and the communities within which they are operating.

The process of development and refinement of this framework has demonstrated the commitment from all involved to find common ground. The use of a community wealth building lens to define the framework has sparked conversation and ideas and will ensure local people and places benefit fairly. It is easy to fall into the trap of competition and conflict particularly in relation to funding and finance – us vs them, whether between communities or different sectors. This work has highlighted a great desire from all spoken to, to find spaces for collaboration and consensus.

Alongside the framework itself sits key wider recommendations:

#### Continue engagement with communities

The two consultation sessions held with assorted community groups from across the South of Scotland were instructive and informative. To ensure a fully developed framework, further engagement, perhaps on a sub-regional basis should be undertaken.

#### Collaborate with other interested parties

The framework is for renewable energy developers, however, it impacts on, and is impacted by other groups and organisations. Engagement with land owners, renewable energy suppliers and policy professionals will all help to strengthen the opportunity of the framework and ensure it is as effective as possible.

#### Revise framework as policy landscape evolves

The recent community benefits consultation results should be considered once they are known and the framework revised accordingly.

#### Collaborate with renewable energy developers

The developers spoken to as part of this process were passionate about their role within communities. This energy can be harnessed and bringing them together in a regularly meeting forum will build on the discussion within this framework.

#### • Support regional and sub regional collaboration

There may be a role for SOSE in supporting the development of regional/sub-regional forums for communities to collaborate and learn from each other. This was a clearly articulated desire of the groups we spoke to and could be a first step of a collaborative process with developers and SOSE to build on from this work.

#### Skills gaps

Skills gaps were identified throughout the focus group sessions. There seems to be an opportunity to convene work with local colleges and use SOSE's established relationship and work on skills to help meet supply chain gaps which developers are identifying.

#### Language clarification

Throughout the focus groups, the language of Community Benefit, community benefit payments and community wealth building was often used interchangeably. This needs clarification and ensuring that the distinct differences between each of these concepts is made clear. SOSE could consider providing CWB training to ensure public sector colleagues are clear on what it entails.

#### Support collaboration for supplier and supply chain shaping

Renewable energy developers expressed desire to partake in meet the buyer events to expand the dialogue locally of what their supply chain could look like. SOSE has a role to support this opportunity across the region along with others in the public sector.

#### Shared ownership opportunity

Shared ownership could be a substantial opportunity for communities to share greater returns from renewable energy developments. The developers we met with all wanted to see a greater uptake of these opportunities but highlighted significant structural issues (finance, timescales, risk) which were hampering communities from buying into any offered stakes. SOSE could undertake further research to understand these challenges and investigate mechanisms which could enable communities to access the finance required for shared ownership.

#### Map the supply chain

BiGGAR Economics are currently undertaking research to map the spend of the renewables sector across Scotland and in a regional basis. Complementing this, SOSE could commission research to understand the opportunity of the supply chain within the South of Scotland. This could demonstrate the current base-line in the South and enable targeted growth opportunities. CLES has recently developed a methodology to map 'green new deal skills' in localities and would be happy to discuss this methodological approach further.



## **Centre for Local Economic Strategies**

CLES, 52 Oak Street, Swan Square
Manchester, United Kingdom, M4 5JA
info@cles.org.uk | www.cles.org.uk
@CLESthinkdo | #clesthinkdo
0161 832 7871