



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	COUNCIL
DATE:	6 OCTOBER 2016
REPORT OF THE:	HEAD OF PLANNING AND HOUSING GARY HOUSDEN
TITLE OF REPORT:	HM TREASURY: SHALE WEALTH FUND CONSULTATION
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 To agree this Council's response to the consultation.

2.0 RECOMMENDATION

2.1 That Council delegates approval of the response to the consultation to the Head of Planning and Housing, in liaison with the Group Leaders.

3.0 REASON FOR RECOMMENDATION

3.1 To ensure that the views of this Council on this matter are forwarded to the Government and that any detailed comments can be fed into the response in an efficient way.

4.0 SIGNIFICANT RISKS

4.1 There are no significant risks associated with this report. The report covers a response to a Government consultation.

5.0 POLICY CONTEXT AND CONSULTATION

5.1 The consultation sets out Government proposals for a shale wealth fund and seeks views on how this may be administered. Responses are invited by 25 October 2016.

6.0 REPORT

6.1 The Government is of the view that communities and regions that host shale gas activity should directly benefit from a share of the revenues and tax that come from shale production. The proposed Shale Wealth fund delivers on the government's

manifesto commitment of ensuring that local communities share in the proceeds of shale developments, and that proceeds from shale are invested for the future of those areas in which it is developed, including the north of England where the most significant volume of shale gas is located. The consultation reminds the reader that it is not uncommon for those living in communities which host energy and infrastructure developments to receive community benefit provisions.

6.2 The Government has announced that it will create the Shale Wealth Fund which will initially consist of up to 10% of tax revenues arising from shale gas production to be used for the benefit of communities which host shale sites. The Government anticipates that the Shale Wealth Fund could provide up to £1 billion of funding in total, a proportion of which could be paid out to each community over 25 years.

6.3 Through the consultation, the Government is seeking views on the priorities for the Shale Wealth Fund. It has proposed that there should be two priorities for the fund as follows:

"Priority 1: Locally focused benefits: The government is clear that the communities which are local to shale developments should benefit. These local communities should be the first to benefit from the Shale Wealth Fund, and they should have the opportunity to decide how a proportion of the funding is used."

"Priority 2: Enhancing the regional economy. The government is keen to explore how the Shale Wealth Fund could contribute to a significant legacy to areas hosting shale developments. A thriving shale industry represents a real opportunity to enhance specific regional economies; a wider regional aspect to the Shale Wealth Fund could represent additional investment, boosting the local and regional economy further, and leaving a legacy from shale development."

6.4 The questions posed by the consultation are framed around these two priorities and they are outlined in Appendix 1 together with a proposed RDC response.

6.5 Additionally, the consultation makes it clear that the Shale Industry itself has committed to make payments to communities which host shale gas development and the current community benefit offer is as follows:

- Exploration phase: Operators will provide £100,000 at each well site where hydraulic fracturing takes place
- Production Phase: If a site progresses into commercial production, the operator will make 1% of total revenues available to provide benefits for the local community

7.0 IMPLICATIONS

7.1 The following implications have been identified:

- a) Financial
No direct implications associated with the recommendation of the report
- b) Legal
No direct implications associated with the recommendation of the report
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
No direct implications associated with the recommendation of the report

8.0 NEXT STEPS

- 8.1 The consultation document makes it clear that the Government intends to publish its response to the consultation later in the year. Once this is available, this will be reported to Members.

Gary Housden
Head of Planning and Housing

Author: Gary Housden
Telephone No: 01653 600666 ext: 307
E-Mail Address: gary.housden@ryedale.gov.uk

Background Papers:
HM Treasury Shale Wealth Fund Consultation. August 2016.

Background Papers are available for inspection at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544241/shale_wealth_fund_final_pdf-a.pdf

Appendix 1

Priorities

Consultation Question 1: Do you think that providing opportunities for both local and regional investments are the right priorities for the Shale Wealth Fund?

Yes, in principle, providing the Government stands by its commitment to ensuring that SWF represents new money and that it would not be used to replace existing public investment in the local and regional economy.

Consultation Question 2: Do you agree that a more local level should receive revenues before a more regional level (establishing the 'trickle up' principle)?

Yes. This authority agrees with the principle of the 'trickle up' concept.

Consultation Question 3: Over the lifetime of the Shale Wealth Fund, what do you think the proportion of funding allocated between these two priorities should be?

Consultation Question 4: Should the government retain flexibility regarding the proportion of funding between delivering benefits at local and regional levels, to enable learning from the industry pilot schemes and once the magnitude of shale revenues becomes clearer?

In combination with the industry community benefit scheme, there is the opportunity to deliver against both priorities. However, the Council recognises that the SWF has the potential to provide significant investment for the regional/ sub-regional economy and a source of funding for major infrastructure improvements. On this basis, it is considered that, in principle, a larger proportion of the SWF should be directed towards providing regional level benefits. It is appropriate that flexibility over the precise proportions is retained until the magnitude of revenue is known.

The SWF at a local level

Consultation Question 5

Do you have views on how the "local community" to a shale site should be defined for the purposes of the Shale Wealth Fund?

It is important that 'local community' is not defined across too great or indeed narrow geographical scales. It is considered that a district-wide catchment provides a maximum geographical extent. The negative impact that the industry has on the image of this District cannot be underestimated. Ryedale has a significant tourist industry and the damage to our 'brand' is a real and significant threat, particularly as the name of the District is synonymous with 'fracking'. This would allow for a proportion of local community benefits money to be used to across the District to mitigate the negative impact on the image of the area and the visitor economy as a whole as well as ensuring that benefits can be directed to communities at a sub-district geographical scale which are located in closer proximity to activity associated with shale gas development.

Consultation Question 6

Do you agree that the "local community" should be defined on a case-by-case basis?

Yes - but within the maximum geographical extent of the District

Consultation Question 7

Do you think a set of principles should be developed to ensure consistency of approach for different shale developments?

As above.

Consultation Question 8

If possible, should the government seek to align any "local community" element of the Shale Wealth Fund with the industry's community benefits scheme?

No. The two schemes should be kept separate. The alignment of the two schemes is not necessary for the money to be spent or managed locally. Keeping both schemes separate will assist transparency into the future and should prevent a situation whereby all SEF revenue is directed to the regional level.

Consultation Question 9

Do you agree that at a local level, it should be for local people to determine how the Shale Wealth Fund is spent?

Yes

Consultation Question 10

How could the government ensure that all local residents benefit as directly as possible from the Shale Wealth Fund?

By ensuring that the geographical scope of the 'local community' is appropriate and that a range of environmental, community or economic/infrastructure projects can be funded from the fund.

Consultation Question 11

At the local level, should expenditure from the Shale Wealth Fund be subject to any ring-fences for a specific purpose? If so, should these be locally or centrally determined, and do you have views on what they should be?

Given the source of the SWF, it would be appropriate if a proportion of the money is made specifically available to improving the energy efficiency of the existing building stock and measures to counter the impact of climate change.

Consultation Question 12

At the local level, would an appropriate use of the Shale Wealth Fund be to make direct payments to households?

It is considered that use of the fund to deliver community benefit would be preferable. This would not prevent the fund being used to provide for example, grants for home improvement/energy efficiency measures which could be available to individual households.

Consultation Question 13

Do you have views on who should make decisions on Shale Wealth Fund allocation at a local level? Do you have a preference between an existing body (such as a parish or district council), using the same community led panel as the industry scheme, or creating a new body?

A community-led panel which includes locally elected representatives would be appropriate.

Consultation Question 14

How can the government ensure that decisions are as directly influenced by local residents as possible?

By ensuring that the governance arrangements established to administer money locally reflect a cross section of the community and to ensure that any local panel is required to consult on principles/priorities for expenditure.

Shale Wealth Fund at a regional level

Consultation Question 15

Do you have a view on how the boundaries should be defined for a regional strand of the Shale Wealth Fund?

Alignment with the LEP boundary will ensure synergies with existing identified economic and infrastructure priorities.

Consultation Question 16

What kind of investments do you think should be made from a regional level of the Shale Wealth Fund?

This Council would be particularly keen to see the fund used to deliver meaningful improvements to sub-regional transport infrastructure, flood defences and renewable energy investment.

Consultation Question 17

Do you think a regional level of the Shale Wealth Fund should be administered by direct grants to specific organisations, or through an open bidding process? How can the views of residents across the regions be best taken into account?

Consultation Question 18

Do you have views on how a regional level of the Shale Wealth Fund should be governed? Are there existing regional organisations or local or national governance structures that would be particularly suited to oversight of such a fund?

A bidding process with an appropriate decision making mechanism, such as the LEP board would be appropriate. There is a danger that direct grants to specific organisations would result in a piecemeal approach to spending the fund. The existing LEP governance arrangements could be utilised.