

## **BRAUNSTONE TOWN COUNCIL**

### **OFFICER DECISION TAKEN UNDER DELEGATED POWERS**

#### **SHALE WEALTH FUND CONSULTATION RESPONSE – 25TH OCTOBER 2016**

##### **Background to the Decision**

On 13th October 2016, the Plans & Environment Committee considered a Government Consultation on the Shale Wealth Fund (attached at Appendix 1) in order to determine an appropriate response.

The Committee decided that the following issues be addressed as part of the Town Council's response to the consultation:

- a) clarity was needed around what local community meant, it was important that affected communities were identified, irrespective of administrative boundaries,
- b) identifying each local community in relation to an individual application, would need to be judged on a case by case basis, and
- c) Parish and Town Councils should be involved in the process and receive a share of the funds.

*Plans & Environment Committee minute 71, resolution 1 (2016/2017).*

The deadline for responses to the consultation is 25th October 2016.

##### **Authority for Decision**

In order to enable each question to be specifically addressed in the context of the guidance and direction given by the Committee and for this full response to be submitted by the consultation deadline, the Plans & Environment Committee gave delegated authority to the Executive Officer & Town Clerk, in consultation with the Chair of the Committee, to prepare responses to each of the questions listed in the consultation and submit a response on behalf of the Council. *Plans & Environment Committee minute 71, resolution 2 (2016/2017).*

##### **Alternative Options Considered and Rejected**

No alternative options were considered, the response was undertaken in accordance with the delegation from the Plans & Environment Committee.

##### **Decision**

That the following response be submitted to HM Treasury in respect of the Shale Wealth Fund Consultation by the consultation deadline of 25th October 2016:

***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, agree with the principles set out in paragraph 2.7.

**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, agree with the principles set out in paragraph 2.7. Combined Authorities can be used to identify infrastructure developments for trickle-up and further trickle up with more than one combined authority, if necessary.

**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?*

It is difficult to say not knowing precisely the amount of funding which will be available, but a higher proportion should go to communities, e.g. 70/30 than regions, since the regional bodies would have more flexibility to pool funding and source additional funding.

**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?*

No, the Government should not retain flexibility since this would provide uncertainty to local communities, however, it would be reasonable to build in a review from the outset, for example at 3 years and 6 years.

**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 was important that affected communities were identified, irrespective of administrative boundaries. A circle needs to be drawn around the plant and beyond that along routes which plant vehicles use or where supporting industries are located.

**Consultation Question 6:** *Do you agree that the “local community” should be defined on a case-by-case basis?*

Yes but to an agreed criteria, this will depend on the landscape and communication routes, it must be reiterated that this should be irrespective of administrative boundaries. The independent panel identified at 3.6 would be appropriate for defining areas, but not to make decisions on how money is spent.

**Consultation Question 7:** *Do you think a set of principles should be developed to ensure consistency of approach for different shale developments?*

Yes.

**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. Local Community element must be passed to the relevant public authorities to use in accordance with the principles and regulations. The industry will reasonably seek to set criteria and determine funding applications through the bodies it appoints.

**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, which is why the decisions must be made by a democratically elected body such as a local council, with the requirement to engage and consult.

**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 local council uses the fund for community projects and infrastructure projects in the communities within the defined area. The goals at paragraph 3.10 being the criteria.

**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?*

The fund should be used for new and additional infrastructure projects or community capacity building, as per paragraph 3.10, the fund should not be used for general revenue funding or to offset reductions in funding for existing expenditure, as already stated in paragraph 2.2. Neither should the Fund be used as a substitute for compensation for environmental disasters connected with the extraction of this fuel.

**Consultation Question 12:** *At the local level, would an appropriate use of the Shale Wealth Fund be to make direct payments to households?*

No. This would in effect be a personal compensation scheme. Existing rules such as compulsory purchase or compensation scheme new roads etc, should be used as a template and separate resources be available.

**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?*

Oppose the creation of new bodies and panels, since they are not directly accountable and have a specific remit rather than a wider community leadership role, the functions identified at 3.10 and 3.12 are principally local authority functions. In addition, new bodies and panels will use a higher proportion of the fund to administer its operations and corporate governance. It is more efficient for the fund to be administered by an established and accountable body, such as a local authority. A proportion of the funding should be allocated to the local parish council while the remainder used by the relevant district/unity for wider investment, which includes trickle up to the county and combined authority. Councils should be required to set aside a proportion of the funding for community organisations to bid for funding and determine the proportion through consultation.

If an area crosses a boundary, funds would be divided up accordingly, which the UK Communities Panel would have determined when defining the area.

**Consultation Question 14:** *How can the government ensure that decisions are as directly influenced by local residents as possible?*

A requirement to consult, which includes with other bodies, neighbouring areas as well as with residents through surveys and the internet on an annual programme for use of the funding and also the justification for the proportion of funds for improving services and infrastructure and the proportion community organisations could bid for.

**Consultation Question 15:** *Do you have a view on how the boundaries should be defined for a regional level of the Shale Wealth Fund?*

These can be defined where the trickle up applies, which will be based on the local area originally defined, i.e. the Counties, Combined Authorities and LEP areas covering the local community defined areas.

**Consultation Question 16:** *What kind of investments do you think should be made from a regional level of the Shale Wealth Fund?*

Transport and communications improvements, similar to the Northern Powerhouse objectives listed at paragraph 4.7.

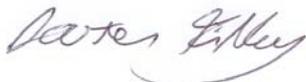
**Consultation Question 17:** *Do you think a regional level of the Shale Wealth Fund should be administered by direct grants to specific organisations, or through an open bidding process?*

The local authority / combined authority / LEPs should use it to fund the necessary infrastructure improvements within their remit, while being required to consult on their plans.

**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?*

Existing Bodies: Combined Authorities or a partnership of combined authorities and/or Local Enterprise Partnerships.

Approved By:



Darren Tilley

Date: 25th October 2016

### **Reason for Decision**

To enable each question to be specifically addressed in the context of the guidance and direction given by the Plans & Environment Committee and for this full response to be submitted by the consultation deadline.

## **List of Background Documents**

None.

**NOTE:**

CRIME & DISORDER ACT 1998 (SECTION 17) – The Council has an obligation to consider Crime & Disorder implications of all its activities and to do all that it can to prevent Crime and Disorder in its area.

**EQUALITIES ACT 2010**

Braunstone Town Council has a duty in carrying out its functions to have due regard to:-

- eliminate unlawful discrimination, harassment and victimisation;
- advance equality of opportunity between different groups; and;
- foster good relations between different groups

To ensure that no person receives less favourable treatment on the basis of race, disability, sex, gender re-assignment, sexual orientation, age, religion or belief, marriage or civil partnership, pregnancy or maternity.

These issues were considered in connection with each of the above decisions. Unless otherwise stated under each item of this report, there were no implications.



HM Treasury

# Shale Wealth Fund: consultation

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HM Treasury

# Shale Wealth Fund: consultation

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August 2016



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# 1 Introduction

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**1.1** Exploring and developing the UK's shale gas resources could bring substantial benefits and the government's view is that there is a national need to develop these resources in a safe, sustainable and timely way. The Shale Wealth Fund, which could deliver up to £1 billion of funding, a proportion of which could be paid out to each community over 25 years, will ensure that the benefits of shale developments are shared by communities and regions in which the resource is developed.

**1.2** The government is clear that local people should have greater control and say in decisions that affect them. More than this though, we are committed to delivering an economy that works for all, through ensuring the benefits of economic growth and investment are spread as widely as possible. That is why we are setting out our proposals for the Shale Wealth Fund. These proposals make clear that the benefits of shale will go to local people first, and individuals and communities who host developments will be directly involved in the decision making about how the tax revenues from shale are spent.

## The national need to explore the UK's shale gas resources

**1.3** Having access to clean, safe and secure supplies of natural gas for years to come is a key requirement if the UK is to successfully transition to a low carbon economy. The government remains fully committed to the development and deployment of low carbon technologies for heat and electricity generation and to driving up energy efficiency, but we need gas – the cleanest of all fossil fuels – to support our climate change targets by providing flexibility whilst we do that and help us to reduce the use of high carbon coal.

**1.4** Gas provides around one third of our energy supply. It is used domestically, to cook and heat homes, as a fuel for electricity generation, and as a feed-stock by industry for the manufacture of many common products. Developing the UK shale industry could provide the UK with greater energy security by reducing our reliance on gas imports, as well as resulting in growth, jobs, particularly in the north of England, and tax revenues. A study by consultants EY<sup>1</sup> has estimated a potential cumulative investment of £33 billion and the creation of up to 64,500 jobs as a result of a thriving shale industry. There are many significant opportunities for UK businesses identified in the same study. For example, a projected need for more than £2 billion worth of steel, a need for around 50 drilling rigs and for over £2 billion worth of sand.

**1.5** A British Geological Survey (BGS) study of shale gas across the north of England estimated a total shale gas resource of 1,300 trillion cubic feet.<sup>2</sup> This can be compared to the current UK annual gas consumption of around 2.5 trillion cubic feet.<sup>3</sup> The industry will need to test how much of this gas can be extracted technically and economically. There is a clear possibility of a significant domestic contribution to meeting the UK's future demand for gas.

**1.6** We already have world class regulation in place to ensure this happens safely. During the last parliament we also put the right fiscal framework in place to make sure that the right incentives are in place for investment. The government is committed to ensuring that local communities are fully involved in planning decisions that affect them: any shale applications – whether decided by councils or government – will continue to require a full consultation with

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<sup>1</sup> EY, [Getting Ready for UK Shale Gas, April 2014](#)

<sup>2</sup> BGS/DECC, [Bowland Shale Gas Study, June 2013](#)

<sup>3</sup> Based on DECC, [Digest of UK Energy Statistics, July 2015](#). To note – this was the most up to date reference at the time of going to print.

local people. The steps we are taking will make the planning system faster and fairer for all those affected by new development.

**1.7** We are now setting out to ensure that the right framework is in place for households, communities and regions that host shale gas to benefit directly from a share of the revenues and tax that come from shale production. The industry has committed to deliver benefits to communities, and, as set out in the manifesto, it is also right that the government ensures that there is a legacy in those areas where shale is developed, including in the Northern Powerhouse where we expect to see the greatest development, though the framework will apply to all areas where there is shale development.

## **What is shale gas and how is it extracted?**

**1.8** Recovering shale gas employs the technique of creating fractures in the rock by hydraulic fracturing (or 'fracking') the shale rock formations, enabling gas to flow. The UK has a strong regulatory regime for exploratory activity, ensuring that it will be undertaken safely, respecting local communities and safeguarding the environment.

**1.9** The Oil & Gas Authority will not grant a well consent (required by an onshore licence for England or Wales) unless it prohibits associated hydraulic fracturing from taking place in land at a depth of less than 1000 metres. Any hydraulic fracturing would typically occur at far greater depths of 1.5 kilometres or more.

**1.10** Reports by the Royal Society and Royal Academy of Engineering, Public Health England and others have considered a wide range of evidence on hydraulic fracturing in the UK context, and concluded that risks can be managed effectively if the industry follows best practice, enforced through regulation<sup>4</sup>. The government is confident that the right protections are in place to explore shale safely.

**1.11** Respondents can find further background information on the government's "Guidance on fracking" webpage, including information on the production process, safety and the environment, regulation and license areas.<sup>5</sup>

## **Ensuring that local communities share the benefits of development**

**1.12** The government is also clear that those communities who host shale activity should directly benefit, beyond the expected boost to the local economy. We are also clear that households in those communities should gain directly from the benefits of shale development. There are a number of options for this, from being able to shape and influence how the fund is delivered and what it is spent on, to direct financial benefits delivered directly to households eligible.

**1.13** It is common for those living in communities which host energy and infrastructure developments to share in the benefits created. There are a variety of mechanisms through which these can be delivered, and each industry has its own approach which may reflect the difference in nature of the developments. For instance, a number of renewable energy developments have made a voluntary commitment to community benefit provisions of £5,000 per MW of installed capacity.<sup>6</sup> A statutory example of community benefits provision is the Landfill Communities Fund.<sup>7</sup> The government's Coastal Communities Fund is another example of

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<sup>4</sup> The Royal Society and The Royal Academy of Engineers, *Shale gas extraction in the UK: a review of hydraulic fracturing*, 2012 | Public Health England, *Review of the Potential Public Health Impacts of Exposures to Chemical and Radioactive Pollutants as a Result of the Shale Gas Extraction Process*

<sup>5</sup> <https://www.gov.uk/government/publications/about-shale-gas-and-hydraulic-fracturing-fracking/developing-shale-oil-and-gas-in-the-uk>

<sup>6</sup> <http://www.renewableuk.com/en/renewable-energy/communities-and-energy/community-benefits-protocol/index.cfm>

<sup>7</sup> <http://www.entrust.org.uk/landfill-community-fund>

a community benefit programme, though it is not explicitly linked to developments in the same way.<sup>8</sup>

**1.14** Each of these examples have different funding priorities and delivery methods. We aim to reflect on these in this consultation. We are inviting views on whether similar approaches would be appropriate for the Shale Wealth Fund or whether community members and other stakeholders have other suggestions.

**1.15** The 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 in the north of England where the most significant volume of shale gas is located. Exploratory activity is still at an early stage in the UK, and the government remains committed to the safe development of the shale industry.

**1.16** Additionally, the government believes in empowering local people, and wants to see communities and individuals have greater control of the decisions, assets, and services which affect them. It is in this context that this consultation regarding the Shale Wealth Fund is launched, seeking views from across the country about how government can ensure that the communities and regions who host shale activity will experience significant, tangible and lasting benefits.

## The industry's community benefits offer

**1.17** Independently, the shale industry has committed to make payments to communities which host shale gas developments. The current community benefits offer is set out below.

### Industry community benefits scheme

The shale industry body UK Onshore Oil and Gas (UKOOG)<sup>9</sup> has published a community engagement charter which also sets out the obligations of industry partners to provide community benefits.<sup>10</sup> The current charter sets out the following commitments:

- 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

**1.18** It is important that these different benefits form a coherent package for communities. Respondents are encouraged to consider the interaction with the industry's community benefits scheme when responding to this consultation.

## The shale industry's contribution to regional development

**1.19** The government's plan is to rebalance growth across the regions in the UK. This includes developing the northern powerhouse to drive productivity and growth in the North, through investing in science and technology, transport, culture and tourism across the region.

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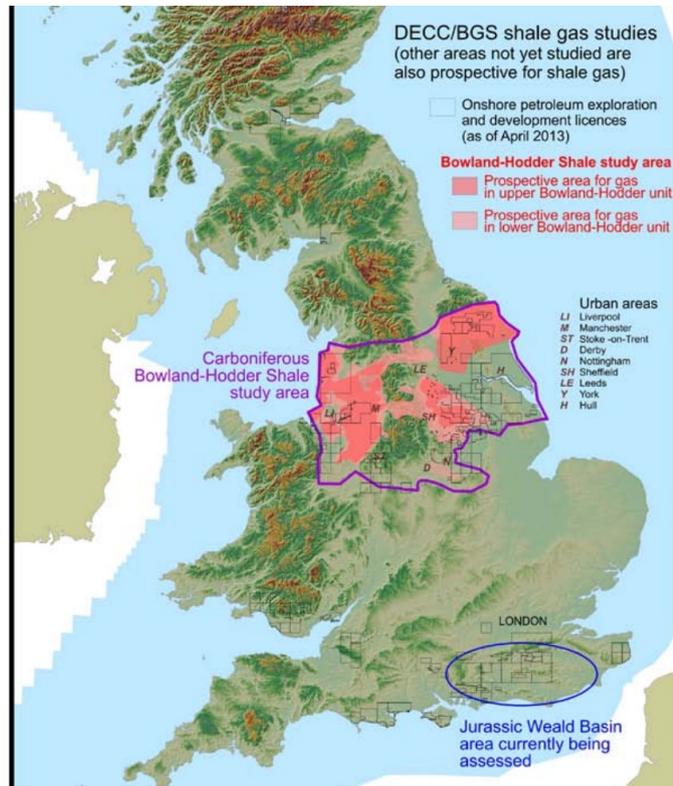
<sup>8</sup> <https://www.biglotteryfund.org.uk/ccf>

<sup>9</sup> United Kingdom Onshore Oil and Gas (UKOOG) is the representative body for the onshore oil and gas industry.

<sup>10</sup> <http://www.ukoog.org.uk/images/ukoog/pdfs/communityengagementcharterversion6.pdf>

**1.20** A significant proportion of the UK's shale gas resources are in the North, in the Bowland-Hodder shales. It is clear that a thriving shale industry could play an important role in the regions in which it is developed, i.e. most likely in the midlands and the Northern Powerhouse, driving local growth and investment and creating new jobs.

**1.21** This consultation also explores how the Shale Wealth Fund could directly contribute to regional development by providing for additional investments on a regional basis. For example, the Shale Wealth Fund could contribute to projects which boost skills and growth, or to infrastructure projects, which are delivered by regional or national actors (e.g. local authorities, businesses or other organisations). This idea is explored in Section 4 of this consultation.



**Figure 1: DECC / BGS shale gas studies**  
 [Source: Bowland Shale Gas Study - Main Report  
<https://www.gov.uk/government/publications/bowland-shale-gas-study>]

## The scope of this consultation

**1.22** The government is consulting in order to seek views on the delivery method and priorities of the Shale Wealth Fund. Responses are welcomed from individuals or from organisations, such as charities, businesses, local authorities and community groups.

**1.23** The consultation seeks to explore the following key issues:

- what the government's priorities should be for the Shale Wealth Fund
- the allocation of funding from the Shale Wealth Fund to different stakeholder groups
- the extent to which the industry community benefits scheme and the Shale Wealth Fund should be aligned
- potential delivery models for the Shale Wealth Fund – to ensure that households and communities benefit, and to decide how funds are spent, and how any process should be administered

**1.24** These points are addressed through Sections 2 to 4. Section 5 sets out how consultation responses can be provided. Consultation responses must be received by 25 October.

# 2 Shale Wealth Fund

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## The objectives of the Shale Wealth Fund

**2.1** The government has announced that it will create the Shale Wealth Fund. This fund 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. It will ensure that the development of the shale industry leaves a positive legacy in the local communities and regions where it is based and that residents can share the benefits of shale development and get a say on how the money is spent. 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.

**2.2** The Shale Wealth Fund will be new funding. It will not be used to replace existing government funding and it will be additional to any benefits provided by the shale industry through its community benefits package. Investment made from the Shale Wealth Fund will be transparent and open to the scrutiny of local stakeholders.

**2.3** The profiles of funding for the industry community benefits and the Shale Wealth Fund will be different: the Shale Wealth Fund will be funded from tax revenues from sites developed for gas production and so it is likely to come later than the first community benefits funding provided by the industry, which will begin when the first exploration wells are drilled to test the flow of gas.

**2.4** The contribution to the Shale Wealth Fund from specific sites will vary. Tax revenues are driven by profitability; the profitability of any site is dependent on fuel prices, operator costs and site-specific geology. It is anticipated that each profitable well will make a significant contribution to the Shale Wealth Fund. The government is proposing a contribution of 10% of all shale gas tax revenues collected to be distributed under the Shale Wealth Fund, which could result in £1 billion of funding over the Fund's lifetime. The Fund will pay out to communities and regions associated with each site. We propose to initially set the maximum pay-out at £10 million to each community or region associated with an individual shale site over the lifetime of the site, which is likely to be around 25 years. This may be revisited in future.

**2.5** Given the geography of UK shale formations, it is expected that certain regions will see more shale industry development than others. The same regions that host shale developments will be those in which the benefits of the Shale Wealth Fund will be delivered. During this consultation, the government is particularly interested in the views of individuals and organisations from those areas in which shale is likely to be developed<sup>1</sup>, in particular across the north of England where, given the location of reserves, we are most likely to see the shale industry develop.

**2.6** Through this consultation we are seeking views on the priorities for the Shale Wealth Fund. This will help us decide where to focus the resources available and whether the Fund should be subdivided into different streams. We propose that these priorities should be:

- **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 get to decide how a proportion of the funding is used.

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<sup>1</sup> Information on areas currently licensed for oil and gas exploration, and areas which may be licensed in the future, can be found at the Oil & Gas Authority's interactive map. No shale projects can be developed within license areas without further permissions, including planning permission. <https://decc-edu.maps.arcgis.com/apps/webappviewer/index.html?id=29c31fa4b00248418e545d222e57ddaa>

- **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.

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

**2.7** If the Shale Wealth Fund is delivering benefits at more than one level, ranging from investments in the local community to the wider region, then there is clearly a decision to be made over the balance between local and regional investment. The government's view is that local people should benefit first from the Shale Wealth Fund. This means that, as tax revenues arise from a shale site, it is the local level which would be the first to receive any funds, for example up to a defined limit, thus establishing a 'trickle up' principle from a community to a regional level of the Shale Wealth Fund.

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

**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?**

**2.8** We are particularly interested to hear views on this trickle up principle in the context of the alignment with the shale industry community benefits scheme. For example, once we have more evidence on how that scheme works in practice, and clarity on the relative sizes of the industry scheme and the Shale Wealth Fund, we may find that the Shale Wealth Fund is better placed to deliver benefits at a wider regional level. It may therefore be prudent to retain flexibility to adjust the priorities once we have greater clarity on these matters.

**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?**

# The Shale Wealth Fund at 3 a local level

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**3.1** This section of the consultation explores how to deliver benefits to local communities hosting shale. This includes how local communities should be defined, how the Shale Wealth Fund should be governed, and what it should be spent on at this level. Section 4 explores how the Shale Wealth Fund could be used best to deliver investment to benefit the wider region.

## Delivering the Shale Wealth Fund at a local level

**3.2** The shale industry is about to enter the exploration stage. At this stage we expect a small number of wells to be drilled and tested, at which stage the early exploration stage benefits of £100,000 per well site will be made available to the local community. The shale wealth fund will start delivering benefits later, after full production commences and operators start paying tax revenues. As these production sites have not yet been developed, we do not yet have a full picture of precisely which areas will host shale developments, and how the communities associated with a particular development should be defined.

**3.3** There are geographic, social and economic factors which may need to be taken into account in ensuring that the Shale Wealth Fund is appropriately applied to the benefit of local communities. It is likely that there will be a variety of different communities hosting shale, and the footprint of a shale site is likely to have different characteristics when compared to other kinds of energy developments:

- shale sites themselves are small, with a lesser visual impact than many other forms of development
- the location of the sites and the size of the population within a certain proximity of the site can vary significantly. For instance, sites could be located close to towns or villages, or in areas where they are close to very few properties at all, such as in some rural areas
- the boundaries of a community hosting shale development may not be best determined by proximity to the site. For example, other than the well site itself there may be other activity associated with a site which is dependent on access routes or the local geology

## Defining the “local community”

**3.4** The above issues indicate that defining the local community who will benefit from the Shale Wealth Fund should be done either on case-by-case basis or by a general set of principles as opposed to defining specific criteria in advance of having experience of operational sites. Examples of principles to follow could be to ensure that communities are fully consulted in drawing up the catchment area of a development.

**3.5** In order to gain insights into how to deliver benefits to local communities around shale sites, the industry is running a pilot scheme for the initial “exploration stage” of £100,000 per site<sup>1</sup>.

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<sup>1</sup> See ‘Industry community benefits scheme’, p.5

For this pilot scheme, it is working with UK Community Foundations as the delivery partner. UK Community Foundations is a network of local community foundations which span the country.<sup>2</sup>

**3.6** Through this pilot, UK Community Foundations will seek to define the local community on a case-by-case basis, within a generic framework to ensure consistency of approach across different shale developments. The local community foundation will be responsible for forming a panel of members of the local community. The panel would be recruited from a broad cross-section of the community, with an open application and recruitment process. This panel would be responsible for making decisions on how funding is spent, with the support of guidance and professional oversight provided by the community foundation. The recruitment of and decisions taken by the panel will be independent of the industry partner, who would only provide the funding.

**3.7** The pilot scheme will provide valuable experience of how the challenges of defining the local community to a shale development can be overcome, and how fair and effective use of funding at different developments can be ensured. The government will seek to learn from the outcomes of this pilot scheme in relation to the design of the Shale Wealth Fund.

**3.8** Once the pilot scheme has ended, the industry will have to come to a decision on how it will deliver its ongoing exploration and production phase benefits packages. The government is keen to ensure that the different benefits available to communities form a coherent package. For instance, it is possible that the “local community” elements of the Shale Wealth Fund and the industry benefits scheme could be consolidated into a single fund, providing clarity for the community over what they are entitled to, and how the Fund is managed. It would also have the additional benefit of avoiding duplication and enabling more cost-effective scheme delivery. Such an approach would necessarily require that the government’s objectives and desired outcomes for the Shale Wealth Fund were sufficiently aligned with those of the industry and its benefits scheme.

**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?**

**Consultation Question 6: Do you agree that the “local community” should be defined on a case-by-case basis?**

**Consultation Question 7: Do you think a set of principles should be developed to ensure consistency of approach for different shale developments?**

**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?**

## **Spending the Shale Wealth Fund at a local level**

**3.9** It will be necessary to construct a framework within which funding can be delivered. Clearly, there is a broad range of governance options and different constraints which could be imposed. For instance, supposing that the panel recruitment approach of the industry pilot is adopted, then it would be possible to allow this group from the local community to have full control over how funds are spent, which could include direct payment to be made to those who are in the defined local community, or for their spending decisions to be subject to certain guidelines or constraints. The key questions are how decisions over funding are made and who makes those decisions.

**3.10** By way of example, it could be required that money spent from the Shale Wealth Fund at a local level achieved one or more of the following goals:

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<sup>2</sup> <http://ukcommunityfoundations.org/>

- improve access to public services where there is a specific local need
- make a contribution to the local economy by providing training, enhancing skills or improving infrastructure
- investment in the local natural environment for the benefit of local people and the local economy<sup>3</sup>
- make a contribution to the local community, by providing funding for community groups and the development of community assets, such as libraries, or sports facilities

**3.11** There are useful examples of how community investments can be ring-fenced for certain purposes already in existence. In the case of the Landfill Communities Fund, projects must meet one of the “objects” of the scheme, as set out in law, such as provision of or improvements to public amenities, the prevention of pollution or the conservation of the natural world, among others.<sup>4</sup>

#### **Objects of the Landfill Communities Fund**

- Object A: The reclamation, remediation or restoration of land which cannot currently be used
- Object B: The prevention of potential for pollution or the remediation of the effects of pollution
- Object D: The provision, maintenance or improvement of a public park or another public amenity
- Object DA: The conservation of a natural habitat or of a species in its natural habitat
- Object E: The restoration of a place of religious worship or of historic or architectural interest

**3.12** On the other hand, in the case of benefits related to renewable energy developments, the constraints on expenditure are often decided by the local community themselves, at the outset of the benefits programme. Examples of these guidelines are projects which promote community spirit and cohesion, improve access to public services and develop community assets, among others.<sup>5</sup>

<sup>3</sup> This approach would follow a recommendation in the Natural Capital Committee’s recent report: “[that] a proportion of the revenues from the extraction of oil and shale gas could be set aside to invest in renewable natural capital.” Such investment could serve the local community by improving air quality and providing flood protection and carbon storage, as well as enjoyment and opportunities for recreation.

<sup>4</sup> <http://www.entrust.org.uk/projects>

<sup>5</sup> Further examples of project eligibility in the onshore wind context can be found on SSE’s local community funds portal: <http://sse.com/beingresponsible/responsiblecommunitymember/localcommunityfunds/>

### Example of community fund priorities for a renewable energy development

Existing community benefit funds arising from renewable energy developments can have some of the following priorities:

- **Strengthen** and diversify the local economy through support for social enterprises, especially those that explore, test and develop activity that sensitively exploits the area's tourist potential or niche business areas;
- **Stimulate** new ideas and innovative approaches to generate growth and development and new employment;
- **Support** the acquisition, development and use of new community assets and maintain and enhance existing ones;
- **Ensure** adequate provision and/or services are available for the community that improve their life chances and/or quality of life;
- **Support** efforts that co-ordinate community activity and optimise local resources and assets;
- **Respond** to unforeseen circumstances or opportunities that are in keeping with the broad Fund aims identified above.

**3.13** We are also keen to ensure that local residents in areas where shale development takes place get a direct say in how the shale wealth fund is delivered, and what it is spent on so that residents in those communities can benefit as directly as possible. Ensuring that each household is consulted directly would be the clearest way to achieve this, though it could imply greater administrative cost.

**3.14** We are also interested to hear whether an appropriate use of the Shale Wealth Fund would be to allow residents of communities to benefit by directly allocating funding to households. There will clearly be a trade-off for communities in either choosing to benefit from SWF funds directly, which may result in a relatively small per-household payment, depending on the revenues and the size of a particular community, or in investing in an asset which benefits the community at large. We are interested to hear directly from those in communities where shale is likely to take place on how to ensure that we set up the scheme governance to help communities to make the right decisions for them.

**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?**

**Consultation Question 10: How could the government ensure that all local residents benefit as directly as possible from the Shale Wealth 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?**

**Consultation Question 12: At the local level, would an appropriate use of the Shale Wealth Fund be to make direct payments to households?**

## Managing the Shale Wealth Fund at a local level

**3.15** This section explores the decision-making process and administration for the Shale Wealth Fund at a local level. There are a number of different options for who makes decisions regarding the local element of the Shale Wealth Fund.

**3.16** One option would be to have an existing body which is active in the local community, such as a Parish Council or District council, administer funds. However, it is possible that a single Parish or District Council may not be representative of the community which hosts the shale development, if, for example, the council covers a large area, or the development lies near council boundaries. The council or councils could receive the funds in order for them to spend on specific objectives (as explored in paragraphs 3.9-3.12), or they could administer grants to projects which bid for funding.

**3.17** Another option would be to use the body which would be present and already administering an industry community benefits scheme, which may look like the panel created during the industry pilot scheme, as outlined in paragraph 3.5-3.6. Finally, we could establish a new or independent decision-making body to administer the local level of the Shale Wealth Fund.

**3.18** Unless the funds are to be spent for a specific purpose (such as local public service provision), it could be appropriate to use an open approach under which local individuals or organisations could bid for funding for a variety of projects, with decisions made according to a transparent framework.

**3.19** In any case, the decision makers should be as representative of the local community as possible. Other considerations for the government to take into account are deliverability, and value for money. For example, it may be that a new bespoke body incurs greater costs than using an existing one, which could reduce the possible positive impacts of the Shale Wealth Fund.

**3.20** As set out above we are also keen for residents in communities to be as directly involved in decision making as possible, and are keen to hear how we may best achieve this.

**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?**

**Consultation Question 14: How can the government ensure that decisions are as directly influenced by local residents as possible?**



# 4 The Shale Wealth Fund at a regional level

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**4.1** This section explores the concept of an element of the Shale Wealth Fund being used to deliver additional regional investment, including in the north of England and the midlands, where the most significant volume of shale gas is located.

**4.2** The Shale Wealth Fund could contribute to a significant legacy for areas hosting shale developments. While 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. To deliver the Shale Wealth Fund on a regional basis requires consideration of a similar set of issues as at a local level.

## Defining the region that could benefit from the Shale Wealth Fund

**4.3** As for a local level for the Fund, there are different options for how the boundaries of a regional element of the Shale Wealth Fund could be defined. For example, a regional element of the Shale Wealth Fund could be required to deliver investment within existing boundaries, such as:

- county boundaries<sup>1</sup>
- combined authority boundaries, where they exist<sup>2</sup>
- the areas defined by Local Enterprise Partnerships (LEPs)<sup>3</sup>

**4.4** Alternatively, the “shale region” could be defined by reflecting upon the geographical distribution of shale sites, as the industry develops, which may require a different, new approach to the ones outlined above.

**4.5** The objectives that a regional level of Shale Wealth Fund funding is meant to achieve will also influence the areas in which it is spent. For example, to contribute to regional economies, the Fund may be best spent on infrastructure projects, or it could be best spent on skills, such as apprenticeships or education opportunities. At the regional level, the types of investments made would likely dictate their location.

**Consultation Question 15: Do you have a view on how the boundaries should be defined for a regional strand of the Shale Wealth Fund?**

## Spending the Shale Wealth Fund at a regional level

**4.6** At a regional level, there may be a broader range of investments which could be feasibly made from the Shale Wealth Fund. Since a regional level to the Fund would be aggregating funds from more than one shale site, this would allow for investments that are larger in size than at the local level. For example, the Shale Wealth Fund could contribute to projects which boost skills and job opportunities in the local area, or to infrastructure projects such as transport improvements.

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<sup>1</sup><https://www.ordnancesurvey.co.uk/election-maps/gb/>

<sup>2</sup><http://www.local.gov.uk/devolution/combined-authorities>

<sup>3</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/252793/bis-11-768-local-enterprise-partnerships-boundary-map-august-2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/252793/bis-11-768-local-enterprise-partnerships-boundary-map-august-2013.pdf)

**4.7** Specific examples of the types of investment that could be delivered by a regional element of the Shale Wealth Fund are those which are similar to investments already being delivered as part of the Northern Powerhouse. These include:

- significant investments in road and rail infrastructure, for example the £1 billion investment in rail projects for the north such as the Northern Hub and Transpennine Upgrade
- £150 million invested in northern flood defence schemes in Leeds, Cumbria, Calder Valley and York
- development of business enterprise zones across the north, attracting over 6,700 jobs
- investments to support the North's vibrant culture and creative offering, such as backing Hull's City of Culture with £13 million

**Consultation Question 16: What kind of investments do you think should be made from a regional level of the Shale Wealth Fund?**

## **Managing the Shale Wealth Fund at a regional level**

**4.8** A regional element of the Shale Wealth Fund could be delivered in one of two ways. One mechanism could be by making direct grants to regional actors. Examples of such regional actors could be local authorities or LEPs. LEPs are local business led partnerships between local authorities and businesses which determine local economic priorities and undertake activities to drive local economic growth. Each LEP maintains a Strategic Economic Plan which is agreed with central government.

**4.9** An alternative mechanism is to maintain a fund to which any organisation could make project bids. This could include businesses, charities and community groups in the region, as well as local authorities and LEPs.

**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?**

**4.10** A bidding process would require a decision maker. This could be an existing aspect of regional or national governance. For instance, funding bids could be considered by the county council, by the LEP board, or by national government. Using an existing body to make these decisions could be expedient, practical and more cost-effective, particularly where the body has objectives which are related to regional development.

**4.11** Alternatively, a regional level of the Shale Wealth Fund could be governed by a regional board, who are recruited or elected out of the defined region to act as trustees and are independent of existing political or business structures, and of industry. This group could, for example, be a subset of the decision makers at local level funds within the region. Alternatively, it could be a group of individuals who are recruited with specific expertise in mind, such as demonstrable expertise in finance, business, the local area, and so on.

**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?**

# 5 Consultation Responses

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5.1 All interested parties are invited to respond to the questions set out in this consultation.

5.2 The full list of questions asked in this consultation are as follows:

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

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

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?

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?

Consultation Question 6: Do you agree that the "local community" should be defined on a case-by-case basis?

Consultation Question 7: Do you think a set of principles should be developed to ensure consistency of approach for different shale developments?

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?

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?

Consultation Question 10: How could the government ensure that all local residents benefit as directly as possible from the Shale Wealth 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?

Consultation Question 12: At the local level, would an appropriate use of the Shale Wealth Fund be to make direct payments to 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?

Consultation Question 14: How can the government ensure that decisions are as directly influenced by local residents as possible?

Consultation Question 15: Do you have a view on how the boundaries should be defined for a regional level of the Shale Wealth Fund?

Consultation Question 16: What kind of investments do you think should be made from a regional level of the Shale Wealth Fund?

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?

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?

5.3 Responses are invited by 25 October when this consultation will close. Responses are welcomed online, by post, or by email.

5.4 Online responses can be submitted through <https://www.surveymonkey.co.uk/r/D5ZQQKB>.

5.5 Written responses should be sent to:

Energy Branch  
Energy, Environment and Agriculture Team  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

5.6 Email responses can be sent to [shalewealthfund@hmtreasury.gsi.gov.uk](mailto:shalewealthfund@hmtreasury.gsi.gov.uk).

5.7 Responses may be made public unless confidentiality is specifically requested.

5.8 The government plans to publish its response to this consultation later this year.



## **HM Treasury contacts**

This document can be downloaded from  
[www.gov.uk](http://www.gov.uk)

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