Cross Party Group on Wellbeing Economy

Tuesday, 4th of March 2024, 6:30-8:00 pm, hybrid

Creating community wealth through the energy revolution

Present

MSPs

Ariane Burgess MSP, Emma Harper MSP, Maggie Chapman MSP

Invited guests

Amanda Grimm, Benjamin Christie, Christopher Boyce, Ciaran McKenna, Claudia Albrecht, David Brown, David Skene, Emma Cooper, Frances Guy, Grace Hutchison, Gary Hughes, Grace Murray, Hannah Clyne, Hayley Pryor, Jackie Farquhar, Jane Morrison, Janet Miles, Jason Shilcock, John Todd, Josie Saunders, Katy Woodington, Kirsty McLuckie, Laurie Macfarlane, Margaret Douglas, Melanie Udderston, Mhairi Tordoff, Pamela Barnes, Paul Hainey, Rob Davidson, Shumela Ahmed, Stephen Kelly, Tuisku Kolu

Non-MSP Group Members

Ailsa Rayburn (Community Land Scotland), Alex Turner (WEAll Scotland), Angela Lamont, Brian Connolly (WEAll Scotland), Carmen Martinez (Scottish Women's Budget Group), Craig Dunn (SCCAN), Elizabeth Docherty (Scottish Community Alliance), George Hosking (WAVE Trust), Hilda Campbell (COPE Scotland), Iain Black (University of Strathclyde), Jim Millar (Scottish Land and Estates), Josh Doble (Community Land Scotland), Lukas Bunse (WEAll Scotland), Margaret McSporran (Highlands and Islands Enterprise, Martin Avila (Community Enterprise in Scotland), Martin Meteyard (Co-operate Scotland), Michael Weatherhead (WEAll), Renata Osowska, Pamela Maxwell, Pauline Smith (Development Trust Association Scotland), Philip Revell (SCCAN), Rachel Searle (Foundation Scotland), Susan McKellar (Scottish Women's Convention)

Apologies

Emma Sedgewick, Kate McLean, Juliette Summers

1 Welcome

Welcome from Ariane Burgess MSP, member of the CPG on Wellbeing Economy. Ariane opened the meeting, sharing the aim to discuss the national community wealth fund, one of four asks from the Scottish Community Coalition on Energy.

2 Introducing the proposal for a National Community Wealth Fund for Scotland

Dr Josh Doble, Policy Manager at Community Land Scotland, presented the proposals for a National Community Wealth Fund for Scotland developed by the Scottish Community Coalition on Energy. The guiding principle is to ensure the financial rewards from new renewable energy developments are equitably shared, stay with the people of Scotland and are used to build community wealth from the bottom up.

Key points of the National Community Wealth Fund

- The fund aims to build over time, delivering long-term benefits for all of Scotland's communities without requiring public sector money.
- The fund would be independent from the Scottish Government, local authorities, and developers, focusing on community wealth building.
- The fund would have three strands: local, national, and legacy, each with specific distribution mechanisms.
- The Fund would not impact or reduce existing community benefit arrangements but would be an additional contribution

Overview of the Fund's structure and distribution

- The fund would receive income from additional community wealth payments from renewable and transmission developers, returns on investment, and other investment opportunities.
- The local strand would prioritise local community benefit funds where agreements haven't been reached.
- The national strand would allow any community in Scotland to apply for funding, demonstrating the common good of the renewables revolution.
- The legacy strand would invest in pre-agreed asset classes, providing long-term income to supplement the first and second strands.

Governance and management

- The fund would be managed by an independent body, including community representatives, local authority representatives, developer representatives, fund management expertise, and financial experts.

- The fund would align with existing mechanisms like the Scottish National Investment Bank and the Scottish Land Fund.
- The fund would support community-led development, focusing on acquiring and developing revenue-generating assets that create long-term income.
- The fund would prioritise applications from properly constituted community organisations with an asset lock, ensuring local governance and long-term benefits.

Key benefits

- The fund would support local development and community wealth building without additional public expenditure.
- It would build resilient local economies and societies, aligning with Scottish Government policy priorities.
- Developers would benefit from a social license and increased public support for renewable projects.
- The fund would ensure a proportion of increased contributions from developers delivers national benefits for all communities.

3 Panel discussion: Creating community wealth through the energy revolution

Laurie Macfarlane, Co-director, Future Economy Scotland, presented reflections on the fund proposals, emphasising:

- From a Just Transition perspective, the importance of equitable benefit sharing from natural resources, drawing lessons from past experiences with oil and gas, particularly in comparison to Norway's $2 trillian sovereign wealth fund.
- Secondly, the fund's potential to empower community-led development by addressing funding access barriers was highlighted. Laurie emphasised the substantial evidence demonstrating the economic, social, and environmental advantages of community-owned projects, stressing the importance of asset locks and long-term economic multipliers through reinvestment. However, funding is often the major obstacle to scaling community initiatives, so he reiterated the necessity of mechanisms to increase investment in community asset acquisition and infrastructure development, and the significance of a dual local-national approach to ensure widespread benefits across Scotland.
- Laurie also made the point that the fund aligns with the Scottish Government's community wealth building objectives, emphasising that it could be a significant tool for shifting power and wealth to local economies.

Gary Hughes, Economic Development Manager, SSEN Transmission, provided insights on energy transition and community benefits:

- Firstly the opportunity is significant. The Committee for Climate Change released their 7th Carbon Budget, which reveals that emissions have halved since 1990, partly due to reduced coal usage, but stresses the necessity for expanded offshore and onshore wind energy to meet 2040 electricity demands. This is why it is important that the government has funded plans to support impacted communities. SSE's Programme of Investment should release over £100 million in community benefit funds by 2030.
- The second point is to consider how we coordinate community benefits funds from renewable energy developers. Ahead of government guidance being published, in 2024 SSEN Transmission committed £10 million to four local funds and a Regional Development Fund. The first round attracted 328 applications with £50 million requested from an initial £2 million allocation, showing how much demand there is for such funding.
- The final point is that it is important to consider developer and investor perspectives to achieve net zero. Setting the right levy is crucial to keep Scotland attractive for investment, as capital could easily flow elsewhere. Early engagement with industry is essential to avoid deterring potential investors.

Rachel Searle, Head of Communities and Impact, Foundation Scotland, shared observations on community development and funding:

- Rachel discussed her experience with Foundation Scotland, an independent funder that distributes funds on behalf of individuals, families, trusts, foundations, and companies, including those building renewables and Net Zero projects and providing community benefits. Rachel's first point is that the scale and complexity of community funds is changing and growing, and with that there is increased collaboration and ambition within and between communities informed by community action plans and local place plans. So there is a wealth of experience and good practice to draw on.
- Rachel referenced an impact assessment published that day, commissioned to Biggar Economics by Foundation Scotland, SSE Renewables and RWE. The study looked at the long term impact of community benefit funds in the Kyle of Sutherland, and evidences significant wellbeing benefits valued at between £10.1 and £14.5 million, and creating 18 long term jobs.
- Rachel also highlighted that community benefit is increasingly adopting a regional focus although the word 'regional' has different meanings in different contexts and shouldn't just be assumed to mean a local authority 'region'. While there remains a welcome consensus about the importance of recognising local communities directly impacted by developments, there is potential for broader area or regional scale collaborations. For instance, the Glenkens District Trust in Dumfries and Galloway involves ten communities based on cultural and historical connections. Their collective approach means

any development opportunity is presented as one for all. This model highlights successful bottom-up regional arrangements that shouldn't be overlooked.

4 Audience questions

Question 1: How do we navigate the issue of capacity building and the need for strategic investment in community organisations?
(asked by Ariane Burgess MSP)

Panel answers:

- Josh acknowledged the importance of capacity building and the need for paid professional support in community organisations.
- Rachel mentioned the use of community benefit funds to employ development officers e.g. in East Ayrshire and Dumfries and Galloway, and the Natural Capital Partnership Programme, hosted by Community Land Scotland and part funded by Foundation Scotland, to build capacity in communities.
- Josh and Rachel discussed the potential for a Scotland-wide capacity-building programme to support community organisations.

Question 2: Will there be support for communities working to this already – can a percentage of the wealth fund be allocated to the organisations in the Scottish Community Alliance that will support the communities benefiting from it?
(asked by Craig Dunn, SCCAN)

Panel answers:

- Josh answered that to avoid conflicts of interest, it was decided that the fund would not support intermediary bodies as the goal is to support community organisations directly. Stronger community sectors benefit everyone and help make the case for broader funding, but it was agreed that the fund should focus solely on grassroots projects

Question 3: How certain could communities be that ongoing revenue funding would be there to sustain local employment in capacity building, and not just for project delivery?
(asked by Maggie Chapman MSP)
Panel answers:

- Josh repeated that the fund is structured to facilitate the purchase of revenue-generating assets, such as land and businesses. This creates ongoing revenue rather than relying on continual fund disbursements. Initial funding may support development and capacity building, but the goal is sustainable revenue generation for community wealth building, not one-off payments requiring future top-ups.

Question 4: Given that community benefits from renewable energy developments tend to support rural areas, how can we ensure urban populations, often affected by similar poverty, also gain from energy generation assets under a national wealth fund?
(asked by audience member)

Panel answers:

- Laurie acknowledged that many regions across Scotland, urban and rural, could thrive with community-led development, regardless of nearby renewable infrastructure. Wind, as a shared natural resource, should be accessed equitably. Balancing local and national benefits is complex and politically sensitive, but a dual approach that includes all communities is the way forward.
- Rache added that a national wealth fund could improve shared ownership opportunities in urban areas, given the lack of success in the past 15 years when the focus has been to offer shared ownership to more immediate communities near a project site. So a national level fund could be a mechanism through which to better coordinate these initiatives, enabling broader community participation in the energy transition.
- Josh agreed that the fund provides for community investment in renewables, allowing urban communities to engage in shared ownership so that nationally communities benefit from the Commons resource. Addressing land and seabed ownership inequities is crucial for developing renewables and capturing wealth to tackle deep-seated inequality.

Question 5: Will the money be a loan?

(asked by Josie Saunders)

Panel answers:

- Josh advised that the fund is considering patient capital, likely through low-interest loans, allowing funds to recycle as investments are repaid, ensuring sustainability and longevity.

Question 6: How do we learn lessons and scale it nationally? Communities that own assets are streets ahead, so how do we scale this initiative and make it equitable?

(asked by audience member)

Question 7: Where will the money come from, and should we be worried about developers seeking opportunities elsewhere?

(asked by Christoper Boyce, BiGGAR Economics, and Kirsty McLuckie)

Panel answers:

- Laurie acknowledged that funding and capitalisation are crucial issues. The Scotwind options fees of £750 million were allocated during last year's cuts and now rely on the UK budget. Long-term investment for Scotland's benefit is essential. Learning from the first Scottish offshore wind round is vital; £750 million isn't substantial in the grand scheme. Future offshore developments should consider allowing minority equity stakes, similar to Denmark's 25% model, which could profit the state and support community funds. Increasing community benefit demands may deter investors and so discussions on reasonable community benefits with industries is critical.
- Gary agreed that Scotland's licensing highlights the need for collaborative risk-sharing with developers for mutual benefit.
- Josh argued that developers should show proof of profit squeezes to justify claims of tight margins in order to have a discussion on proportionality.

- Amanda Grimm added that if developers like Iberdrola can raised dividends by 15%, why can't they invest in local communities instreat. Grid constraints pose a bigger risk than slightly higher community benefits agreements to new developments coming online. There are also examples of developers who are attracted to the certainty provided by stronger leadership and a centralised or nationalised approach.
- Rachel posed the question as to whether other industries should also consider contributing to a wealth fund for Scotland.

Question 8: Are other priorities included, for example community-led housing?
(asked by Grace Murray, Board Director, Community Land Scotland)
Panel answers:

- Rachel raised the point that while she has not been involved in the development of the proposed wealth fund to date, 'Scotland' needs to establish clear parameters for the fund and further dialogue is needed to address important questions, including the type of financing. Foundation Scotland's Social Investment team successfully uses a hybrid model, offering a mixed grant/loan package and which benefits many social enterprises.
- Josh replied that this demonstrates why expertise is essential for establishing a wealth fund. He reiterated that an independent board would set funding priorities aligned with both Scottish government goals and pressing community needs, such as housing, but that it isn't possible to commit to specific outcomes. Furthermore, grassroots regional arrangements—developed organically rather than imposed by authorities—will remain unaffected by this fund, which can learn from and support this dialogue.

Question 9: To what extent is the fund prepared to embrace innovative approaches?
(asked by Shumela Ahmed)
Panel answers:

- Josh answered that this is the point of participating in events like the CPG, to invite scrutiny and ideas from other organisations. The fund's focus on revenue-generating assets stems from the experience that secure income allows community organisations to address local needs effectively rather than relying on grants. He added that the organisation is open to innovative ideas and eager to collaborate with Foundation Scotland and other partners.

Question 10: Can the public comment?
(asked by Iain Black, Strathclyde University)
Panel answers:

- Josh advised that a revised draft is scheduled for release in the upcoming week, and that engagement and feedback will be very welcome.

Question 11: How we can support community organisations in becoming sustainable and help them manage assets or create projects? We should also consider how to equip these groups, often run by volunteers, with the skills to become revenue-generating organisations.
(asked by Brian Connolly, Scottish Enterprise)
Panel answers:

- Josh acknowledged that this is why collaborations with Development Trusts Association, Community Shares Scotland and Community Energy Scotland are so valuable to to leverage diverse expertise for greater impact. Scottish Communities Finance helped initiate this idea. Josh also welcomed recommendations of other organisations to connect with as they aim for broad engagement and expertise.

Question 12: Should funds support struggling local authorities, or be used to lower energy bills instead of profiting from energy generation?
(asked by Lukas Bunse, WEAll Scotland)
Panel answers:

- Josh responded by drawing the distinction between community wealth building and using funds to address public finance gaps. He argued that existing mechanisms such as the Scottish National Investment Bank should have delivered on this already, but haven't, which is why the national fund with its asset lock is so unique. He acknowledges that we also need a strategic dialogue among local and national governments to address budget issues instead of taking from community funding that supports proven local success.
- Laurie responded by acknowledging that there is always a temptation to spend available money on immediate problems instead of investing it for long-term benefits. For instance, the £750 million for Scotland should be used for transformative, lasting initiatives rather than one-off expenditures. He also acknowledged that the Scottish National Investment Bank has overlooked community-led development. He argued that we must recognise the benefits of community-led development, and the challenges of securing funding, and consider how to effectively allocate new resources without having to cut existing programmes.

5 Closing remarks

Ariane wrapped up the meeting by reading a comment from Pauline Smith: "here is the opportunity here to create a fund that allows for improved democratic decision making by and for communities across Scotland."

- Emma Harper MSP is sponsoring a parliamentary reception on April 23rd, in partnership with Foundation Scotland, SSE, RWE and SPR on the impacts of community benefits over the last 10 years.
- Lukas Bunse advised the CPG will share the minutes, links, Josh's briefing, and contact details.
- The next CPG meeting is June 4 (online); topics are still open for suggestions. More details will follow.

Appendix: Links mentioned or posted in the chat

Foundation Scotland: Link

BiGGAR Economics Impact Assessment Report

Case Study: Partnership between Resilience Learning Partnership (RLP) and Sanctuary Link