Leicestershire County Council

CABINET – 11TH OCTOBER 2016

GOVERNMENT CONSULTATION ON THE SHALE WEALTH FUND

REPORT OF THE CHIEF EXECUTIVE

PART A

Purpose of the Report

1. The purpose of this report is to seek approval for the County Council's proposed response to the Government consultation on the Shale Wealth Fund.

Recommendation

2. It is recommended that the Head of Planning Historic and Natural Environment be authorised to respond to the consultation on the Shale Wealth Fund, on the basis set out in paragraphs 15 to 19 of the report.

Reasons for Recommendations

3. To respond to a Government consultation on proposals that will affect the distribution of funds from the proposed Shale Wealth Fund.

Timetable for Decisions

4. The response to the consultation on the Shale Wealth Fund is due by 25 October 2016.

Resource Implications

5. The consultation on the Shale Wealth Fund seeks views on a range of issues including what the priorities should be for the Fund and the allocation of funding to different stakeholders.

Circulation under the Local Issues Alert Procedure

A copy of the report will be sent to all members via the Members' News in Brief service.

Officers to Contact

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PART B

Summary of Consultation

6. The Government is seeking views on the delivery method and priorities for the Shale Wealth Fund. The purpose of the fund is to benefit communities and regions in which shale gas resources are developed. The fund will be in addition to any benefits provided by the shale industry through its community benefits package (which currently is £100,000 at each well and 1% of total revenues available).

7. The Shale Wealth Fund will initially consist of up to 10% of tax revenues arising from shale gas production and so it is likely to come later than the first community benefits funding provided by the industry. It is estimated that the Fund could provide up to £1 billion of funding. A maximum pay out of £10 million is proposed 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.

8. The Government proposes that the priorities for the Fund should be on locally focused benefits and on enhancing the regional economy. The Government's view is that, as tax revenues arise from a shale site, it is the local level which would be the first to receive any funds.

9. At a **local level**, the key question is how best to define the 'local community'. The consultation paper suggests that this should be done either on a 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.

10. It will be necessary to construct a framework within which funding can be delivered. The Government is keen to ensure that local residents in areas where shale development takes place get a direct say in how the fund is delivered and what it is spent on. The Government is also interested to hear whether an appropriate use of the Fund would be to allow residents of communities to benefit by directly allocating funding to households.

11. Options for managing the fund at a local level include using existing bodies such as a parish or district council or a body already administering an industry community benefits scheme, or alternatively establishing a new and independent decision-making body solely for the purpose of administering the Fund.

12. At the **regional level**, there may be a wider range of investments that could be made - particularly given that there will be a larger resource pool to utilise, with funds aggregated from across several sites – with examples given of investment in road and rail infrastructure, projects which boost skills and job opportunities, and the development of business enterprise zones.

13. There are different options for how the regional element of the Fund could be defined. It could be required to deliver investment within existing boundaries, such as county boundaries, combined authority boundaries, and areas

defined by Local Enterprise Partnerships (LEPs). Alternatively, the “shale region” could be defined by reflecting upon the geographical distribution of shale sites.

14. At a regional level, the consultation envisages that grants could be made directly to regional actors such as local authorities or LEPs. An alternative mechanism is to maintain a fund to which any organisation could make project bids. Funding bids could be considered by the County Council, LEP Board or the Government or, alternatively, the fund could be governed by a regional board.

Proposed Response to the Consultation

15. It should be made clear that this consultation is not about hydraulic fracturing (“fracking”) itself nor whether there should be a shale wealth fund. The Government has already decided that there should be such a fund.

16. Currently there are no “fracking” proposals in Leicestershire and it is not known whether there will be any in the future or when. There is no “fracking” production taking place anywhere in the country, only some exploration proposals planned. As far as the consultation is concerned, none of the 18 questions directly relate to planning issues but instead focus on how the Shale Wealth Fund should be administered and spent.

17. Without any working examples of shale gas production or any certainty that shale gas production will take place or how much it would produce, it is considered premature to make definitive decisions as to how the Fund should work. One of the questions the consultation asks is whether lessons ought to be learnt from the industry scheme before deciding how the Government scheme could operate. This idea seems sensible in the circumstances.

18. By way of example of other similar financial schemes, the consultation refers to those associated with renewable energy and landfill, although no reference is made to previous financial schemes related to mineral development such as the former Aggregates Levy Sustainability Fund, which operated between 2002 and 2011 in England and still operates successfully in Wales. The County Council requests that if financial schemes such as the Shale Wealth Fund are being implemented to benefit communities that host mineral development then consideration should be given to reintroducing benefits derived from the aggregates tax currently being collect by HM Treasury. Leicestershire in particular hosts a significant number of large and strategically important aggregate mineral operations, from which most of the output is used elsewhere to meet the nation’s economic need for construction materials.

19. The Fund should, however, benefit the community affected as a whole (as opposed to paying individual households) to ensure that any benefits have a lasting legacy, be flexible in its approach and enable communities to have an input over how funds are spent. The County Council or, if established, the Combined Authority, would be an appropriate body to administer any such

financial scheme in the interests of, and with, local or regional communities that may be affected, as well as it being in a position to coordinate with other relevant spending programmes.

Equality and Human Rights Implications

There are no direct implications from the response to the consultations.

Background Paper

HM Treasury – Shale Wealth Fund: consultation (August 2016)

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544241/shale_wealth_fund_final_pdf-a.pdf

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