

Cross-Party Group on Rural Policy

2nd October 2024, 18:00-19:30 (Hybrid)

“Community Benefit, Tax, and Land Value Capture across renewable energy, natural capital and other globalised rural industries”

Minutes (unapproved)

Present

MSPs

Ariane Burgess MSP
Emma Harper MSP
Edward Mountain MSP

Speakers

Kathie Pollard
Rob Davidson
Neil MacKinnon

Scottish Land Commission
South of Scotland Enterprise
Galson Estate Trust (West Side Estates Group, Isle of Lewis)

Non-MSP Attendees

A	Khan	Chloe	Grant
Aidan	McGlashan	Christina	Grimm
Ailsa	Raeburn	Christine	Beaton
Aimee	Spence	David	Miller
Alexa	Green	David	Henderson-
Alice	Fogg		Howat
Alys	Daniels-Creasey	Doug	Blackie
Ana	Vuin	Douglas	Scott
Andrew	Heald	Douglas	Scott
Andrew	Heald	Erin	Simpson
Anna	Sellars	Ewen	McLachlan
Anne-Michelle	Ketteridge	Flick	Millar
Ariane	Burgess	Gail	Foster
Arianna	Roehrich	Hannah	Dykes
Barbara	Kelly	Ian	Merrell
Beth	Landon	Imogen	Cadwaladr-
Bryn	Smith		Rimmer
Bryony	Nelson	Isla	McCulloch
		James	Glendinning

James	MacKessack- Leitch	Mike	Danson
Janet	Fisher	Mike	Wood
Jayne	Glass	Mixar	Krayem
Jim	Hume	Naomi	Beingessner
Jo	Vergunst	Nick	Rogerson
Jo	Rodgers	Nick	Rogerson
Johanna	Norris	Patricia	Clark
John	Cairns	Paul	Cowie
Josh	Doble	Rachel	Freeman
Kate	Anderson	Reeni	Kennedy-Boyle
Kate	Lamont	Rob	Davidson
Kenneth	Harvey	Robert	Souter
Kirsty	Mcluckie	Rosie	Everett
Liam	Sinclair- Thompson	Samurath	Jabir
lindsay	wood	Sandra	Holmes
Lindsay	Dougan	Sarah	Marshall
Lorna	Dawson	Sarah	Skerratt
Lorna	Dawson	Sarah	Sidgwick
Lucy	Jenner	Stan	Green
Lucy	Rothenberg	Stephen	Kelly
Marc	Metzger	Sterre	Vester
Marcus	Craigie	Sue	Wyllie
Margaret	McSporran	Theona	Morrison
Mark	Shucksmith	Tim	Roads
Mary	MacLeod Rivett	Vanessa	Halhead
		Winnie	Xiao

Apologies

MSPs

None received

Non-MSP

Doug Blackie
 Gail Foster, Nature Scot
 Kirsty Tait, Food, Farming and Countryside Commission
 Wendy Barrie & Bosse Dahlgren
 Jennifer Campbell
 David Cameron

Agenda item 1

Welcome, introductions and apologies

Emma Harper MSP (chair and co-convener) welcomed everyone to the meeting. She noted the MSPs in attendance and that no apologies were received from any MSPs.

It was confirmed that all participants had been emailed the agenda and the list of attendees and that the Rural Policy Centre (RPC) as Secretariat has a note of all apologies received and would list them in the meeting minutes as usual.

It was noted that speakers' presentations (slides and a video recording) would be uploaded to the CPG webpage on the RPC website along with the unapproved minutes. It was confirmed that the meeting would be recorded (no objections to this were received).

Group members were encouraged to send the RPC an email if amendments were required in the minutes. The minutes will be formally approved at the next meeting in December and an approved version uploaded to the website thereafter. It was noted that the Secretariat will include any action points, links etc. in the meeting minutes.

Participants were reminded to mute their microphones unless speaking and to raise their hands to speak or to type their comments/questions into the chat function.

Agenda item 2

Approval of minutes from last meeting and actions

Emma Harper MSP motioned to approve the minutes of the previous meeting 'Decarbonising Rural and Island Scotland', which took place on the 4th June 2024. Minutes were approved by Ariane Burgess MSP and seconded by Sarah Skerratt. The Secretariat confirmed that no comments had been received on the unapproved minutes.

The minutes of the June meeting were approved.

One action arose from that meeting – to hold a future meeting to discuss community benefits, local tax and local value capture from rural development. We are addressing that action in this meeting.

Agenda item 3

Presentations and discussion

Introduction by Emma Harper MSP.

- Three short presentations were planned, followed by questions.
- The presentations provide perspectives from different organisations across Scotland.
- **Kathie Pollard, Scottish Land Commission (SLC)**
 - Kathie provided an overview of the Commission's work on this topic, which includes guidance on community benefits from land, tax and land value capture.
 - She highlighted the distinction between voluntary and required community benefits from emerging sectors like natural capital and renewables. Important questions remain around opportunities and challenges, and the scale at which community benefits could be shared – locally, regionally, nationally. There is a distinction to be made between monetary approaches and regulation in delivering wider benefits from land.
 - Later in October SLC will publish research on different models of governance of natural resources looking at international experience and models of collaboration in different contexts. This will include case studies and resources. (post meeting note: this is now available on [the Commission's website](#).)
 - Other SLC work on the topic includes their programme of good practice, protocols, case studies and work with landowners to realise community benefits in practice. [More information here](#).
 - Kathie highlighted the role for policy and legislation – tax is one possible lever to secure a fair public share of public resource value. The [Commissions' tax research is available on it's website](#). In 2022, the SLC published advice to Government on taxing land values better to deliver wider public interest from land. They are awaiting an official response from Government but are seeing ongoing calls for tax reform which could support a wider system of land reuse. For example, proposals for a carbon land tax and around vacant and derelict land.
 - The Commission are refreshing their tax advice in the expectation of a new Tax Strategy with the budget.
 - Rather than focusing on specific taxes relating to individual land uses, Kathie stressed the fundamental opportunity to increase the role of land in the tax base and highlighted four fundamental considerations:
 - What are we using tax for? What are we taxing and what is its value based on? What should land be used for?
 - The Commission makes the case for gradual ongoing reform rather than introducing a single tax like a Land Value Tax. Tax is a complicated area and we need to be cognisant of unintended consequences. An iterative approach is pragmatic.
 - Reform needs to involve people. This was highlighted in the international review of land value taxation. Kathie suggested a role for deliberative mechanisms such as citizens assemblies in bringing people along and building consensus.

- There is a role for devolved powers. Can we use Scotland's existing powers in better ways to account for more of our land?
- Kathie presented SLC's route map for reform and practical considerations, including:
 - Better data. In order to bring more land into the tax base we need a solid data infrastructure – what values are we basing future taxes on?
 - What role can reliefs and exemptions from existing taxation play, for instance non-domestic rates and business rates? These examples could help address issues around vacant and derelict land.
 - Reserve taxes including capital gains tax, inheritance tax and income tax could also play a role. Many of the taxes which influence land use are indirect – it is important to bear this in mind when thinking about tax reform.
 - Tax needs to be considered in the wider fiscal context – subsidies, grants and public finances more generally.
- **Rob Davidson**, South of Scotland Enterprise (SoSE)
 - Rob gave an update on community benefit work by South of Scotland Enterprise which operates across the Dumfries and Galloway and Scottish Borders local authority areas.
 - SoSE started looking at community benefit in 2023, triggered by their involvement in the sector deal for onshore wind. This led them to pose what they thought was a straightforward question – how much community benefit has been received from wind farm developments to date in the South of Scotland?
 - SoSE commissioned Biggar Economics to carry out a baseline study of community benefit value and develop an estimate of future potential community benefit from onshore developments. The report is available on the SoSE website - <https://www.southofscotlandenterprise.com/media/v0rpq3n3/baseline-report-on-community-benefits-from-onshore-wind-projects-in-the-south-of-scotland-final-18-10-23.pdf>
 - Rob highlighted key findings from the report:
 - Wind farms in the South of Scotland account of 1/5th of Scotland's installed onshore capacity.
 - Since the first developments in 1996, £30.9 million of community benefit has been generated.
 - An estimated £12 million a year could be generated by 2033.
 - This figure could increase to nearly £70m per year by 2058 (35 years' time).
 - The cumulative value of this over the next 35 years could be nearly £900m - 30 times as much as the total value of community benefit funding received from 1996 to 2023.

- Rob caveated that these are best estimates. Current figures are based on existing schemes they know about through the reporting scheme, which will have gaps. Projections are based on all projects in the development system – not all will be consented, and not all consented will be constructed. However, additional projects are coming forward, especially in light of the national target of 20GW of onshore wind by 2030.
- Despite these caveats, Rob emphasised the salience of the report's findings in terms of the significant increase in community benefit monies expected in the next 35 years and the substantial opportunity this presents.
- The report also found that adherence to best practice principles, of community benefit value equivalent to £5,000 per MW per annum, has varied widely across the South of Scotland. To some degree this results from historical factors as some developments date from before the introduction of the principles, whilst some commit more than the £5,000 recommendation.
- Rob emphasised that community benefit monies are community-controlled resulting from voluntary agreements between communities and developers. SoSE's role is to help support communities in delivering lasting outcomes from these monies, strongly linked to the finance pillar of Community Wealth Building.
- Subsequent to the report, SoSE held a series of five events this year, with 40 communities represented, to understand more about community engagement in practice. These sessions highlighted the importance of consistency in developers' approaches to community benefit, whilst allowing flexibility in the allocation of community funds. Older agreements were not always flexible enough to support communities in addressing current challenges. Flexibility, upfront investment and security and certainty in funding are important for (volunteer led) communities to build capacity and make long-term plans. The sessions also highlighted the importance of legal agreements to protect community benefit agreements through changes in ownership of developments. SoSE are keen to explore how best practice can be shared – which could involve asking developers to sign up to a 'South of Scotland' standard.
- SoSE also sought to understand obstacles to shared ownership, which has limited uptake in South of Scotland. Four points were highlighted:
 - Access to finance to buy in (especially at the scale of some of the onshore schemes in South of Scotland)
 - Management of risk and community perceptions of risk
 - Complexities in governance
 - Managing large-scale, long-term investment
- These factors are not insurmountable, but Rob highlighted the mismatch between ambition of policy and size of support to community groups.

- Next steps for SoSE include continued community engagement, building a network of experts and dissemination of best practice. They also intend to engage developers in a forum for the South of Scotland as well as collaborating with local and national partners as a pathfinder for future community-controlled finance.
 - Rob closed by highlighting the significant opportunity that exists for communities in the South of Scotland and the importance of bringing developers and communities together.
- **Neil MacKinnon**, Galson Estate (West Side Estates Group, Isle of Lewis)
- Neil joined virtually and talked about his work as part of the West Side Estates Group, Isle of Lewis, who recently agreed an innovative community benefit agreement with Spiorad na Mara windfarm.
 - Neil presented the background of renewable energy projects on the Isle of Lewis to provide context to the Spiorad na Mara development. The island has a long history of renewables with multiple recent onshore (commercial) projects as well as locally owned schemes. ScotWind arrived in the middle of this local/ commercial ownership debate. This has come with low levels of public awareness.
 - Three offshore wind areas were identified near the Isle of Lewis (north and north west of the island). Neil explained how the Spiorad na Mara site (N4) was the outlier at just 5km from shore. Investigation of the 2018/19 process for identifying locations for the most recent ScotWind leasing round has not shed light on how the N4 area was chosen, and the community have not received an explanation of its proximity to land.
 - Neil explained the Spiorad na Mara project status. The developer is Northland Power (a Canadian company, that is new to the UK) and Electricity Supply Board (an Irish company, who the community had worked with previously). It will have a 900 MW capacity and there are three landfall options in the absence of a subsea cable route. The preferred landfall option is unknown. The location of the substation is known (potentially onshore or offshore) and the possible onshore location has been contentious. The Environmental Impact Assessment (EIA) is underway and a scoping opinion from Scottish Government has been recently received mapping out the next project stages including the consenting application to be submitted in the middle of 2025.
 - Neil explained how the West Side Estates Group was established in response to this development. The Group comprises three community landowners - Carloway Estate Trust, Galson Estate and Barvas Estate - Lewis Island Crofters Ltd, and a privately owned estate. It was felt important to include the privately owned estate within the group as this could have left an area of the coastline vulnerable to exploitation in the future.

- The Group have agreed to work in association with a remit to identify land requirements, press for greater communication and consultation from the developer and identify potential benefit for affected communities. Neil explained the Group are “pro renewables, but not at any cost.” They have been working with the developer for about two years, progressing from early discussions to looking at community benefits.
- Community benefit was an early priority. After attending various working groups and events it became clear that the Group would have to lead their own analysis and investigation of offshore schemes. Discussions with Northland started by considering a MW rate, and the developer was open to a percentage of income option. Ultimately, the West Sides Estates Group has agreed a fixed amount of £4.5 million per year. This figure is dependent on consenting and project completion which is still not a certainty.
- Neil explained the initial hurdles the Group experienced in their negotiations with Northland. These related to Northland’s willingness to accept them as the community representatives and the developer’s prescribed process for dealing with communities based on their experience in North America. This developed into a more iterative process looking for areas of mutual interest to fit the Scottish context.
- The Group took a strategic approach to discussions with the developer and negotiating community benefits. Before talking about money, the Group addressed Northland’s concerns and perceptions. This worked to proactively remove arguments in negotiations. Neil explained that a key priority was to agree benefits before consenting started. The Group believed this was imperative in order to maximise their leverage in negotiations, which they believed would have been diminished post consenting. Negotiations were extensive on the fund, the amount of monies and areas of benefits included.
- Neil explained their success in negotiating a community benefit fund resulted in part from the strength, cohesiveness and level of awareness of their Group. They shared knowledge within the Group, prepared extensively for meetings with the developer, rotated speakers and venues and ensured there was always in-person engagement. Although the members of the Group had previously worked with each other, Neil emphasised the level of collective leadership and cohesion building required within the Group.
- Neil also emphasised the importance of community groups understanding and maximising their leverage in such negotiations. This arose from their Group cohesion and strength of technical knowledge (perhaps stronger than Northland expected). Neil reflected that community landownership was key to their outcome which, whilst not explicitly mentioned, represented an underlying position of power.

Key issues raised in the discussion included:

- ***Engaging communities in the process and shared ownership models.***
Jim Hume asked how you reach communities who are not engaged in the community benefit process? This was followed by questions from Ariane Burgess MSP as to why West Side Estates Group did not pursue shared ownership and SoSE's perspective on removing barriers to shared ownership. Rob Davison responded that even the most high-capacity groups can be overwhelmed in competitive wind farm areas, especially where a Community Council might not exist. He highlighted example of the 9CC Group in Ayrshire, nine Community Councils which have come together as one bargaining unit, and to maximise their expertise and capacity. He emphasised that this requires organisation on both the community and developer sides. Another good example in Galloway is Glenkens District Trust. Rob explained that community ownership is the gold standard, but it is a long way from being achievable in all locations. SoSE is focused on how close it is possible to get to realising the big community benefit values projected and ensuring that community benefits are being achieved. Then key is removing barriers to shared ownership which is a process of community wealth building and control to ultimately build towards community ownership.

On the community engagement point, Neil Mackinnon explained how the West Side Estates Group used Council Wards areas to ensure engagement and benefits were inclusive, whether community members were interested or not. He highlighted the importance of including those who oppose or object to a development. They held consultations over the winter and will continue with community engagement. Communities are not homogenous, and engagement is not an easy process, but it is important. On shared ownership, the Group deemed it unrealistic within project timescales. They felt they had a 2-3 year window of opportunity whilst shared ownership needs to be in place early requiring time consuming legal and financial planning input and resulting community benefits can be unpredictable. From Steering Group meetings there was a view that there should be local, regional and national level benefits. This can be pursued by organisations at different levels. Kathie Pollard highlighted the potential of Local Place Plans as a mechanism to capture community aspirations with regard to potential spending of community benefits. These can be used by communities engaging in multiple development processes.

- ***Community wealth building and tax, Scotland wide shared ownership, and the collective leadership model.***
Reenie Kennedy from Argyll and Bute asked how community ownership would be accounted for in land tax, whether the degree to which shared ownership is taken up across Scotland is known, and how important the collective leadership model was in negotiations. Neil Mackinnon reflected that leadership is important. For the first six months following the ScotWind announcement, no leadership emerged. Eventually the group of local landowners came forward. Initially the developers had difficulty accepting them as community leaders, but this changed over time. Neil reflected that the Group is small and won't be sufficient for operating monies in the future – a

new entity and leadership model will be important for that stage. He highlighted the need to be able to work with others to maximise benefits for the community for the long term – theirs is a 35-year package with the developer. Kathie Pollard responded on community wealth building and taxation, agreeing that the distinction between extractive and wealth building ownership is fundamental. Who benefits from natural resources (wind)? Who wins and loses from the consenting process, what is the role of tax in redistributing that and is there a role for the planning system? This is a complex picture, and tax is just one tool within this. Rob responded on the shared ownership question – Muirhar Crossdales development is the only shared model in South of Scotland. He reflected that there are many barriers to uptake, even though there are offers made.

- ***Community organisations and local democracy, Community Wealth Building delivery, tax reliefs, and shared ownership***

Vanessa Halhead commented that a weakness of the Scottish system is the lack of standard model of community organisation to take up benefits packages. In Scotland, this often coincides with those who own land, as in the Isle of Lewis example, but this is not necessary. She highlighted the Norwegian municipality model as a different example. She explained how a Local Place Plan had been completed in the Black Isle but there are no local democratic organisations to take the Plan forward. Sarah Skerratt noted that the Community Wealth Building Bill is a national policy to be delivered through Local Authorities – she questioned what proposals there are to link these cross-scale proposals? Tim Rose, NatureScot asked whether the Spiorad na Mara developer had alternative onshore options beyond the West Side Estates Group's land? He also asked about the role of nature tax reliefs, noting that NatureScot has some tax reliefs for priority projects. Finally, from a personal perspective, Tim asked about engaging 'hard to reach' voices in communities, where community councils might represent the loudest voices? A final question was taken from Lindsay Dougan, SSE. She commented that they have found the biggest barrier is the financing – the risk models used by the sector don't work for community organisations. She asked how we influence that with GB energy on the horizon and how do we take lessons from existing technology to apply to emerging technologies?

Rob Davidson acknowledged the challenge of community capacity as one of the key issues in realising community benefits but highlighted that good practice does exist. This includes comprehensive community consultation, local action plans, and annual progress reports to communities to ensure its inclusive and accountable. He highlighted that succession planning is key in this – and is closely linked to the issue of rural depopulation. On the Community Wealth Building point, SoSE will continue to work with the Steering Group to help achieve this local-national link. Rob agreed that finance was a major obstacle to shared ownership, to which there is no straightforward answer. This is critical to uptake of the shared ownership model. SoSE welcomes conversations about new technologies and are enthusiastic about the opportunities in the South of Scotland to achieve economic and social outcomes.

Kathie Pollard responded on the tax relief question, highlighting the potential of hypothecating tax to create and retain wealth locally. Reliefs and exemptions are included in their advice to Government and could factor into a community wealth fund at the local level, reemphasising the role of Local Place Plans to capture local aspirations. Kathie also reemphasised the importance of data, for example mapping local assets, in designing better tax policy. Neil Mackinnon highlighted that landowners 'do' community wealth building every day – through the land pillar. The West Side Estates Group will incorporate the community wealth building pillars when allocating their community benefit monies. Local communities in the Hebrides are being encouraged to develop Local Place Plans. Neil explained how he hoped this would be a consensus building exercise with development agencies and local authorities working as partners, but highlighted that some non-land owning groups in the area could require support. For the West Side Estates Group, their next stage is to develop how the fund will work which will be challenging. Neil described how this would require working with partners and advisors. Responding to the question about alternative routes for the cables for the Spiorad na Mara development he explained that there were no alternative options for the developer.

- ***International examples of land tax and consensus building***

Jane Atterton asked about the international examples of consensus building around land taxation. Kathie responded that taxation is complicated and is universal, it touches everyone's lives. She reemphasised the importance of basing decisions on people's lived experiences to avoid possible unintended consequences. This informed the Commission's advice for gradual land tax change.

- ***Community groups***

Emma Harper MSP asked whether community groups were becoming more sophisticated increasingly funding larger-scale strategic community projects? Rob gave Glenkens District Trust as a good example – they have a small grants scheme which helps deliver small scale local priorities alongside a long-term strategic community plan for larger scale projects. He emphasised that there is a lot of experience, expertise and strategic thinking happening at the community level.

- ***Information repository and What happens next?***

Reflecting on the wealth of experience, expertise and range of information and documents available, Rachel Freeman questioned how this is shared and accessed? Is there a central repository for this sort of information? She also asked what happens next, what are the action points following this CPG? Rob explained that there exist best practice principles and organisations such as Development Trust Associations, Foundation Scotland and Local Energy Scotland who can provide some of this information to communities but that there is not a central repository. Emma Harper, MSP, explained the different types of actions which can come from a CPG – questions raised in the Chamber, Members Debates etc. She suggested one such action could be for speakers to send on the links and information discussed at today's meeting,

which will be shared on the Rural Policy Centre website alongside the meeting minutes.

- ***Costs of decommissioning***

Lorna Dawson asked about decommissioning costs and the risk this could pose to communities in the shared ownership model. Rob Davidson will provide a response directly on this point.

- ***Community benefit agreements versus monies received***

Ewan MacLachlan noted that there are examples where monies received do not match the value of community benefit packages agreed with developers. He asked how communities can challenge this? Neil acknowledged the reality of receiving benefits over many years is difficult. The West Side Estates Group will have to ensure their agreement is legally binding and have contingencies in place. He reflected back on his early point about communities understanding their leverage – this may require collaborating with local councils, MSPs, etc to build their leverage. Part of their approach in the Isle of Lewis was to explain to the developer the difference between cost and value. Initially the developer saw a community benefits package as a cost affecting their bottom line. They showed how early engagement with communities can bring value – better information, willingness to help, fewer objections, and a better working relationship with communities. He reemphasised it is not easy for communities to work with developers. They need to understand their leverage.

Action points

Tonight's speakers are to send links and information to the Secretariat, which can be added to the RPC website alongside speaker's presentations and unapproved minutes.

AOB

Emma Harper MSP concluded the meeting by thanking the speakers and the audience for their contributions to the discussion.

Next Meeting

- The next meeting will be on Wednesday 4th December 2024. This will also be the AGM for this CPG. Topic to be decided, more information to follow shortly. Please join us for mince pies on this evening.