



HM Treasury

# Shale Wealth Fund:

## response to the consultation

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November 2017





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# Executive summary

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The government is clear that local people should have greater control and say in decisions that affect them. More than this, we are committed to delivering an economy that works for everyone, through ensuring that the benefits of economic growth and investment are spread as widely as possible.

This is why we are creating a Shale Wealth Fund, which could deliver up to £1 billion of funding and will ensure that the benefits of shale developments are directed to the communities that host them.

The government announced at Budget 2016 that it intended to consult on the Shale Wealth Fund, to ensure that the benefits of shale developments are shared by communities and regions in which the resource is developed.

On 8 August 2016 the government published the consultation, seeking views on possible delivery methods and priorities for the Shale Wealth Fund.<sup>1</sup> The consultation closed on 26 October 2016.

The government consulted in order to seek views on the delivery method and priorities of the Shale Wealth Fund. In particular, the consultation sought views on 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 processes should be administered

A total of 170 responses which provided evidence or answered consultation questions were received, from a range of individuals and organisations, including charities, local businesses, and community groups.

The strongest message which emerged through consultation was that the Shale Wealth Fund should benefit the communities who host shale sites, and they should have a say over how it is spent in their area. In response to this, at Autumn Statement 2016, the government confirmed that local communities will benefit from the Shale Wealth Fund first and will determine how the money is spent in their area.

We also set out in the 2017 manifesto that we would change the Fund so that a greater percentage of the tax revenues from shale gas directly benefit the communities that host extraction sites. Ultimately this means we need to design a fund which has community and individual decision-making at its heart – one where the interest of local people is paramount.

The government response to this consultation sets out a clear framework for how local communities will directly benefit from a share of the tax revenues from shale development. This

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<sup>1</sup> Available here: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/544241/shale\\_wealth\\_fund\\_final\\_pdf-a.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544241/shale_wealth_fund_final_pdf-a.pdf)

includes the principle that local communities will decide how money is spent, and the next steps for developing the details of how that process will operate.

On some of the more detailed administrative questions about how the Shale Wealth Fund might operate, respondents expressed a number of preferences for principles which could underpin the scheme design - for example, the Shale Wealth Fund should be administered in a transparent manner, and any administrative body ought to represent the views of the local community and be accountable to them. The government believes that these principles should be the bedrock of our approach in distributing the benefits of shale developments to local communities.

To build on the responses to this consultation, this document sets out a clear set of policy principles that will be central to the future development of the scheme. These principles are as follows:

- The Shale Wealth Fund will put local people first. It delivers real local decision making, by allowing local communities to determine how the Shale Wealth Fund is spent in their area. This includes the potential for household level payments.
- The Shale Wealth Fund should meet local needs and maximise benefits to local communities, and it should:
  - 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
  - invest in the local natural environment for the benefit of local people and the local economy
  - or, 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

The government will develop a further set of detailed principles to maximise the benefit to communities based on these goals for funding,

- The Shale Wealth Fund will, first and foremost, provide direct benefits to local communities. Where local communities decide that they wish to spend some funding on projects in the wider locality, this should benefit communities hosting shale sites in those areas, and be subject to a clear instruction from communities.
- The Shale Wealth Fund will provide additional benefits to local communities. It will be additional to existing local government funding, and will not replace or reduce existing local spending. It should also complement the industry scheme to maximise funds flowing to the areas hosting shale sites.
- The Shale Wealth Fund will be administered in a way which ensures that decision making is locally representative, that any decision makers are accountable to local communities, and that decisions on how the fund is spent are transparent. We will continue to seek local views as we develop the scheme design.

These principles allow sufficient flexibility to take into account new information as the shale industry develops from the exploration stage to the production stage. In particular, we will work closely with the shale industry to learn lessons from pilots of their community benefits scheme at both exploration and production stage. This will allow us to tailor the fund to ensure it delivers the greatest benefit for individuals and communities hosting shale sites.



# 1 Overview

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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. As set out in the consultation, and the Clean Growth Strategy, the government remains fully committed to the development and deployment of low carbon technologies for heat and electricity generation. However, as we move towards a low carbon economy, natural gas will continue to play an important role in our energy system.

**1.2** 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 and jobs, particularly in the north of England, where much of the UK's shale reserves are located.

**1.3** The UK has world class regulation to ensure that shale exploration can happen safely, respecting local communities and safeguarding the environment. 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 the risks can be managed effectively if the industry follows best practice, enforced through regulation. The government is confident that the right protections are in place to explore shale safely.<sup>1</sup>

**1.4** Last autumn, the government 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 areas 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.

**1.5** The government launched a consultation on how the Shale Wealth Fund would operate in August 2016. In response to that consultation this document confirms the key policy principles that we have developed in response to the feedback gathered as part of the consultation. This puts local decision making at the heart of distributing these funds.

**1.6** We also set out the next steps that will need to be undertaken to develop the structure and implementation plans for the Fund further. Seeking local views is key to the design of the Shale Wealth Fund and we will continue to engage with communities on these as the industry develops.

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<sup>1</sup> 4 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](#)

1.7 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>2</sup> has published a community engagement charter which also sets out the obligations of industry partners to provide community benefits.<sup>3</sup> The current charter sets out the following commitments:

- exploration phase: operators will provide £100,000 at each well site where hydraulic fracturing takes places
- 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

Since the launch of the public consultation on the Shale Wealth fund proposals, the onshore oil and gas industry has made significant progress with respect to the commitments within the UKOOG community engagement charter.

In August this year, following commencement of exploration drilling at Preston New Road in Lancashire, Cuadrilla announced the first payment of £100,000 to an independent Community Benefit Fund, to be managed independently by the Community Foundation for Lancashire. Local residents have been consulted for their views on which types of local community issues or projects the Community Benefit Fund for the first exploration well should be spent. A local community panel will be appointed to recommend how the money should be spent, and the Community Foundation will oversee and approve its recommendations.

At the same time, local residents were consulted on whether they wanted the funds for the other three wells it has planning consent to drill and hydraulically fracture to be paid into the independent Community Benefit Fund, managed by the Community Foundation for Lancashire, or proportionately directly to individual local households. Nearly 80% of respondents said that the money should be proportionately distributed between households within 1.5 km of the site. If the additional three wells are drilled, this would provide a further £300,000 in addition to the £100,000 already paid to the Community Foundation for Lancashire.

In October this year, Third Energy announced that they had signed an agreement with Two Ridings Community Foundation to be the independent managers of the community fund linked to the hydraulic fracturing operations in Kirby Misperton, North Yorkshire. The foundation will shortly begin the work to set up the Community Fund which will include a survey to establish local priorities and the recruitment of a panel to advise on the distribution of funds, subject to hydraulic fracture consent.

<sup>2</sup> United Kingdom Onshore Oil and Gas (UKOOG) is the representative body for the onshore oil and gas industry.

<sup>3</sup> <http://www.ukoog.org.uk/images/ukoog/pdfs/communityengagementcharterversion6.pdf>

# Priorities for the Shale Wealth Fund

## 2

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### Who should benefit:

**2.1** The government is committed to delivering an economy that works for everyone, through ensuring that the benefits of economic growth and investment are spread as widely as possible. In the consultation, the government proposed that communities which are local to shale developments should be the first to benefit from the Shale Wealth Fund, and that they should get to decide how a proportion of the funding is used. We also proposed that some of the fund could be directed towards investment in wider localities, to enhance specific regional economies, for example within counties where sites are situated or even across administrative borders.

**2.2** In the consultation, we sought views on the priorities for the Shale Wealth Fund. In particular, it focused on who should benefit from the fund: on whether funds should be shared between investment in local communities investment in wider localities, what this balance between local and regional priorities should be, and whether this should be a defined or flexible split.

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

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

**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?

**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?

**2.3** Overall, there was strong support from respondents to these questions for the majority of funds to go to local communities, and for local communities to benefit before the fund contributes to wider regional investment.

**2.4** For example, the majority of respondents to question 1 supported prioritising the Shale Wealth Fund for investment in local communities and larger regional projects. However, around a third of respondents to this question opposed using the fund for investment in wider localities, preferring that the fund only benefit local communities. These responses raised concerns that spending the fund at a regional level would dilute benefits for communities hosting shale sites. Another concern was that funds might be absorbed into existing Council budgets for spend on projects that did not specifically benefit shale communities. A small minority thought it should be spent on specific types of project, including renewables, or infrastructure.

**2.5** Regarding the 'trickle up' principle, question 2, almost three quarters of respondents felt that funding should go towards investment in local communities first. A common theme in these responses was that only once local needs have been met should funding go towards investment in wider localities. Amongst those who opposed the trickle up principle, the majority wanted all of the fund to go to local spending. Responses which were familiar with the industry

community benefits scheme showed a slight preference for targeting the fund at regional funding, to complement the industry's offer.

**2.6** Similarly, on the allocation of the fund between local and regional investment, questions 3 and 4, there was a preference for more of the fund going to local over spending on wider localities. However, almost two thirds of respondents recognised the difficulties in fixing this proportion until the magnitude of shale revenues become clearer.

### **Government response:**

**2.7** The government will deliver a Shale Wealth Fund which has community and individual decision-making at its heart – one where the interest of local people is paramount. That is why at Autumn Statement, the government confirmed that local communities will be the first to benefit from the Shale Wealth Fund. In line with our manifesto commitment, this means that local needs should be identified and targeted before the fund is spent on broader regional projects.

**2.8** However, it may be that some communities wish for funds to be deployed wider than the immediate local vicinity, for example infrastructure such as transport links at a county level or even across existing administrative border. Therefore, wherever the fund is deployed on such projects in the wider locality around a shale development, it should be for the benefit of communities hosting shale sites in those areas. There will have to be a clear case for how projects in wider localities will support local community needs and accountability in how decisions are then made. We are clear that any SWF funding going to projects in any vicinity will be additional to existing government funds and the industry benefits scheme.

**2.9** Given the clear preference for local projects and spending in the consultation we believe that a 'local first' approach is the way forward. Along with developing a delivery framework we will do further work on how under certain circumstances decisions could be made to support projects in wider localities. Definition of a local area for the purposes of the SWF will be determined once more information on the location and distribution of sites is available.

## **Deciding how the fund is spent and what it is spent on**

**2.10** 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. In the consultation, we set out a vision that local residents in areas where shale development takes place should get a direct say over 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.

**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?

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

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

**2.11** There was very strong support for the proposal that local people should determine how the Shale Wealth Fund is spent in their area, question 9. Almost three quarters of those who answered the question supported it and only 5% opposed this principle. Common themes in the consultation response included the importance of locally representative decision making, ensuring decisions are transparent and that decision makers are accountable to the local community.

**2.12** In response to question 10, similar themes emerged around the importance of local decision making, and the importance of this being locally representative and transparent. Other suggestions included giving priority to projects which have local employment or supply chain opportunities and funding local community projects or meeting existing community funds.

**2.13** In response to question 14, on how government can ensure that decisions are as directly influenced by local residents as possible, most respondents reiterated the importance of allowing local people to decide. A number of responses mentioned that local consultation might be one way to achieve this, with a handful of respondents suggesting the use of locally representative panels or local referenda.

**2.14** A number of responses began to explore possible administrative models for defining local areas and ensuring that local people have a significant say over how the fund is spent. Where appropriate, we have referenced these views in the later sections on managing the Shale Wealth Fund.

**2.15** In the consultation, we did not seek to prescribe exactly how the Shale Wealth Fund should be spent. We sought views on priorities for the fund, suggesting types of local projects and projects in wider areas that could be prioritised, and views on direct, household level payments. We also suggested creating a set of funding goals for the Shale Wealth Fund, which could include:

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

**2.16** In wider localities around communities, the government proposed that 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.

**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?

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

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

**2.17** At a local level, there were mixed views about ring-fencing the fund for a particular purpose, question 11. Around 40% were in favour of ring-fencing with 20% opposed. However, there were differing views on what ring-fencing meant – some thought it should be ring-fenced for specific purposes, whilst others thought the fund should be ring-fenced to ensure local people had a say over the fund. In general, there was significantly more support for setting a flexible set of criteria or objectives for the fund, and allowing local communities a say over the precise allocation between these priorities, than for setting precise allocations of the fund to particular priorities.

**2.18** A significant number of responses referenced particular local priorities, which the Shale Wealth Fund could support. The most popular were:

- energy projects: including local renewable projects, and home insulation
- local infrastructure: transport projects and improving broadband connectivity
- community priorities: development of community assets, heritage projects, and local environmental projects

**2.19** On question 12, the question of the appropriateness of direct, household level payments, we received a variety of responses. Those who supported the principle thought this was the best way to ensure that local people have a direct say over how the Shale Wealth Fund is spent in their area. Those who opposed it raised concerns that household payments might be divisive within communities, and may not leave a positive or lasting legacy for the community to share.

**2.20** Regarding regional spend, question 16, a significant number of responses suggested possible priorities for the fund to be spent in wider localities. The most popular were similarly related to energy projects, local infrastructure, investment in skills and environmental projects. However, a number of respondents referred back to their preference for local projects and needs to be funded before spending on projects which benefitted the wider locality. A small minority of respondents reiterated their opposition to any of the Shale Wealth Fund being spent on regional projects.

### **Government response**

**2.21** The government believes that local people are best placed to understand the needs of their own communities. We also believe that local people should benefit first from decisions that affect them and that they should benefit from the proceeds of economic growth. At Autumn Statement, the government confirmed that local communities will determine how the Shale Wealth Fund is spent in their area, and we reiterated in our manifesto that we would make sure the fund sees a greater percentage of the tax revenues go to local communities.

**2.22** There was strong support for the principle of consulting with local communities. As this is a new approach, we will continue to develop our proposals by seeking local views. We will undertake further work to identify an approach which delivers widespread consultation with the local community without incurring unnecessary administrative costs, which could erode the value of the fund.

**2.23** There are models for other community benefit schemes already in practice. However, we want to ensure that the model for decision making and administration are right for the Shale Wealth Fund and the communities which host shale gas. Once the first evaluations of the industry community scheme pilots are complete, the government will learn lessons and develop options for delivering widespread consultation with local communities.

**2.24** Given the common themes which emerged through the consultation response, the government believes the proposed goals for the Shale Wealth Fund, of improving access to public services, contributing to the local and regional economy, investing in the natural environment, and contributing to the local community are the right goals for the fund. We will therefore ensure that they become a part of the examples provided to local communities when the fund goes live.

**2.25** Responses to the consultation showed support for particular types of local priorities, including energy, infrastructure and environmental projects – these are consistent with the proposed goals for the fund. For example, although not explicitly referenced, energy projects, either energy generation or efficiency, would be consistent with the goals of the fund.

**2.26** There was also a clear interest from those who responded to the consultation in the Shale Wealth Fund being used to deliver household level payments. For that reason, the government can confirm that the potential for communities to benefit from money being paid directly to local residents in host areas will be included within the principles of the Shale Wealth Fund. This will mean that more control and resource will be put in the hands of local households. The government is clear, however, that the principle is that it should be for communities to decide whether or not they want a household level payment scheme, with the ability to choose other local funding options if desired. This ensures local decision-making is at the heart of the scheme, allowing communities to prioritise what they believe works best.

**2.27** We can therefore confirm a coherent set of principles that will guide the development of the detail of the scheme going forward:

**2.27.1** The Shale Wealth Fund will deliver real local decision making, by allowing local communities to determine how the Shale Wealth Fund is spent in their area. This includes the potential for household level payments.

**2.27.2** The Shale Wealth Fund should meet local needs and maximise benefits to local communities, and should:

- 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
- invest in the local natural environment for the benefit of local people and the local economy
- 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
- or, as mentioned above, allow communities to benefit from household payments

The government will develop a further set of detailed principles to maximise the benefit to communities based on these goals for funding,

**2.27.3** The Shale Wealth Fund will, first and foremost, provide benefits to local communities. Schemes and projects in wider localities will take second priority. Where it is spent on such projects, this should benefit communities hosting shale sites in those areas.

**2.27.4** The Shale Wealth Fund will provide additional benefits to local communities. It will be additional to existing local government funding, and will not replace or reduce existing local spending.

**2.27.5** The Shale Wealth Fund will be administered in a way which ensures that decision making is locally representative, that any decision makers are accountable to local communities, and that decisions on how the fund is spent are transparent. We will undertake further work [including with the shale industry] on how to define local areas once shale production is underway. We will consult with communities and develop options for scheme administration that puts community decision making at the heart of its structure.





# Administering the Shale Wealth Fund

## 3

**3.1** The consultation asked a number of questions on how the Shale Wealth Fund should be administered to meet the above objectives. There was limited clear evidence for particular models. The industry has made clear progress in deploying its exploration stage community benefits schemes. However, there is still work to do in terms of assessing how communities might best benefit from a production phase scheme such as the Shale Wealth Fund. Therefore, this section commits to a series of principles which will underpin the eventual design of the Shale Wealth Fund.

### Defining local and wider area boundaries:

**3.2** The government sought views on how best to define local community and wider area boundaries for the purpose of eligibility for the fund. We explained that the footprint of shale sites are likely to have different characteristics when compared to other kinds of energy developments. Until shale production begins, we will not have a full picture of precisely which areas will host shale developments, and how the communities associated with a particular development should be defined. In the consultation, we proposed either defining local communities on a case-by-case basis or developing a general set of principles, rather than developing specific criteria for defining local communities.

**3.3** At the wider area level, the government suggested that boundaries could be drawn using existing county, combined authority or Local Enterprise Partnerships (LEPs) boundaries, or using the geographical distribution of shale sites.

**Question 5:** Do you have views on how the “local community” should be defined for the purposes of the Shale Wealth Fund?

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

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

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

**3.4** There were a mixture of views on how best to define local communities, in response to question 5. The two most popular suggestions were to either use existing local boundaries or to set a radius around shale sites. On using local boundaries, the most popular response was existing Parish Council boundaries – respondents felt that Parish Council boundaries would be small enough to ensure that local communities would feel tangible benefits. A number of responses expressed concern about using larger, county level boundaries to define local communities, feeling that this would dilute possible benefits. On setting a radius around shale sites, a number of responses proposed possible distances, ranging from 1km to 10 miles, with the inclusion of access routes where appropriate. At their core, these responses supported the principle that those closest to shale sites ought to see the greatest benefit.

**3.5** The majority of respondents supported the view that local communities ought to be defined on a case-by-case basis, in response to question 6. These responses highlighted that most communities will be different, and that it was important to retain some flexibility in defining boundaries. However, around a third of respondents opposed this principle, feeling that this would create confusion for local communities, and that defining each local area could create significant additional administrative burdens. To mitigate against this, a number of responses suggested that it might be helpful to develop a set of principles, to ensure that local communities will be defined in a consistent manner.

**3.6** There was significant support for the idea of developing a set of principles to ensure consistency of approach for different shale developments, in response to question 7. There was some confusion in response to this question – some responses interpreted this as a set of principles for defining a local area, whilst others interpreted this as a series of principles for determining how the Shale Wealth Fund should be spent.

**3.7** There was a mixed response to defining wider area boundaries, in response to question 8, and similar themes emerged around using existing boundaries or marking a radius around a site. Whilst there was some support for using existing boundaries to avoid confusion, there was limited consensus on which of the existing boundaries would be most appropriate. Similarly, there was limited consensus on how best to define an appropriate radius from the site.

## **Managing the fund:**

**3.8** The government sought views on how the Shale Wealth Fund could be managed at a local level. We set out a range of options, including using existing local bodies such as Parish or District Councils, using the body which will administer the industry community benefits scheme, or the establishment of a new or independent decision-making body to administer the Fund. The government was clear that regardless of the model, it should be as representative of the local community as possible, and residents and communities should be as directly involved in decision making as possible.

**3.9** At a wider area level, the government set out options for delivering the Shale Wealth Fund through either grants to regional (e.g. county or LEP level) organisations, or through organisations bidding into the fund for regional level projects. To administer the fund, the consultation set out a range of options, including using existing regional or national governance bodies or a newly established regional board.

**Question 13:** Do you have views on who should make decision 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?

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

**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?

**3.10** Consultation responses to the question of how the fund should be administered at a local level largely fell into two models:

- use existing local representatives: there was significant support for Parish Councils administering the fund at a local level. Respondents who supported this model felt that Parish Councils would be locally representative and accountable to the local community
- use a third-party administrator: the next most popular model involved the use of a third-party administrator, either a using an existing body or establishing a new one. Respondents who supported this model thought this model thought it might have greater scope to involve local people in decision making, and would benefit from being apolitical

**3.11** At a wider area level, there was a slight preference for bids over grants, with around a third of respondents supporting bids, and around 10% supporting grants. Those in support of bids felt it would allow projects to be assessed on their own merit, and might be more likely to deliver genuine benefits to local communities. These respondents raised concerns that grants might favour existing organisations and activity, rather than being targeted towards local priorities. However, a large proportion of respondents were undecided.

**3.12** On regional administration, we did not receive a conclusive response. A number of respondents noted that until 'region' was defined, it would be difficult to decide on an appropriate body. Similar to the response on local administration, responses were generally grouped into the Shale Wealth Fund being managed by an existing body, such as a district or county council, or by a third-party administrator. A significant proportion of respondents did not answer this question.

**3.13** Respondents were clear that, whatever the administrative mechanism, it ought to represent the views of local and communities and those in wider localities when making decisions about how the Shale Wealth Fund is allocated. Furthermore, a number of respondents suggested that decision making should be transparent, and that decision makers should be accountable to communities.

## **Interaction with the industry community benefits scheme:**

**3.14** The government sought views on whether it would be appropriate to align the Shale Wealth Fund with the industry community benefits scheme into a single, consolidated fund. It suggested that this model could provide greater clarity to local communities on and could reduce the costs of scheme delivery. However, the government was clear that this approach would require that the objectives and outcomes for the Shale Wealth Fund to be sufficiently aligned with the industry and its benefits scheme.

**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?

**3.15** There was a marginal preference for aligning the Shale Wealth Fund with the industry community benefits scheme, though around 40% of the respondents did not answer the question. Those who supported a consolidated fund felt that pooling resources over the lifetime of a shale site would allow local communities to plan strategically over the long term, in addition to the possible benefits of reduced delivery costs. Those who opposed it felt that it was important to keep a degree of separation between the government and industry schemes, as this might create confusion for communities.

## Government response

**3.16** The responses to this consultation will be a helpful guide as government develops the detail operation of the Shale Wealth Fund. Given the novel nature of the scheme itself it is clear that there are further details that will need to be agreed, and where we should seek the views of the local communities.

**3.17** It is important that the range of benefits which shale exploration and production may bring to a local area forms a coherent package for communities. Going forward the government will engage with industry and local communities to further develop the scheme. In particular, we will:

- work with the shale industry, once the first evaluations of the industry community scheme pilots are complete, to
  - ensure that the Shale Wealth Fund and industry community benefits scheme complement each other, and provide the maximum benefits to local communities and wider localities
  - learn lessons from the industry community benefits schemes on how best to involve local communities in deciding how funds can be spent in their area
  - consult with communities further on whether further alignment with the industry scheme would be in communities interest
- undertake further work on how to define local areas once shale production is underway
- following this, we will consult with communities and develop options for scheme administration that take community decision making into account, ensuring that:
  - local people have a direct say over how the fund is spent in their area, whilst minimising administrative costs and maximising the money going to their communities
  - there are transparent decision making processes, and is accountable to communities
- under certain circumstances decisions could be made to support regional projects subject to clear involvement from, and benefit to, the local community- the community would clearly have to decide that investment in wider regional projects was of sufficient benefit to warrant funding.

## Next steps:

The government is committed to delivering a Shale Wealth Fund that puts local people first. This document confirms a number of specific policy decisions and sets out a number of clear principles that will guide the detailed design of the Fund going forward.

As outlined above, there are a number of areas on which more evidence is required before setting out greater detail of how the scheme will work in practice. These are outlined in paragraph 3.17.

There is a clear interdependency with the development of the shale industry itself. The industry is currently beginning the exploration stage, with the first exploration planning approvals gained this year. We expect that if the exploration stage is successful the production stage could begin in the early period of the next parliament.

The deployment of the Shale Wealth Fund depends both on production and the profitability of the industry, which will determine the level of tax that can be attributed to shale production and, therefore the Shale Wealth Fund.

In the meantime, we will work with the industry to learn from its exploration stage community benefits schemes and continue to consult openly with communities, local areas and industry on how best to design a Shale Wealth Fund that puts local people at its heart.



# A List of respondents

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This annex provides a list of organisations that responded to the government consultation. Only organisations are listed; in addition, there were 115 responses from individual members of the public. Please note, where submissions did not provide evidence or answer any of the questions in the consultation, we have counted these as enquiries and not formal responses.

The government is grateful to all those individuals and organisations who responded.

Association of Directors of Environment, Economy, Planning and Transport

Avanti Gas

Blackburn-with-Darwen Borough Council

Braunstone Town Council

Bryning-with-Warton Parish Council

Campaign for National Parks

Campaign to Protect Rural England

Central Association of Agricultural Valuers

Centrica

The CLA

Cuadrilla Resources

District Councils' Network

Dorset County Council

EB Scotland

Entrust

Environment Agency

Friends of the Earth

Foundation Scotland

Frampton on Severn Parish Council

Fylde Borough Council

Gotham Parish Council

Greenpeace

Habton Parish Council

Hampshire County Council

Hertfordshire County Council

Historic England

Historic Religious Buildings Alliance

IGas Energy

INEOS Shale

Lancashire County Council

Leavening Parish Council

Leeds City Council

Lincolnshire County Council

National Association of Local Councils

National Churches Trust

National Farmers' Union

N-Vision

North Yorkshire County Council

North Yorkshire Moors Association

Nottinghamshire County Council

Radcliffe on Trent Parish Council

Ranskill Parish Council

Roseacre Awareness Group

Ryedale District Council

South Downs Society

Tamboran Resources

Treales, Rosacre & Wharles Parish Council

UK Community Foundations

United Kingdom Onshore Oil and Gas

Weeton-with-Preese Parish Council



Westby-with-Plumpton Parish Council

West Yorkshire Combined Authority and Leeds City Region Enterprise Partnership

The Wildlife Trust (Lancashire, Manchester and North Merseyside, and Yorkshire)

Wyre Borough Council

Zetland Group





### **HM Treasury contacts**

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

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