

**SCOTTISH GOVERNMENT ISLANDS PROGRAMME AND CARBON NEUTRAL  
ISLANDS CAPITAL FUNDING**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to provide information on the Scottish Government's Island Programme and Carbon Neutral Island Capital Fund. On 5 June 2024, the Scottish Government announced that £3m would be available through the Islands Programme for the 2024/25 financial year to fund capital projects on inhabited Scottish islands. A further £1m is available through the Carbon Neutral Islands Capital Fund which is available for suitable capital projects on Islay. The funds will be distributed on a competitive basis and this paper provides background to the funds and sets down the proposed projects which will form the basis of our applications to the Scottish Government.
- 1.2 The timescale for applying for this funding requires applications to be submitted by 30 August 2024 with a decision expected during autumn 2024. Grant drawdown must be completed by 31 March 2025.
- 1.3 Teams across the Council and Health and Social Care Partnership have identified potential projects for the Islands Programme which have been considered against the criteria and scoring for the fund. A similar process has taken place with Islay Energy Trust, as the key local stakeholder involved in delivery on the Islay Climate Change Action Plan. Given the need to submit applications by the 30 August 2024 deadline, work is underway in relation to the following projects which were deemed to fit most closely with the fund requirements.

Islands Programme (IP)

<b>Project Name - description</b>	<b>Project Lead</b>	<b>IP funding request</b>	<b>Total project value</b>
Thomson Court – increase capacity of care facility by 2 bed spaces	HSCP	£300,000- £400,000	£500,000

Jura Ferry – concept design for new vessel	Roads and Infrastructure Services	£200,000	£200,000
Jura Ferry Bunkhouse – conversion of Port Askaig pier building into crew bunk house	Roads and Infrastructure Services	£200,000	£200,000

#### Carbon Neutral Islands (CNI) Capital Fund

<b>Project Name - description</b>	<b>Project Lead</b>	<b>CNI funding request</b>	<b>Total project value</b>
Solar Islay – a project to install photovoltaic solar panels on community buildings	IET	TBC	TBC
Cornabus Forest Development – purchase of equipment to facilitate management and harvest	Islay Development Initiative	TBC	TBC
Electric minibuses – purchase of electric vehicles to facilitate community transport	TBC	TBC	TBC
Cornabus Orchard – the establishment of an orchard	Islay Development Initiative	TBC	TBC

- 1.4 Members are asked to note that this is a competitive bidding process open to all Scottish local authorities with inhabited islands and it is considered likely that the fund will be oversubscribed. As such, it is important that projects are sufficiently developed to enable the best chance of success and to ensure that if successful the funding can be fully accessed for the benefit of these island communities.

#### **RECOMMENDATIONS**

It is recommended that the Policy and Resources Committee:-

- i). Note the process for applying to the Islands Programme and Carbon Neutral Islands Capital fund and the 30 August 2024 deadline for applications.
- ii). Approve the recommended projects which will be submitted to the call for applications as detailed at paragraph 4.7 and 4.10.
- iii). Agree to delegate authority to the Executive Director with responsibility for Development and Economic Growth in consultation with the Leader, Depute Leaders and the Leader of the largest Opposition Group, to approve the funding bids prior to submission to the Scottish Government and to manage the funding should the applications be successful.

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**2.0 INTRODUCTION**

- 2.1 On 5 June 2024, the Scottish Government announced that Islands Programme funding of £3m would be available for the 2024/25 financial year to fund capital projects on inhabited Scottish islands. The fund is open to all local authorities in Scotland with inhabited islands and will be distributed on a competitive basis. The fund will be administered by Scottish Futures Trust (SFT) on behalf of the Scottish Government. They also announced a £1m fund to support the Carbon Neutral Islands in their progression towards net zero. This fund is open only to islands selected as Carbon Neutral Islands, Islay for Argyll and Bute, for capital works to support their Climate Change Action Plan. This paper provides background to the funds and sets down the proposed projects which will form the basis of our applications to the Scottish Government.

**3.0 RECOMMENDATIONS**

It is recommended that the Policy and Resources Committee:-

- i). Note the process for applying to the Islands Programme and Carbon Neutral Islands Capital Fund and the 30 August 2024 deadline for applications.
- ii). Approve the recommended projects which will be submitted to the call for applications as detailed at paragraph 4.7 and 4.10.
- iii). Agree to delegate authority to the Executive Director with responsibility for Development and Economic Growth in consultation with the Leader, Depute Leaders and the Leader of the largest Opposition Group, to approve the funding bids prior to submission to the Scottish Government and to manage the funding should the applications be successful.

## 4.0 DETAIL

### Islands Programme

4.1 The key objectives of the Islands Programme for 2024/25 are:

- To sustain, enhance and develop transformational and critical infrastructure projects based on local priorities whilst supporting the National Islands Plan.
- To reshape infrastructure by supporting shovel worthy projects, co-ordinating with other funded and planned initiatives on the islands to drive sustainable island growth.
- To support projects which use clear Place based, Community Wealth principles to support inclusive island growth and reduce poverty while working to achieve the Scottish Government's Net Zero Ambitions and a Just Transition.
- To maximise leverage of partnership, investment, and cross policy funding.

4.2 The Council has been successful in securing £1.5m of Islands Programme funding over the last two financial years which has helped to deliver flood protection, digital infrastructure, care facilities and housing enabling infrastructure on the islands of Mull, Iona, Islay, Tiree and Coll. The 2024/25 funding pot is £3m, significantly less than in previous years - £4.5 million in 2022/23 and £4.1 million in £2023/24 - with an indication that this may be further reduced due to the Scottish Government's financial position going forward.

4.3 In notifying the Council of the opening of the Islands Programme for 2024/25, the Scottish Government advised of the following timescale for submission and determination of applications:

- Applications deadline – 30 August 2024
- Investment Panel recommendations – Mid September 2024
- Projects for 2024/25 funding announced – Autumn 2024
- Grant drawdown / project delivery - to 31 March 2025, with preference for those where a financial commitment can be made before 31 December 2024.

It should be noted that the timescale for submission and drawdown of this fund is significantly shorter than in previous years and this has informed the process for identifying projects that are sufficiently developed to be eligible for this year's programme, there is no facility for funding to be carried forward into 2025/26.

4.4 Officers from the Transformation Projects and Regeneration Team have contacted Piers and Harbours, Infrastructure Design, Commercial Services, Strategic Transportation and the Health and Social Care Partnership to identify potential projects to form the basis of applications. Due to the short timescale for submission of applications, the fact the application period falls over the summer holiday period, the limited pot of funding available and subsidy control regulations we have focused on Council and other public sector projects which we believe can meet the timescales.

4.5 All suggested projects were considered against the advised scoring methodology for the fund

- Deliverability (30%)
  - Demonstrating Deliverability
  - Viability
- Need and Partnership (35%)
- Project Outcomes (35%)

SFT have emphasised there is a particular importance on deliverability and that this is a primary consideration for assessment as there is no ability for funding to be carried forward into the next financial year. Projects must be able to demonstrate that a financial commitment (i.e. have spent the money or have a signed contract) will be in place before 31 March 2025. Guidance from SFT highlights that any projects likely to reach the stage of a financial commitment after 31 December 2024 would likely not be prioritised for funding. This is a challenging timescale given the need to follow public procurement regulations, confirm any match funding and obtain any consents that may be necessary before contracts can be signed.

4.6 Following identification of a range of projects these were discussed with SFT and their early opinions on which fit most closely with the requirements of the fund were sought. During these discussions they highlighted a particular desire to utilise the 2024/25 funding to focus on improving living standards, reducing poverty and strengthening wellbeing. On this basis, the Bute project listed below were well received as Rothesay is considered to be an area of multiple deprivation evidenced by Scottish Index of Multiple Deprivation (SIMD). The SIMD shows Rothesay town centre being within the 10% most overall deprived datazones in Scotland. They were also keen to see projects which supported islands which have not previously received Islands Programme funding and neither Bute nor Jura have benefited to date.

4.7 Giving consideration to the guidance provided by SFT, it is recommended that the following projects are submitted as applications and, due to the timescales for submission of applications, work is already underway in preparing these applications for submission before the deadline of 30 August 2024.

<b>Project Name - description</b>	<b>Project Lead</b>	<b>IP funding request</b>	<b>Total project value</b>
Thomson Court – increase capacity of care facility by 2 bed spaces	HSCP	£300,000	£500,000
Jura Ferry – concept design for new vessel	Roads and Infrastructure Services	£200,000	£200,000
Jura Ferry Bunkhouse – conversion of Port Askaig pier building into crew bunk house	Roads and Infrastructure Services	£200,000	£200,000

## Carbon Neutral Islands Capital Fund

- 4.8 In addition to the Islands Programme, the Scottish Government is also making £1m of funding available to support the Carbon Neutral Islands (CNI) in their progression towards becoming net zero. The CNI project is a Scottish Government commitment aimed at supporting six islands to become carbon neutral by 2040. The identified island within Argyll and Bute is Islay and following selection the CNI team have been working with the local community to develop a Climate Change Action Plan. Islay Energy Trust (IET) has led this work on Islay and have been instrumental in preparing and now starting to implement the Action Plan.
- 4.9 We have been working with IET, who in turn have been working with other Islay based organisations, to identify potential projects which would meet the requirements of the fund. The timescale for application, decision and expenditure mirror those of the Islands Programme with a focus that outputs and outcomes should also contribute to the Climate Change Action Plan. For the CNI Capital Fund there is a minimum project value of £75,000.
- 4.10 At the time of writing we are seeking a meeting with SFT to discuss the applications, however at this stage it is recommended that the following projects are submitted as applications and, due to the timescales for submission of applications, work is already underway in preparing these applications for submission before the deadline of 30 August 2024.

<b>Project Name - description</b>	<b>Project Lead</b>	<b>CNI funding request</b>	<b>Total project value</b>
Solar Islay – a project to install photovoltaic solar panels on community buildings	IET	TBC	TBC
Cornabus Forest Development – purchase of equipment to facilitate management and harvest	Islay Development Initiative	TBC	TBC
Electric minibuses – purchase of electric vehicles to facilitate community transport	TBC	TBC	TBC
Cornabus Orchard – the establishment of an orchard	Islay Development Initiative	TBC	TBC

- 4.11 Members are asked to note that these are competitive bidding processes open to all Scottish local authorities with inhabited islands and it is considered likely that the funds will be oversubscribed. As such, it is important that projects are sufficiently developed to enable the best chance of success and to ensure that if successful the funding can be fully accessed for the benefit of these island communities.

- 4.12 Once applications are submitted, the Transformation Projects and Regeneration Team will continue to liaise with SFT and the identified project lead to deliver successful projects and fulfil the monitoring and reporting requirements which will form part of the funding conditions. Project Officers within the project lead service will be identified to manage the delivery of successful projects and ensure all funding is drawn down in line with the criteria for the programme.

## **5.0 CONCLUSION**

- 5.1 The Islands Programme and Carbon Neutral Islands Capital Fund offers an important source of funding to support island based infrastructure projects which can help to sustain and enhance our island communities. Despite the reduced timescale for applying for funding this financial year, we believe that there are a number of projects which meet the criteria of the programmes and will support the delivery of essential infrastructure and sustainability on our island communities.

## **6.0 IMPLICATIONS**

- 6.1 Policy – all applications are required to support the Scottish Government’s National Islands Plan as well as other relevant national and local policy documents. CNI applications will also support local Climate Change Action Plans.
- 6.2 Financial – if successful, the projects will secure funding from the Scottish Government however the Thomson Court – HSCP project will also require match funding, where this is the case and it impacts on the Council this will be sought through other Council/HSCP approval processes.
- 6.3 Legal – the support of legal services will be required in relation to the grant contract, creation of standard securities and other legal requirements associated with the funding.
- 6.4 HR – as an applicant for the grant there is an expectation that the Council meets the Fair Work First requirements of the Scottish Government. As the council currently do not meet all requirement, HR is supporting our application for an exemption. Staff time will be required to prepare the applications, monitor and report on the applications and deliver the projects.
- 6.5 Fairer Scotland Duty:
- 6.5.1 Equalities - protected characteristics – no implications anticipated.
- 6.5.2 Socio-economic Duty – the Island Programme projects seek to support critical island infrastructure for the benefit of the wider community. The CNI projects seek to support community organisations or generate community wealth which can then support the local community.

- 6.5.3 Islands – all projects are required to be based on an inhabited island to be able to bid for funding, the limited amount of funding available and the nature of the fund means that it isn't possible for all island communities to benefit from this round of funding.
- 6.6 Climate Change – The Islands Programme projects will have varying impacts on climate change but all projects will look to minimise any negative impacts where possible. The Thompson Court project could help to minimise emission by enabling relatives to remain close to their families. The Jura Ferry projects will support a lifeline transport service and should funding be secured for the ferry replacement enable to provision of a more modern vessel with the benefits that this brings. All projects put forward for CNI Capital Finding are focused on supporting the delivery of the Islay Climate Change Action Plan and making a positive contribution toward the move to net zero.
- 6.7 Risk – each project will have its own risks which will be managed by the team identified as the project lead. At this stage, there is a risk that the funding applications will not be successful and significant staff resource is required in developing and submitting applications. Given the time timescale for expenditure, there is a risk that delays in project delivery could reduce the funding received.
- 6.8 Customer Service – no implications anticipated.
- 6.9 The Rights of the Child (UNCRC) – no implications anticipated.

**Kirsty Flanagan, Executive Director with responsibility for Development and Economic Growth**

**Councillor Jim Lynch, Depute Policy Lead for Economic Development, Housing, Communities and Islands**

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**For further information contact:**

Fergus Murray, Head of Development and Economic Growth  
[Fergus.Murray@argyll-bute.gov.uk](mailto:Fergus.Murray@argyll-bute.gov.uk)

Jonathan Welch, Rural Growth Deal Programme Manager  
[Jonathan.Welch@argyll-bute.gov.uk](mailto:Jonathan.Welch@argyll-bute.gov.uk)