

> Empowering Scotland's Island Communities

June 2014

Island Areas Ministerial Working Group



The Scottish
Government
Riaghaltas na h-Alba



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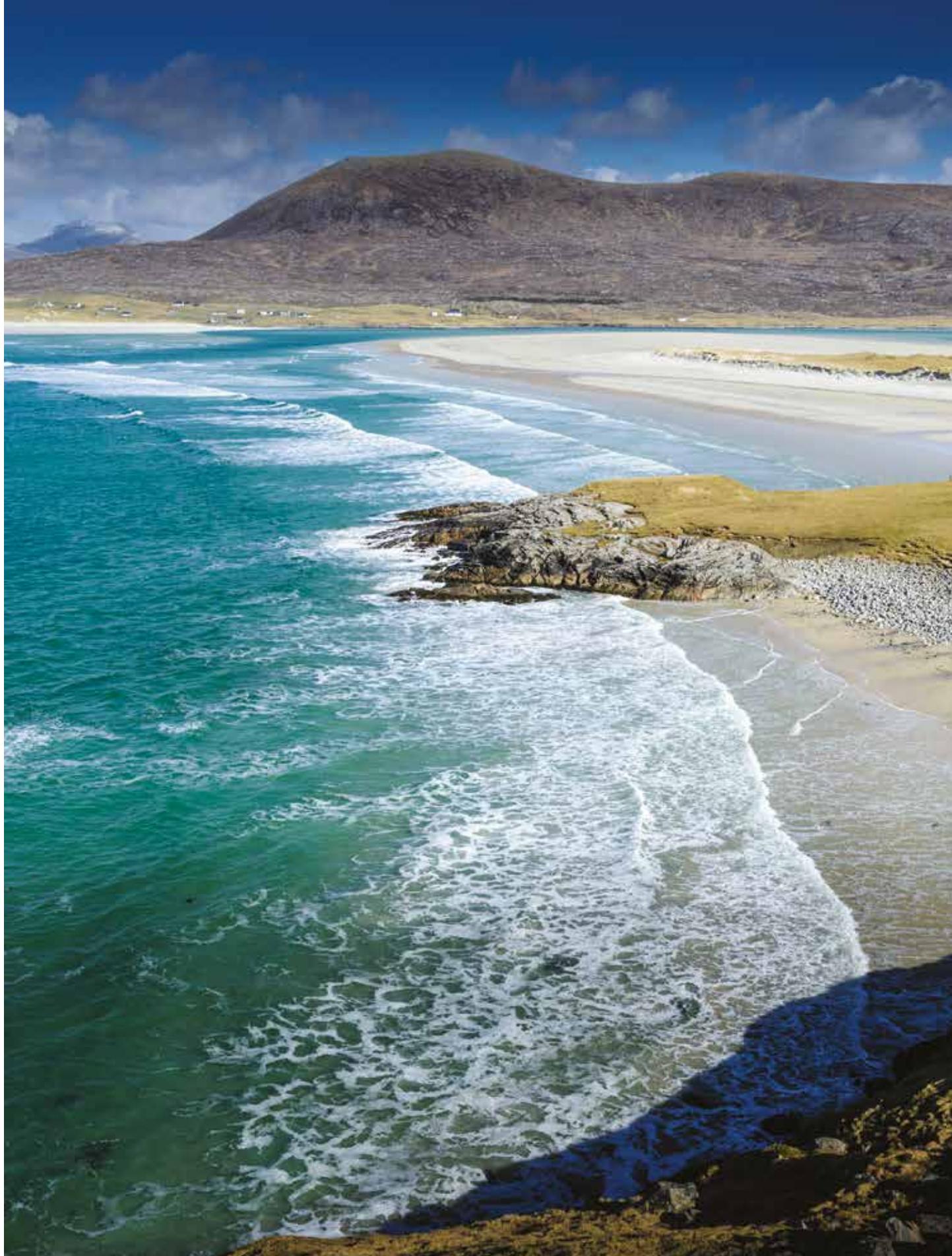
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Foreword

by the Chair of the
Island Areas Ministerial
Working Group

The forthcoming referendum on Scotland's constitutional future creates a once in a generation opportunity for democratic renewal.

Should Scotland choose to become an independent country we will see decisions about what happens in Scotland taken by those who care most about Scotland, the people who live and work here. That will see the wealth and resources of Scotland deployed in Scotland's best interests.

That is a hugely exciting opportunity for our nation.

In July 2013, as part of Scotland's journey toward independence, the First Minister set out the Lerwick Declaration.

> *We believe that the people who live and work in Scotland are best placed to make decisions about our future – the essence of self-determination; therefore we support subsidiarity and local decision making.*

The Lerwick Declaration has guided our engagement with Scotland's islands.

Meeting on Shetland, the Scottish Government established the Island Areas Ministerial Working Group to take forward the bold proposals set out as part of the Our Islands Our Future campaign by Shetland Islands Council, Orkney Islands Council and Comhairle nan Eilean Siar.

The working group has met six times over the last year and I commend the three Islands Councils on their ambition and their commitment throughout this process.

The Scottish Government recognises that, whilst the three Islands Councils are in a unique position, Scotland has altogether 93 inhabited islands, all of whose communities can benefit from greater empowerment.

On 16 April 2014 at a Cabinet meeting in Stornoway, we confirmed our support for constitutional protection for our islands.

This prospectus, *Empowering Scotland's Island Communities*, relates wholly to Orkney, Shetland and the Western Isles, and following my discussion with Highland, Argyll & Bute and North Ayrshire Councils we also propose nearly all of the measures as applying to the other Island Areas in Scotland. This is therefore a prospectus for all of Scotland's islands.

Increased power brings with it increased responsibility and accountability. In proposing this prospectus, both the Scottish Government and representatives from across our Island Areas have ensured that increased autonomy for island communities is the right package to ensure that Scotland's islands can address the challenges they face and seize the opportunities for economic growth that are available.

Twenty-first century technology can help bridge the geographical distance that currently constrains island ambitions. Renewable energy can power island economies and with greater empowerment communities can deliver a more sustainable future with better housing, lower fuel bills and better transport links. Capturing the abundance of natural resources and the ingenuity of island populations will increase employment, improve local services, grow island economies and benefit not just Scotland's islands but our country as a whole.

This prospectus is a package recommended by all members of the Island Areas Ministerial Working Group. It is predicated on the transfer of all powers to the Scottish Parliament that independence would deliver, to ensure decisions best determined by island communities are made by those island communities.

Independence provides a clear opportunity to extend the principle of self-determination and the Scottish Government's commitment to community empowerment. It is an opportunity for Scotland's islands to secure a better and more prosperous future; and it is an opportunity that I hope will be seized across all of our islands.



Derek Mackay MSP
Minister for Local Government & Planning

Foreword

by the Our Islands
Our Future Leaders

Almost exactly one year ago, on 17 June 2013, the three Islands Councils of Orkney, Shetland and the Western Isles launched the Our Islands Our Future campaign.

We did it believing, as we still do, that our island groups have particular characteristics and face particular challenges due to our geographic remoteness and small populations – and that empowering our local democracies as happens elsewhere in Europe’s Island Areas would allow us to unlock the potential of our islands for the benefit of all of our dispersed communities, and for the country itself.

Our belief is that this can be achieved by giving us the tools to sort things out for ourselves, as we are resilient and innovative, and care passionately about our communities. By letting us operate on a level playing field where our disadvantages are recognised and mitigated we can achieve the cohesion that is core to the goals of the European Union. By giving us the fiscal levers to invest in our areas and our communities we can drive sustainable economic growth.

Our campaign respects our differences but recognises that we have much in common, and that our arguments have more weight when they are made by all three of Scotland’s councils solely made up of islands.

Taking a non-party political view and expressing no opinion on independence, making arguments that were reasonable and well substantiated, we posed questions to the Scottish and UK governments and the opposition parties, fully aware that there would be no better time to do this than when Scotland is fundamentally examining its own constitutional status.

The campaign launch immediately drew a positive response from the media and our politicians.

The Scottish Government led with the First Minister’s Lerwick Declaration committing to subsidiarity and that the islands should have the ‘maximum degree of local decision making’.

This was quickly followed up by the establishment of the Island Areas Ministerial Working Group, which over six meetings has allowed us to submit our arguments for empowerment of our local democracies to the Scottish Government for their consideration and response, given substance in this prospectus for the islands.



We do not underestimate the ambition of our campaign, but neither do we underestimate the cultural and economic contribution the islands make to the country.

Our distinct cultures are evident in our musical exports, our Gaelic, Norse, and archaeological heritages, and every time we speak.

The economies of the three island groups rely on a small number of key industries which in the case of fishing, agriculture, aquaculture and oil and gas are of national importance. In the case of renewable energy the peerless resources around our islands and the international lead the islands have in testing and deployment have the potential to make a crucial contribution to national ambitions.

The sea and the seabed are vital to the very survival of our remote island communities.

So it is vital that the communities of the remote island groups acting through and with their Councils and Community Planning Partnerships have the leading role in the sustainable development and exploitation of marine resources, deriving an equitable share of the revenues from them, ensuring that development is not something that is just done to us.

Our remoteness means that connectivity of all kinds is fundamental to us, be it grid connections, postal services, digital communications, or crucially transport by sea or air, both internal to our Island Areas and external to the Scottish mainland.

To us the seas and ferries are our equivalents of roads and railways and buses and trains on the Scottish mainland. They are essential but often place a disproportionate financial burden on our Councils, and we are keen to work with the Scottish Government to address such issues and also to play a central role in design of efficient transport services.

All these issues and more have been discussed in our meetings and responded to by the Scottish Government in this prospectus.

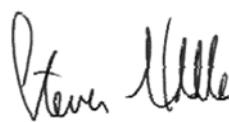
We wish to thank Ministers and officers alike for the productive and helpful way they have worked with us through the deliberations and negotiations of the Ministerial Working Group, not least our chairman, Local Government and Planning Minister Derek Mackay MSP.

Though the Island Areas Ministerial Working Group may have come to an end, our ambitions for our Island Areas will not, and we hope to continue to work productively with the Scottish Government in the future.

We welcome the publication of this document as a very significant step towards realising our ambitions for Our Islands and Our Futures, and recommend it to our Councils and communities for consideration.



Councillor
Angus Campbell
Leader, Comhairle
nan Eilean Siar



Councillor
Dr Steven Heddie,
Convener and
Leader, Orkney
Islands Council



Councillor
Gary Robinson,
Leader, Shetland
Islands Council



Introduction

Scotland's islands are special. They are beautiful and diverse, enjoying rich histories, healthy economies and immense prospects for future growth. And just as Scotland's islands have played a vital role in our history, it is our shared responsibility to ensure all our islands play an essential part in Scotland's future.

The blend of Gaelic, Scots and Nordic cultures is a unique combination which shapes our islands. It is one of the pillars of a strong sustainable tourism industry, along with our superb natural environment, and underpins a thriving creative industries sector. Our food and drink products, including many well-known brands, enjoy global success. Newer industries are growing here too, including financial and business services, and our islands are already making a significant contribution to Scotland's growing success in renewable energy, learning from their previous role in the development of Scotland's oil and gas industry, all nurtured by the island campuses of the University of the Highlands and Islands (UHI).

On 18 September of this year, the people of Scotland will have the opportunity to determine their country's future. This prospect of constitutional change brings with it an opportunity to renew democracy at all levels in Scotland. Indeed, the prospect of the extension of the powers of the Scottish Parliament creates a unique opportunity to consider the right level for decisions to be made in all parts of Scotland. But democracy is first and foremost about people and communities and not parliaments, councils or governments.

In *Scotland's Future* the Scottish Government has set out the opportunities independence can provide for individuals, for households and for business. Crucially independence will ensure that the decisions about Scotland are taken by those who care most about Scotland, that is, the people who live and work here.

The Scottish Government believes that independence will ensure that the people of Scotland will be in charge of our vast wealth and resources and that we can choose to use that wealth to create more jobs and build greater economic security by tailoring economic policy to ensure Scotland's needs are met.

The Scottish Government believes that with independence Scotland's islands can benefit from that same opportunity – the ability to take decisions about their future, to design policies locally and nationally that are in tune with island needs and crucially to access the wealth and resources of the islands to deliver them.

Introduction

continued

Devolution has helped to raise the profile of Scotland's islands. Since 1999 policies developed by the Scottish Parliament have demonstrated a greater understanding of island life and island economies whilst successive Scottish administrations have recognised Scotland's islands as having an important part to play in our national life.

The Scottish Government believes that with independence we will be able to empower not only island communities to make decisions about the issues that affect them, but the Scottish Parliament will be empowered to consider the needs of island communities in new areas of welfare, taxation, telecommunications, energy, immigration, and wider economic policy. Scotland will also be a full member of the European Union and will argue the case for Scotland's priorities in Brussels, many of which directly affect island communities.

Strong communities are essential to the continued wellbeing of our islands. Social and economic development is fundamental to achieving growth and employment opportunities, particularly in remote, sparsely-populated areas. Supporting communities to build dynamic, creative, sustainable places is integral to improving the wellbeing of people on the islands and to building fairer and wealthier communities. Building on their diverse range of resources, opportunities and skills, our ambition is to see every community across the islands reach its full potential.

The people who choose to live and work on our islands are a significant resource with skills and knowledge that we must respect, nourish and unlock to help deliver our shared ambitions for the islands. In empowering islands we must also enhance the consideration of islands needs in national policies. That principle applies to all Scotland's islands. However we also recognise that the three Islands Councils are unique in serving only island communities – each has its own circumstances which present uniquely distinctive challenges in the delivery of public services and of national priorities. Common to all is their remoteness, peripherality and, in comparison to most other local authorities in Scotland, their small population sizes.

[Our Islands Our Future and the Island Areas Ministerial Working Group](#) Comhairle nan Eilean Siar, Orkney Islands Council and Shetland Islands Council (Scotland's three Islands Councils) were quick to recognise the constitutional moment, and formed the *Our Islands Our Future* campaign to press the case for their islands in the context of the independence referendum. In June 2013 they set out their



vision for the future of their three Island Areas. *Our Islands Our Future*¹ has been a bold campaign and has formed a key part of the debate over Scotland's future.

In July 2013 the First Minister, Alex Salmond, set out the Scottish Government's support for the empowerment of all of Scotland's islands in the Lerwick Declaration, stating "*that the people who live and work in Scotland are the best placed to make decisions about our future – the essence of self-determination; therefore we support subsidiarity and local decision making.*"

The Scottish Government formed the Island Areas Ministerial Working Group together with the *Our Islands Our Future* leaders (see Appendix 1), to consider how a future Scottish Government, with the powers of independence, could recognise the needs of our unique and remote Island Areas and empower and continue to support our island communities.

Empowering Scotland's Island Communities

This prospectus is the culmination of the Group's work over the last ten months, and constitutes measures recommended jointly by Scottish Ministers and Islands Council Leaders.

The prospectus should be considered as a coherent package of measures. It does not attempt to describe or address every function or aspect of community development across our islands.

The proposals set out in *Empowering Scotland's Island Communities* have, however, been identified by the Group as reflecting the clearest opportunities available to the Island Areas at this time.

The principles and circumstances outlined above were at the heart of the Island Areas Ministerial Working Group's considerations. The consequences and implications of proposed changes needed to be properly explored and understood, with the optimal balance of responsibility for service delivery between central and local government needing to take account of what the communities who both use and finance public services desire. The agreed focus of the Group's actions is detailed in Appendix 1.

The work of the Group, the benefits of which will spread to all of Scotland's islands where appropriate, has had a strong platform to build on. The current arrangements for public service delivery in the islands have developed and evolved over many years, and continue to do so through the strong partnership approach

¹ <http://www.orkney.gov.uk/Council/C/our-islands-our-future.htm>

Introduction

continued

between the Scottish Government, public bodies, local authorities, the third and independent sectors, and communities themselves.

As well as recent developments, our work was informed by the detailed work of the independent Montgomery Committee², whose 1984 report on Islands Councils' functions contained a central recommendation that "there should be no reduction in the powers of the Islands Councils, and the opportunity should be taken whenever possible to consolidate, develop and extend these powers". The Committee also found that there may be circumstances where legislation should include a provision to vary their application to the Island Areas.

The Group endorses those findings, and has tested a number of areas to come up with proposals to enable a new phase of democratic renewal in our islands. At the time of the 2011 Census, Scotland had 103,702 people living across its 93 inhabited islands. The proposals in this prospectus are of interest for everyone in these island communities.

The Group developed these proposals based on three underpinning objectives:

- » promoting islands voice;
- » harnessing island resources; and
- » enhancing islands wellbeing.

The package of proposals balances the risks and rewards that come with increased responsibility and opportunity. Many are also applicable to other comparable parts of Scotland – and, especially, nearly all are applicable to the other island communities within Highland, Argyll and Bute and North Ayrshire local authority areas. This reflects the outcome of Scottish Ministers' separate discussions with representatives of those three Councils, although the development of this prospectus primarily reflects the work of the Island Areas Ministerial Working Group.

This package of measures is based on the transfer of all powers to the Scottish Parliament with independence – it requires certain responsibilities to be transferred from Westminster to Holyrood before they can be transferred to the islands. The Scottish Government is committed to implement all the measures described in this prospectus upon the transfer of powers that independence

² Committee of Inquiry into the Functions and Powers of the Islands Councils of Scotland (1984), Cm9216.

would deliver, subject to formal consultation arrangements and, where legislation is required, the scrutiny and will of the Scottish Parliament.

This prospectus is by no means the final word on actions to come, but it does form a package that is both logical and bold, and which sets the course for further empowering Scotland's islands. The Scottish Government will continue to engage with the islands regarding opportunities for their communities.

Wider advantages of independence

As well as the specific advantages for islands described in this paper, the Scottish Government has set out the advantages and opportunities of independence for Scotland as a whole, from which our island communities will also benefit, in *Scotland's Future*:

- » To create a more democratic Scotland. The Scottish Government believes that the people of Scotland are the ones who will do the best job of running our country. We will not get every decision right, but more often than not the choices we make for our economy and our society will be better for Scotland than those made at Westminster. With independence, Scotland will always get the governments we vote for. For half the time since 1945, Scotland has been ruled by Westminster governments with no majority in Scotland.
- » To build a more prosperous country and boost employment. The key economic powers necessary to deliver growth and prosperity remain with Westminster. Scotland is blessed with a range of economic strengths and advantages: substantial natural resources, a strong international brand, world-class universities and research, and a range of world-leading industries including food and drink, life sciences, the creative industries, energy, tourism, insurance, wealth management and engineering. Despite all of Scotland's strengths, over the past 30 years our economic growth rate has been lower than the UK average and lower than that of comparable nations across Europe. Independence would make the Scottish Parliament and Government responsible for the full range of decisions on taxation and other economic policies, as well as employment law and all aspects of economic regulation, would be taken in Scotland and tailored to Scotland's needs.
- » To become a fairer society. Within the UK, Scotland is part of an increasingly unequal society. With independence we can build a more equal and fairer Scotland, where the many benefits of a rich and active society are shared and where we work together to advance our nation as a whole.



Why Scotland's islands are special

Scotland's unique and special islands

In recognising the potential of our islands it is essential to recognise the challenges and opportunities that our island communities face.

Just as the Scottish Government believes independence will better enable Scotland to address the issues we face as a nation, so autonomy and empowerment for the islands should provide island communities with the means and the support of national government to address the challenges they face and to seize the immense opportunities that are available.

Scotland's islands are recognised as places where communities take responsibility for shaping their future; where social enterprise as a sector is innovative, strong and growing; where community asset ownership and service delivery are well established and supported; and where unique cultural assets, including Gaelic, play a significant role in creating vibrant, strong communities.

With independence we will no longer rely on Westminster to recognise or support these aims. Instead the Scottish Parliament, Scottish Government, Islands Councils and other island stakeholders will be able to meet island needs and to support island communities in grasping these opportunities, building sustainable economic growth and securing the benefits such as increased island populations that will result.

Island priorities

Islands by their very nature are special places with special requirements. For example, the Western Isles, Shetland and Orkney each have their own strong sense of identity, just as the Argyll islands differ from Arran; yet what they share is an abundance of natural resources and a pride in their cultural traditions.

> *Just as the Scottish Government believes independence will better enable Scotland to address the issues we face as a nation, so autonomy and empowerment for the islands should provide island communities with the means and the support of national government to address the challenges they face and to seize the immense opportunities that are available.*

Why Scotland's islands are special

continued

Our islands include many fragile areas, characterised by factors such as declining population, scarcity of economic opportunities, proportionately fewer young people, geographical and transport challenges, and below average income levels. The issues of remoteness, and of how best to deliver services for the benefits of Scotland's islands efficiently and effectively, remain. Island Areas still face challenges of connectivity to the mainland transmission network in relation to taking advantage of the opportunities of on and offshore renewable energy development. And the remote nature of our islands will always present transportation challenges that must be addressed.

These challenges form the basis of the *Our Islands Our Future* campaign and the Island Areas Ministerial Working Group has focused on the way in which empowerment of our island communities can address these issues.

The Scottish Government and its public bodies, together with the local authorities covering the islands, are fully aware of the particular opportunities and challenges in Scotland's islands, and using the powers of devolution we collaborate closely with local communities and other stakeholders. This focus is reflected, for example, in the collaborative work of the Convention of the Highlands and Islands, and in the strategic priorities of Highlands and Islands Enterprise, which are to:

- » Support businesses and social enterprises to shape and realise their growth aspirations
- » Strengthen communities and fragile areas
- » Develop growth sectors, particularly distinctive regional opportunities
- » Create the conditions for a competitive and low carbon region

Scotland's people are best placed to make decisions about our future, and to know what is needed to deliver sustainable and resilient communities. This recognition is central to the Scottish Government's outlook, including its proposals in the recently launched Community Empowerment (Scotland) Bill, and its joint work with COSLA³ to strengthen community planning. And building on that work upon independence, with island-proofing of Government policy-making duly embedded, our islands will have

³ Convention of Scottish Local Authorities

more input to policy-makers on a regular basis. The Scottish Government believes that independence provides the best opportunity to extend the partnership that exists between Scotland's island communities, their local authorities and the Scottish Government into new areas.

> *Islands by their very nature are special places with special requirements.*

The Community Empowerment (Scotland) Bill will help to shift the balance of power towards communities. It will give them new rights to have their voices heard in relation to the design and delivery of public services, in the community planning process and at their own initiative, and it will make sure that their proposals to take over public sector assets are properly considered.

The Bill will also reinforce the Scottish Government's message that it expects all local authorities, and other public sector bodies, to support communities to become more empowered and to participate in the decisions made by those bodies. Those authorities that are already doing this well should not find the Bill onerous, but it will make others catch up to that best practice.

Funding for Islands Councils

Budgets distributed according to need

Ensuring island communities, like all communities, can fulfil their potential requires a fair allocation of resources.

Independence would give Scotland access to all of our wealth and resources. Decisions on the level of public expenditure and its allocation will be a matter for the people of Scotland and the government they elect, rather than decisions at Westminster.

The devolution of local government funding to the Scottish Parliament has enabled the Scottish Parliament to provide protection for local government, despite real-terms cuts in Scotland's overall funding imposed by the Westminster Government. For example, in recent years, decisions taken by Westminster governments have resulted in an 11 per cent reduction of Scotland's budget. This has taken place despite the opposition of the Scottish Government. And in 2013-14 the Scottish local government settlement represented a flat cash settlement on a like-with-like basis, whereas the UK settlement reduced English local government spending power by 1.7 per cent.

Why Scotland's islands are special

continued

Funding for the Islands Councils

Because the distribution of the local government budget is designed to properly account for characteristics such as remoteness, dispersed populations and characteristics unique to island communities, Shetland, Orkney and Eilean Siar receive greater funding from the Scottish Government, per head of population, than any other local authority in Scotland. The other local authority areas with significant island populations – Argyll & Bute, Highland and North Ayrshire – all receive block grant funding per head of population above the Scottish average.

In addition to their needs-based share of Grant Aided Expenditure, the Islands Councils also benefit from the Special Islands Needs Allowance (SINA), which recognises the increased cost of delivering services to island communities and allocates extra funding to those authorities. SINA redistributes around £20 million each year to authorities with island communities. The three Islands Councils receive around 85 per cent of this sum, reflecting the agreed means of distributing SINA to reflect the additional costs associated with public service delivery in such communities.

Financial autonomy

Local authorities in Scotland now have greater autonomy in determining how to spend their budgets. Prior to 2007, central government required local authorities to spend particular proportions of their budgets on particular services, thereby constraining the choice of locally elected members to adjust spending to meet local needs. This 'ring-fencing' of budgets has reduced from a total of £2.7 billion, across of all of Scotland's 32 local authorities in 2007-08, to just over £240 million in 2014-15.

The Scottish Government is providing local authorities with total funding of over £10.6 billion in 2014-15 and this will be maintained in 2015-16. This continues the protection of local government's share of the total of Scottish budget, in stark contrast to elsewhere in the UK.

Additionally, the Islands Councils and communities will accrue extra spending capacity as the community benefits described elsewhere in this prospectus are realised to help empower them and address specific island challenges.



On independence, the Scottish Parliament will have the opportunity to design a tax system for Scotland which reflects a collective view of the social and economic model which the country wishes to pursue. The Scottish Government has committed to building a simpler system of taxation after independence, following our model of collaborative policy development, as seen in the implementation of tax powers devolved under the Scotland Act 2012. The application of derogations and localised concessions is determined by EU law. The Scottish Government notes the Islands Councils' proposals for targeted measures such as to address fuel poverty or reduced VAT for construction and will invite the Islands Councils to contribute to a programme of work reviewing the inherited UK tax system following independence, with a view to identifying reforms that would allow all of Scotland to gain from the full benefits of a modern and efficient tax system.



Promoting islands voice

Since the advent of devolution Scotland's islands have not only benefitted from policies on health, education, and justice being set by the Scottish Parliament but have seen their particular concerns addressed through legislation on, for example, crofting, Gaelic, transport and agriculture.

Since 2007 Scotland's cabinet has met at locations across Scotland's islands, and Scottish Ministers and parliamentary committees have regularly attended Scotland's islands to conduct their business and engage with island communities.

In addition the Scottish Parliament has provided a platform for Scotland's islands to be celebrated and for the concerns of island communities to be raised.

Independence will extend the advantages of devolution for the islands to the whole range of government activity. Instead of trying to influence Westminster, island communities and authorities will have direct access to the Scottish Government and Scottish Parliament to scrutinise the impact of government policies on the islands and present their views.

On a wide range of policy areas affecting the future of our islands engagement with the European Union has a vital role to play. Only as an independent Member State can the Scottish Government negotiate directly on Scotland's behalf, taking account of the impact on island communities, and the islands' voice and representation within the European Union.

Island-proofing and an Islands Act

In *Scotland's Future*, the current Scottish Government committed to bring forward a Bill for an Islands Act on independence, to implement the measures across this prospectus that require legislation.

This is a landmark proposition – a chance for the fullest public and parliamentary input and scrutiny, to ensure public service arrangements are fully aligned with our islands' current and future needs and aspirations. The Islands Act would place a duty on the Scottish Government and other relevant public authorities to 'island-proof' their functions and decisions, where those functions and decisions will have an islands impact.

Promoting islands voice

continued

The principle of island-proofing is one of building a broad-based islands awareness into the decision making process of all parts of the public sector. Island-proofing consists of considering the particular needs and circumstances of island communities when the Scottish Government and other relevant public authorities are exercising their functions and making decisions. The Scottish Government commits itself to this principle, and the Islands Act will formalise the approach in statute.

As part of island-proofing the Scottish Government would consider:

- » when legislating in areas with an impact on island communities, whether particular functions and responsibilities could be given to island communities;
- » when legislating, whether there was a particular need for differential application of legislation for island communities;
- » the applicability of the principles contained within the Reference Framework on Regional Democracy of the Congress of Local and Regional Authorities of the Council of Europe; and
- » when developing, formulating and implementing policy, the needs and circumstances of island communities.

The Scottish Government will ask the Parliament to consider amendments to the Scottish Parliament's Standing Orders to reinforce island-proofing within the Parliament's procedures, especially its legislative procedures, as the Parliament evolves to take account of the responsibilities of independence. Island-proofing will also provide a framework to take account of the recommendation of the 1984 Committee of Enquiry and Functions and Powers of the Islands Councils of Scotland (the Montgomery Committee) that Acts of Parliament can in certain respects be varied or adjusted in their application to Island Areas, where there is a reason to do so.

The Scottish Parliament already has the power to vary the application of legislation by geographical area. The process of island-proofing would provide an opportunity to consider, on a case-by-case basis, whether this might apply to particular pieces of legislation.

Islands Minister

The Scottish Government will create a post of ‘Minister for Island Communities’ in the first government of an independent Scotland. This post will provide a focus for island issues and a voice for island communities within the Government on all issues and ensure islands voice is represented at all times.

Legal and constitutional status

Recognising island status

The Scottish Government recognises that the island groups of Orkney, Shetland and the Western Isles are Island Regions which, alongside their significant natural resources and important place in Scotland’s economy, also face significant and long-standing geographic or demographic challenges as reflected in Article 174 of the Treaty on the Functioning of the European Union.

The unique nature and requirements of Scotland’s islands will be recognised in Scotland’s interim constitution, ahead of the establishment of a formal constitution, through an Islands Act and island-proofing, the legislative protection of island constituencies and by the appointment of an Islands Minister.

In addition, Scottish local government will also benefit from constitutional recognition available under independence.

> *The unique nature and requirements of Scotland’s islands will be recognised in Scotland’s interim constitution.*

The Scottish Government will ensure that the special status and needs of Scotland’s islands and the principle of subsidiarity as it relates to the place of Scotland’s islands within the EU are recognised in its planned Islands Act.

The Scottish Government will use Scotland’s influence as a Member State of the EU to pursue joint objectives to further establish and enhance island access to networks in the areas of transport, telecommunications and energy infrastructure. This will take account of the need to link the island regions with the central regions of the Union in terms of Article 170 of the Treaty on the Functioning of the European Union.

Promoting islands voice

continued

Constitutional status

One of the early priorities in an independent Scotland will be the development of a permanent written constitution.

As set out in *Scotland's Future*, Scotland's permanent written constitution will be prepared, post-independence, by a constitutional convention in a widely participative and citizen-led process. The independent Scottish Parliament elected in May 2016 will establish the convention, including its membership and working procedures. Once established, the convention will work autonomously of both Parliament and Government. Therefore the Scottish Government will not control the membership of the convention or the subjects which the convention might choose to include in the permanent constitution. However, in *Scotland's Future* the Government sets out provisions the Government plans to propose for the Convention's consideration. The Government also plans to propose a provision recognising the unique position of Scotland's islands, building on the affirmation given by the First Minister in the Lerwick Declaration that the Scottish Government is committed to subsidiarity and local decision making.

Island communities and Islands Councils will be able to make proposals to the constitutional convention for inclusion in the permanent constitution; the Scottish Government would also expect that membership of the convention would reflect Scotland's diversity, including our island communities.

The Islands Councils intend to propose a provision for the permanent constitution which would reflect the principles contained in Articles of the Treaty on the Functioning of the European Union concerning issues such as subsidiarity, taking account of peripheral regions including islands, and reducing disparities in development of less favoured regions including islands. The Scottish Government believes that the convention would find such proposals a helpful and welcome contribution, and supports such an approach.

The Scottish Government will publish, for consultation, the draft Scottish Independence Bill, which provides for the interim constitution for an independent Scotland. This Bill, which will be published in June, will give Scotland's islands recognition in the interim constitution from the point of independence.



Following a vote for independence, this Bill, along with a refreshed Scotland Act, will be legislated for and will form the basis for Scotland's governance from the point of independence, and until the constitutional convention completes its work in preparing the permanent constitution. The draft Bill will also contain a wider protection for local government across Scotland.

Parliamentary constituencies

Under devolution the Scotland Act 1998 currently provides statutory protection for the Orkney and Shetland parliamentary constituencies. We believe this protection should be extended to the Na h-Eileanan an Iar constituency as the only other all island constituency. This will be done when legislating for the refreshed Scotland Act during the transition to independence.

Scotland's Future confirms that the Scottish Parliament will continue to be elected using the same electoral system as at present and would maintain the same number of Members. Scotland's islands are well represented in the Scottish Parliament across six constituencies and two parliamentary regions, with 20 MSPs in total representing our island communities.

Powers of the three Islands Councils

Local government is an integral and essential element of the overall good governance of Scotland – the public services it provides, along with those delivered by bodies such as the NHS, the Scottish Fire and Rescue Service and Police Scotland, help form the bedrock of our society. Local authorities also have a statutory responsibility to convene Community Planning Partnerships that bring together public agencies to plan and deliver services in their area.

Local people are a resource with skills and knowledge that we must respect, nourish and unlock to help deliver shared outcomes. The need to apply local knowledge to the delivery of national policies was never more the case than in the three Island Areas. Common to all is their remoteness, peripherality and, in comparison to most other local authorities in Scotland, their small population sizes.

Promoting islands voice

continued

Local democracy is important to the wellbeing and sustainability of island communities. Recognising this importance, the Scottish Government supports provision in a written constitution to embed the status and rights of elected local government. This would enable Scotland to guarantee the principle of local self-government in line with the European Charter of Local Self-Government. Such constitutional recognition is normal in developed democracies such as Germany, Denmark and Sweden, and should also be the case in a modern Scotland. In contrast to the UK's lack of a written constitution, under which local government could be dissolved by politicians, independence offers the opportunity to guarantee local democracy.

The Scottish Government commits that the three Islands Councils will continue to enjoy all such special powers as they have at present, and there is no intention to legislate to diminish those powers or to adjust the territorial jurisdiction of the Councils. This position is with particular reference to the provisions contained within the Zetland County Council Act 1974 and the Orkney County Council Act 1974, both of which would continue in an independent Scotland.

The Scottish Government will progress as required any proposals from Comhairle nan Eilean Siar regarding which provisions from the 1974 Acts would also be relevant and appropriate for the Western Isles to have.

Enhanced representation for Scotland's islands within the EU

The Scottish Government would welcome a strong islands voice in the European Union.

In the event of a 'yes' vote in the referendum on 18 September 2014, the current Scottish Government will encourage greater representation for Scotland's island communities within the EU. This would be set out in a Memorandum of Understanding between the relevant parties. The following opportunities for enhanced island representation will be considered:

- » The islands to collectively nominate one of an independent Scotland's members of the Committee of the Regions, subject to agreement with COSLA.

- » The islands to provide input to the position to be adopted by the Scottish Ministers at meetings of the Council of the European Union on policy areas which will have a significant impact on the Islands, including through participation in delegations to meetings of the Council of the European Union where appropriate.
- » The appointment of a person within the Scottish Representation to the EU to specifically consider the interests of the Islands, and, where appropriate, host representatives of island communities and the Islands Councils.

Throughout this prospectus where the interests of Scotland's islands relate strongly to areas of EU policy we have considered ways in which the voice of Scotland's islands can be better represented.

> *Throughout this prospectus where the interests of Scotland's islands relate strongly to areas of EU policy we have considered ways in which the voice of Scotland's islands can be better represented.*

State aid

Scotland's islands are very much a 'market apart', facing issues of accessibility and insularity where local businesses tend to compete with each other rather than with mainland competitors whilst often facing higher marginal costs arising from, say, higher transport and energy costs than the equivalent businesses elsewhere. One key element of EU Law is State aid rules, which aim to limit public resources that distort competition and trade within the EU. For example, de minimis aid is limited to €200,000 (currently around £160,000) per beneficiary within any three consecutive years.

If it can be demonstrated that a particular intervention will not distort the wider national and EU markets, then the State aid rules would not be applicable – including limitations on the type of activities supported, the size of the beneficiary or the proportion of aid given.

Promoting islands voice

continued

Independence would allow Island Areas to be better represented within the institutions of the EU by Scotland as an independent Member State. The Scottish Government would work to ensure the EU takes island issues such as physical isolation, importance of transport infrastructure, and dependence on sectors such as fisheries and tourism into account in State aid rules. In future reviews of regulations, an independent Scotland would be able to make its own representations directly to the Commission without the Westminster Government's veto or reprioritisation of views. The Scottish Government commits to ensuring that the Island Areas would be represented in the Scottish delegation at State aid meetings with the European Commission, where the islands have a particular and significant interest.

The Scottish Government will take action to ensure that the application of State aid rules on Scotland's islands is appropriate and effective. Scottish Government State aid advisers covering all policy areas will be made available to local authorities with islands. By being able to access such expertise, especially in the policy areas of most importance to the islands such as agriculture, forestry, fisheries, renewables, tourism, and small business development, the Councils will be better able to develop measures to assist their economies in compliance with State aid rules. For schemes that require notification to the Commission, the Scottish Government will deploy its expertise and resources in Brussels.

More immediately, the European Commission has recently consulted Member States on the proposed new fisheries State aid regulations. The Scottish Government has submitted a Scottish response, after consulting our stakeholders across Scotland, citing the issues raised by the islands and including a request that the de minimis threshold be increased from €30,000 to at least €60,000 and opposing the proposed exclusion of aid for small fishing boat engines. We have also asked the European Commission to continue to allow aid to be given for the permanent and temporary cessation of fishing activities. Scotland's concern is that the implementation of a discard ban could see many whitefish boats going out of business. The removal of these articles is inconsistent with the European Maritime and Fisheries Fund (EMFF). If accepted, these amendments would allow public bodies to better assist the fishing sector, encourage sustainability and help them to respond positively to the pressure of market and regulatory constraints which are disproportionately burdensome for small companies.



Regional aid and assisted area status

The assisted areas map for the UK for 2014-20 was approved by the Commission on 21 May 2014. This map sets the regions in which companies are eligible for regional aid – enhanced capital aid which is permitted under State aid rules in recognition of the barriers faced by the selected regions. These barriers are typically defined by low GDP per capita, high unemployment and population sparsity, based on Europe-wide criteria.

For the 2014 map, for example, there was a significant risk that neither Shetland nor Orkney islands would meet the criteria for regional aid coverage at all. This would have exacerbated the additional costs of doing business in a remote area by removing a significant source of support for investment. The Scottish Government therefore worked closely with the Orkney and Shetland Islands Councils to set out evidence which secured the assisted areas designation by the Commission. Although the rules are changing across Europe to make it much more difficult to support large companies, this successful collective work towards negotiations means that businesses in the islands will remain eligible for the vital enhanced capital support permitted by these rules until at least 2020, when the rules are next reviewed.

EU funding

We recognise the importance of European structural and rural development funds to the communities of the Island Areas. These issues are addressed in detail in other parts of this prospectus.

The Scottish Government supports closer islands involvement in the management and monitoring of EU funding. This will include involvement in Scotland Rural Development Programme (SRDP) and Structural Funds governance.

Further to the Scottish Government's invitation for this purpose, the Islands Councils have agreed to nominate representatives to sit on the Rural Development Operational Committee (RDOC) and Joint Programme Monitoring Committee (JPMC) for SRDP, ensuring a direct islands voice.

A new model for public service delivery

One model of public service delivery considered in detail by the Island Areas Ministerial Working Group was the concept of one local public authority delivering all services in its area. This is consistent with the principle of subsidiarity and has significant potential to ensure particular functions properly reflect local needs and wishes, with more direct accountability between the providers of the service and the local electorate as users of the service. The counter to this is that certain services more readily lend themselves to being provided by central government, usually to allow financial risks to be spread across a broader base or to exploit the efficiencies of scale. These are perhaps exemplified by the provision of specialist health care requiring a sufficiently large population to establish and maintain expertise and clinical experience or the reduced global reach of a local economic development agency compared to one operating on a national basis. Indeed these considerations and trade-offs are at the heart of any consideration of whether a particular function or responsibility might best reside at which level of government.

The Scottish Government and local government have recently been working with partners to strengthen Community Planning. These processes bring partner bodies together to identify joint priorities and commit resources accordingly in line with local community needs and aspirations. The Islands Councils are atypical in Scotland in that each local authority boundary is coterminous with each local NHS Board area - more typically one NHS Board operates across a number of local authority areas.

> *The unique circumstances of each Island Area should allow such collaborative working to be further developed and new models for public service delivery explored.*

An early benefit of these circumstances will be in the delivery of more integrated health and social care on the Western Isles, Orkney and Shetland Isles. Already, Comhairle nan Eilean Siar and Shetland and Orkney Islands Councils, working with their NHS partners, have capitalised on the scope for a more integrated approach to deliver improved outcomes for their communities and through programmes such as the Early Years Collaborative.

These established joint working arrangements mean the implementation of the Public Bodies (Joint Working) Scotland Act 2014, which will ensure the better integration of health and social care, is well placed to advance in the Western Isles, Orkney and Shetland.

The policy ambition for integrating health and social care services is to improve the quality and consistency of services for patients, carers, service users and their families; to provide seamless, joined-up, quality health and social care services in order to care for people in their homes or a homely setting where it is safe to do so; and to ensure resources are used effectively and efficiently to deliver services that meet the increasing number of people with long term and often complex needs, many of whom are older.

Once the chosen means of collaboration between each Council and NHS Board has successfully bedded in, the unique circumstances of each Island Area should allow such collaborative working to be further developed and new models for public service delivery explored.



Harnessing islands resources

The principles of subsidiarity and local decision-making underpin this prospectus, not least in the area of marine resource management and utilisation. Local communities across our islands should be primary beneficiaries from income extracted as rental and royalty payments on activity around their shores. This should especially be the case where the exploitation of those resources is primarily for national benefit, has significant environmental, community and social impacts and carries significant environmental risks.

Our vision is that future development of the islands and the seas around them are planned and managed for all our benefits through an agreed arrangement of national, regional and local partnerships, with the Scottish Government and local authorities as central partners having a share in these responsibilities.

The Islands Councils have strong track records stretching over 40 years in local management and commercial extraction of marine resources, through formal arrangements such as works licensing under the Zetland and Orkney County Council Acts and agreements with the oil industry. These arrangements have worked well to local and national benefit.

The Scottish Government is clear that our energy future lies in renewables playing a key role in a balanced energy mix, which represents a far more cost-effective means of electricity generation than the next phase of expensive nuclear plants that the Westminster Government is committed to build. Renewable energy resources present an opportunity to bring about a transformational change to island economies. Scotland's islands have seized the potential of their natural resources to support community ownership and development such as on Eigg and Gigha, whilst Shetland is set to benefit from a local ownership stake in the Viking windfarm proposal which has the potential to bring up to £30 million revenue a year to the local community.

With the right support, the three Island Areas combined have the potential to supply up to five per cent of GB electricity demand by 2030 in a clean, green and cost-effective manner that supports local communities.

Harnessing islands resources

continued

The Scottish Government believes that independence will allow enhanced deployment of these resources and the full realisation of the associated socio-economic benefits, including through maximising the opportunity for community ownership and community benefits.

Our natural resources include those in our seas and the use of our land. Fishing and aquaculture are two of the most important industries in the islands – by virtue of their contribution to the islands’ economies, the direct and indirect employment they provide, and the high level of local ownership. The importance of the fishing industry is amplified by its potential to make a significant long-term contribution to the islands’ economies, and by the limited alternatives that can provide comparable levels of employment and local income. At present Scotland receives only 1.4 per cent of the current European Fisheries Fund or 40 per cent of UK allocation, despite representing 58 per cent of sea fishing and 85 per cent of UK aquaculture. With independence we will be able to put aside the current unfair allocation within the UK and negotiate a fairer share of European fisheries budgets reflecting the size of those industries to help our fishing and aquaculture sectors, and the wider seafood processing industry.

> *Local communities across our islands should be primary beneficiaries from income extracted as rental and royalty payments on activity around their shores.*

Farming and crofting are both a way of life and a crucial part of the economies of Scotland’s islands. The increasing profile of island produce has significant economic potential for our islands, just as the environment and natural habitat of our islands is a major attraction for tourists. The natural resources of our islands are at the mainstay of island economies.

Community benefit

Principles of community benefit from renewables

The positive effects from our islands’ natural offshore renewable energy resources, their industrial exploitation and supply-chain activities may not always be felt by ‘host’ island communities. Therefore steps should be considered to facilitate community benefit to help to ensure that tangible benefits are realised across island communities.



The principle of community offshore renewables benefit is a ‘package’ of benefits which can be delivered to island communities in a number of ways. This package should generally be designed in discussion with the community, and should be spread across a geographical area of beneficiaries, and across a framework of topics. In this way, it will be ensured that communities of geography, communities of interest and Scotland as a whole can all maximise the benefits from our renewable energy resource.

The Scottish Government recognises that offshore renewable energy sites vary greatly. This is why these principles are designed to be flexible and open to modification to ensure the most effective outcome is reached for each site.

Community benefit packages will vary from project to project, depending on a range of factors including: scale; technology; location; and nature of the project in question. The principle of community benefit is therefore that each package should be tailored to reflect the characteristics of the development.

Island opportunities

As outlined in this prospectus, Aquaculture and Crown Estate rental incomes are particular opportunities for island communities (and others) to secure community benefit that can help to empower them to fulfil their potential.

Role of the Islands Councils

The Scottish Government recognises that Islands Councils can have a central role in ensuring that community benefit is shared equitably and strategically to communities in their island groups. In such cases, the Islands Councils would each be responsible for administering their own fund, including determining how funds are spent, who would benefit and the level of benefit. The Council would have a strategic role in aligning the distribution of benefit with national and local priorities, securing agreement as required within Community Planning Partnerships to assure the direction of benefit towards communities.

In developing community benefit packages the Islands Councils can have a central role in making investment for community ownership to benefit all communities in their island groups, and in ensuring that community benefit can be shared equitably and strategically to all communities in their island groups.

Distinction from compensation

Community benefit provisions should not be confused with any compensatory or disturbance payments or provisions. Any such compensation arrangements should be separate from any community benefit proposals.

Community ownership of renewable energy

In distinction from community benefit, the Scottish Government's target to see 500 MW of renewables in community and local ownership by 2020 has a potential value of up to £2.4 billion over the operating lifetime of those schemes.

This target includes the scope for communities to invest in or share ownership of commercial schemes, and we are working with an industry stakeholder group to maximise this investment opportunity, as well as offering practical support to communities through the Community and Renewable Energy Scheme (CARES) and the Renewable Energy Investment Fund (REIF). Community and local ownership of renewable energy is the real prize for communities, including those on the islands, and the Scottish Government is working to realise this ambition.

Community benefits payments from commercial schemes offer a much smaller scale but nonetheless important opportunity to spread the benefits of our renewables resources to communities. In the past 12 months, about £6 million has been provided to Scottish communities from over 3 GW of (mainly) onshore wind schemes.

Crown Estate

Crown Estate seabed income from leases and other legal agreements

The Crown Estate is a property portfolio owned by the Crown, and includes a range of land and property, rights and responsibilities in Scotland.

We believe that the marine assets of island communities are key to their future and the wealth that is generated should be reinvested to safeguard that future.

The current responsibilities of the Crown Estate Commissioners enable them to generate income from leasing and other legal agreements in the islands.

The Scottish Government agrees with the Islands Councils that marine activities in the territorial waters of Scotland adjacent to the islands can have impacts on the community as well as delivering financial benefits to the local economy. The Scottish Government committed in *Scotland's Future* to ensuring the island communities benefit by receiving more than 50 per cent of Crown Estate seabed leasing revenues.

The marine assets of island communities are key to their future and the wealth that is generated should be reinvested to safeguard that future. The Scottish Government will therefore ensure that 100 per cent of the net income from the islands seabed is passed to island communities.

The income from leasing and other legal agreements in the islands associated with the Crown Estate Commissioners' current responsibilities will include, but will not be restricted to, income from leasing and other legal agreements for cables, pipelines, aquaculture, wave, wind and tidal devices, piers, local authority harbours and moorings in territorial waters.

> *We believe that the marine assets of island communities are key to their future and the wealth that is generated should be reinvested to safeguard that future.*

The Scottish Government acknowledges each Council's Community Planning and leadership role for their islands. Net income from activities within 12 nautical miles would be passed to individual Councils and each will be responsible for administering their own fund, including determining how funds are spent, who will benefit and the level of benefit. There is potential for each Council to administer their own fund jointly with development trusts and other types of funds in order to maximise opportunities for pump priming projects that can deliver social and economic benefits and empower local communities.

Resources would be distributed to each Council one year in arrears directly based on net income generated.

As part of these arrangements we wish to remove the lack of transparency associated with the income generated by the Crown Estate Commissioners. Scottish Ministers and the Islands Councils will ensure transparency on revenues generated and how they are spent.

Crown Estate control

The Scottish Government and the Islands Councils recognise that the status quo on the Crown Estate is not tenable and supports reform. The Scottish Government will propose a framework to provide the Islands Councils greater involvement in the management of the Crown Estate marine resources.

This framework will involve local authorities and communities by:

- » ensuring that decision making on the Crown Estate is subject to broader objectives including community benefit and community development as well as revenue raising;
- » guaranteeing that Councils can influence and plan for how Crown assets in the waters around each group of islands are used through the Councils' lead role on regional marine planning;
- » transferring from the Crown Estate Commissioners to the Islands Councils control of the management of the foreshore and the limits of jurisdiction of local authority harbours and marinas, subject to measures to ensure that community aspirations are met. Appropriate arrangements would be developed separately for independent trust ports, community interest company owned/operated harbours and those owned by Caledonian Maritime Assets Ltd (CMAL) servicing the lifeline ferry network;
- » ensuring that Councils and communities are consulted on the strategy for leases and other legal agreements including pricing;
- » ensuring the Councils and communities are consulted on novel proposals for leases and other legal agreements; and
- » ensuring that the islands can benefit from use of assets currently administered by the Crown Estate Commissioners through the income distribution arrangements outlined above.

Marine planning

In order to properly harness the natural resources of our islands and to empower island communities it is important islands do not just receive income from marine resources but play a part in developing appropriate strategies to ensure their sustainable use.

Independence, along with the transfer of functions from the Crown Estate, provides an opportunity to enhance the role of islands in the sustainable management of marine resources.



Statutory regional marine planning for the Island Areas (to 12 nautical miles) will be formally delegated to local Marine Planning Partnerships, in which the Council will play a lead role. The regional plans which are developed will then bind future decision-making by any public authority impacting the marine environment, allowing the islands to set the strategic direction for their own waters and to promote sustainable development which best reflects local priorities.

Work in this regard is already underway in Shetland. The Scottish Government is also working with Orkney Islands Council, alongside the Highland Council, on a pilot marine spatial plan which will inform future work, with a view to formal delegation of planning powers to both Orkney and the Western Isles by 2016.

The regional marine plan, and appropriate consultation with the Marine Planning Partnership and other local interests, will influence national licensing decisions in relation to large scale commercial offshore developments. Where the delegation of marine licensing powers for other activities can be demonstrated to be beneficial to the operation of the planning system and to promote sustainable development locally, the Scottish Government will take forward such delegation.

> *The Scottish Government also supports the development of a ‘planning brief’ approach to issues which require an integration of marine and terrestrial planning, and will take this approach forward with interested partners.*

Fisheries

The Scottish fishing industry has much to gain from independence. Supporting our fishing communities and seafood sector will always be a priority for Scottish governments.

Scotland receives just 1.4 per cent of European fisheries funding despite landing 8 per cent of the European Union’s wild caught fish and accounting for more than 12 per cent of EU aquaculture production. Scotland is the world’s third largest salmon producer with 85 per cent of UK aquaculture production by volume.

With independence, for the first time, Scotland will have a direct say in European fisheries negotiations. Independence will give Scotland's fishermen and those in the aquaculture sector their own distinct voice in Europe, with Scotland participating at every level in the EU policy process.

In 2013 the volume and value of all sea fish landed into Shetland alone was over 73,000 tonnes worth some £73 million.

The Common Fisheries Policy of the EU states 'Small offshore islands which are dependent on fishing should, where appropriate, be especially recognised and supported in order to enable them to survive and prosper.' We support that principle; however we do not believe that this principle has been reflected in the management of the Common Fisheries Policy (CFP) by the EU or the position taken on fisheries by successive Westminster governments.

Independence opens up the opportunity for direct discussion between Scotland, other EU Member States and the European Commission on the development and application of EU fisheries policy. At present discussions with Europe must be conducted by the UK or on a position agreed with the UK, even where it is not in the interests of either Scotland as a whole or our island communities.

As an independent Member State, Scotland would be fully represented in discussions on the CFP. As part of our commitment to enhancing islands voice the Government will work with the islands to seek to agree with the EU authorities approaches to implementation of the Scottish CFP which reflect this principle.

> *In 2013 the volume and value of all sea fish landed into Shetland alone was over 73,000 tonnes worth some £73 million.*

The Scottish Government proposes that Islands Councils be given collective representation on the Fisheries Management and Conservation Group (FMAC) and on the Inshore Fisheries Management and Conservation Group (IFMAC). The Scottish Government will also explore with FMAC the case for an islands sub-group.

Under the reformed CFP, Scotland is represented on the North Sea and North West Waters regional fisheries management groups. With independence the Scottish Government will ensure that islands' interests are given a voice in these groups' discussions where they touch upon issues affecting Scotland's islands.

The Scottish Government sees regional marine planning as a potential framework for supporting devolution of aspects of fisheries management to the islands, alongside other possible mechanisms such as regulating orders.

As Scotland's role increases with the powers of independence, the Scottish Government will work with islands which wish to put forward proposals for regulating orders with a view to developing them, where appropriate, into effective frameworks for local management of inshore fisheries. Such proposals should come from islands and island communities themselves as part of enhanced responsibility for fisheries management.

The Scottish Government will continue to work with the islands on key challenges such as the discard ban to ensure that their particular needs and circumstances are taken into account.

Aquaculture

The Scottish Government recognises the scale, importance and further potential of the aquaculture industry for the islands, and commits to close and active partnership continuing between the Government, the Islands Councils and communities and the industry itself.

The Scottish Government is committed to the principle of community benefit generally, and its earliest application, from activity that takes place in the waters around the islands, comes from aquaculture in particular. The Scottish Government has made commitments elsewhere in the prospectus as regards Crown Estate revenues which will apply to aquaculture as a sector.

Harnessing islands resources

continued

The Scottish Government sees regional marine planning as a framework for supporting the development and sustainable growth of aquaculture, with due regard to the marine environment, and the islands are well placed to take advantage of the potential opportunity for larger offshore fish farms. The Scottish Government will work with the Islands Councils, the aquaculture industry and those involved in the regulatory framework to develop a 'planning brief' for aquaculture, similar to those that already exist in terrestrial planning, which will underpin the further development and sustainable growth of the sector. The process of developing a planning brief will, inter alia, include a 'Community Benefit Charter' which will seek to maximise the broadest benefits to the community, including but not restricted to more fish farm jobs; more onshore secondary processing jobs; training, further education synergies and local supply chains.

The Scottish Government agrees that the Islands Councils be given collective representation on the Ministerial Group for Sustainable Aquaculture, and that with independence future Scottish governments should reflect island interests in aquaculture discussions at EU Agriculture and Fisheries Council meetings.

To further support the sustainable growth of the aquaculture sector, the European Maritime and Fisheries Fund may assist, within the terms of the Regulation, in the development of aquaculture and onshore processing facilities, and the provision of skills and scientific or technical knowledge through support for training and networking, and elements of marketing and promotion.

Energy

Support for the growth of renewables on the islands

The Scottish Government has a long-standing objective for Scottish islands, with their rich natural resources, to participate fully in the growth of renewable energy generation in Scotland. This requires electricity grid connections to the mainland network, long-term renewables support mechanisms and systems of regulation and transmission charging that do not discriminate against renewable energy generators on the islands.

As this Government set out in *Scotland's Future*, it is unacceptable that consumers now face rising energy prices, increased fuel poverty and the risk that our renewable energy ambitions are not fulfilled. The Scottish islands in particular can play a crucial role in unlocking these issues and that is why, following independence and the establishment of a Scottish regulator, the Scottish Government



will ensure that the regulated energy market supports renewable energy generators on the islands and the development of the necessary island grid connections. Using these enhanced powers within a single GB market for electricity and gas, the Scottish Government will:

- » Pursue a fairer transmission charging regime for islands renewables in line with moves towards a single integrated market for electricity at EU level. The current GB transmission charging framework discriminates against generators in Scotland and the Scottish Government has campaigned over many years alongside Islands Councils for change that addresses this particular barrier to development of renewable energy on the islands.
- » Endeavour to set market support provisions at a level that enables the required island grid connections to be built.
- » In taking forward its market and regulatory objectives, have particular regard to European Directive 2009/28/EC, Article 16(7) which states: *“Member States shall ensure that the charging of transmission and distribution tariffs does not discriminate against electricity from renewable energy sources, including in particular electricity from renewable energy sources produced in peripheral regions, such as island regions, and in regions of low population density”*.
- » Consider what additional financial mechanisms can be deployed and what alternative models of operation it could support to enable the delivery of island grid upgrades.
- » Provide continued support for innovation and investment in marine renewable technologies, which carry such enormous potential for our island communities.

Stronger representation for the Islands in national energy strategy

Upon independence, Scotland will have responsibility for the oil and gas industry in Scotland’s waters. Scotland will also directly benefit from the revenues generated from this resource for the first time since the start of North Sea oil production in 1975.

In *Scotland’s Future*, the Scottish Government sets out proposals to establish a Scottish Energy Fund. This fund will invest revenues from oil and gas production for two purposes: to provide investment for future generations; and to provide income that can smooth receipts from oil and gas revenues. The economic rationale

for establishing such funds is powerful and they have been successfully implemented in the vast majority of natural resource-rich countries, with the UK being a notable exception. However, Shetland was able to secure long-term local revenues, through various sources, from the industry's operations at Sullom Voe.

The Scottish Government has actively promoted island communities' role in Scotland's energy future. With independence the Scottish Government will ensure a stronger voice for the islands in the development of the Scottish Government's approach to energy.

The Scottish Government will establish a new strategic energy committee and will ensure there is representation from the Islands Councils alongside the industry regulators and representatives of the industry itself.

With regard to the oil and gas industry, the committee will discuss matters such as upstream licensing and regulation, environmental issues, and decommissioning activities. This will give island communities, for the first time in forty years, a say in the long-term strategic development of the upstream oil and gas sector.

The Scottish Government also plans to establish an Energy Partnership with the Westminster Government to provide for joint control of the approach to the energy market and ensure Scotland's long-term interests are better served. The Scottish Government will explore with the Islands Councils how they, alongside representatives of other key regions, can help steer the Scottish Government's approach under this new Energy Partnership.

Oil and gas community impact

The Scottish Government recognises that oil and gas-related activities can have social and economic impacts on island communities, in terms of both costs and benefits, that must be carefully considered. The Scottish Government agrees in principle that community support should be considered to help offset any adverse impacts.

Upon independence, the Scottish Government will work with the island communities in question to find ways to mitigate any adverse community impacts from oil and gas activities, consistent with our commitments made to the industry set out in *Scotland's Future*.

Ports and harbour infrastructure

The Scottish Government will seek to maximise the economic benefits to Scotland from the offshore renewables and oil and gas industries, including substantial opportunities in the supply chain. The Scottish Government supports the participation of island businesses in the service sector, including marine energy and offshore decommissioning.

Local authority and trust-owned quayside infrastructure on the islands used by offshore renewables and the oil and gas industries are likely to require upgrading and expansion to ensure Scotland maximises economic benefit from these natural resources. Upgraded facilities may also help the islands access the significant economic opportunities presented by offshore decommissioning in due course.

The Scottish Government will continue to consider financial support to provide a contribution to help fund such capital projects in the islands.

> *The Scottish Government recognises that oil and gas-related activities can have social and economic impacts on island communities, in terms of both costs and benefits, that must be carefully considered.*

Fuel prices and efficiency

The Scottish Government believes that independence provides the opportunity to maximise the benefits of our energy wealth. The planned continuation of a GB-wide market will ensure that Scotland's huge renewable energy resources continue to supply low-carbon energy to GB consumers at cost-effective prices and prevent energy shortages and price spikes across these islands.

The Scottish Government has published *Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments*, which encourage the drafting of local strategic community action plans to guide community benefit spend to local needs, including targeted energy efficiency improvements, which can help to reduce fuel poverty.

Recent energy price increases highlight more than ever the need to use all the powers available to us to help people with their energy bills. Under independence, Scottish consumers will benefit from having a more powerful regulator acting on their behalf, with strong powers to ensure that markets are working efficiently in Scotland. An independent Scotland will also be free to design a new means of funding and delivering energy efficiency improvements to Scottish homes that is fairer and better suited to our needs.

The Scottish Government is keenly aware of the difficulties facing all households in off-gas areas in keeping their homes warm and their fuel bills down. In particular, it is recognised that delivery of energy efficiency measures is often difficult in Island Areas. To help tackle this issue the Scottish Government is looking to target our funding programmes to best meet the needs of off-gas grid households. The Scottish Government has therefore enhanced support for those faced with fuel poverty by enabling increased uptake of the Energy Assistance Scheme. Scottish Government funding for area-based fuel poverty schemes is distributed across all local authorities in Scotland and is allocated on the basis of need, taking into account levels of fuel poverty and the types of properties within rural and Island Areas. This year's funding will also support delivery in rural and remote areas by providing specific funding to be used to deliver heating and insulation improvements for low income and vulnerable households in off-gas grid properties. As part of the 2014-15 Home Energy Efficiency Programmes allocation to Councils, the three island authorities received over £4.5 million funding to deliver energy efficiency measure to fuel poor households in the islands.

The Scottish Government furthermore offers a wide range of other help to both households and businesses to improve energy efficiency, reduce fuel demand and consequently reduce fuel bills. This involves financial help through grants and loans, as well as advice and support. Where possible, activities also complement UK-wide schemes to make sure households in Scotland can take advantage of initiatives such as the Green Deal, Renewable Heat Incentive, and Feed-in Tariffs.

The current Westminster scheme to address fuel poverty and improve energy efficiency is operated through energy companies. The costs of programmes like the Energy Company Obligation (ECO) and Warm Homes Discount are met by householders through their energy bills irrespective of income. As set out in *Scotland's Future*, affordable home energy and the ability of vulnerable consumers to



heat and power their homes is of utmost concern and with the powers of independence the Scottish Government will make a permanent and ongoing cut in household energy bills of £70 a year, by removing the costs of the Warm Homes Discount and the Energy Company Obligation from bills.

The Scottish Government will continue to work closely with the islands in developing energy efficiency schemes and would welcome the opportunity with independence to explore what further support can be made available as a result of Scotland's increased responsibilities to understand better the specific difficulties facing island communities in tackling fuel poverty.

Crofting and agriculture

There is a wide diversity of agricultural activity across our Island Areas. For example, whilst crofting is dominant in the Outer Hebrides and Shetland, Orkney's agricultural sector is of a greater scale due to the presence of full-time farming business units, and is the biggest employer outwith the public sector. Location and distance to markets is perhaps the most significant challenge to the viability of the crofting and agricultural sectors across the islands.

The Scottish Government recognises the benefits of crofting and agriculture to the islands, and will continue to work closely in partnership with Islands Councils and communities. Specifically, our wider plans for island-proofing of relevant policies will apply directly with regard to crofting and agriculture.

The Scottish Government is establishing a Crofting Stakeholder Forum to discuss matters of mutual crofting interest. Local government will be invited to participate, and the Government will work with COSLA to ensure proportionate representation for the islands, in light of the importance of crofts to Scotland's island communities. This will help ensure that island crofters are fully represented and engaged with Government policy-making, and can articulate their needs and aspirations directly.

While independence may not affect the management of agricultural policy, it does demonstrate the benefits being an independent member of the EU can deliver. If Scotland had been independent during the last CAP negotiations, we would have qualified for an additional €1 billion in direct farm payments to 2020, and been able to argue for hundreds of millions of Euros more in rural development funding, including significant funds to benefit Scotland's islands.

European regulation and funding arrangements also have an important bearing on island crofters and farmers. With independence, Scotland will be able to negotiate fairer allocations for rural development – similar to those achieved by other Member States such as Ireland and Finland, who have demonstrated what independent countries can achieve within EU negotiations when they are able to reflect their own needs and priorities.

The Scottish Government fully recognises the effects and implications for the islands, and has met with the Highlands and Islands Agriculture Support Group on a number of occasions during the design phase of CAP reform. Views and opinions have been fully taken on board. Despite reduced budgets negotiated at the UK level and the prevailing move to area-based payments, the Common Agricultural Policy (CAP) package, announced by the Cabinet Secretary for Rural Affairs and the Environment on 11 June 2014, delivers a favourable outcome which will allow many island farmers and crofters to benefit.

The Scottish Government's overall package includes island-specific measures, such as an additional top-up to island beef producers leading to an uplift of around €65 per calf under the Beef Voluntary Coupled Support (VCS) Scheme in recognition of their higher costs and specific support for Island Areas within the Less Favoured Area Support Scheme (LFASS), and also includes specific measures for crofters including a separate capital grant scheme within the new Scotland Rural Development Programme (SRDP).

On looking forward, the Islands Councils have now agreed, at the invitation of the Scottish Government, to nominate representatives to the Rural Development Operational Committee (RDOC) for the Scotland Rural Development Programme (SRDP). This will help ensure that our islands continue to be directly involved in decision-making as we move forward into the implementation phase of the new SRDP.

In terms of crofting development, HIE will engage in partnership with others to fulfil its role and promote Crofting Community Development. The Scottish Government will support the engagement of the councils in this regard.

The Scottish Government currently operates the Croft House Grant Scheme, which supports construction of affordable housing on working crofts. The Scottish Government plans to undertake a review during the course of 2014-15 and will consult the Islands Councils on any proposed legislative or other changes. The review will include consideration of grant rates.

> *The Scottish Government recognises the benefits of crofting and agriculture to the islands, and will continue to work closely in partnership with Islands Councils and communities.*

Scotland's public services and public service employment can bring economic benefits to Scotland's islands as well as bringing services closer to the people they work with. The Scottish Government will consider when expanding the functions of organisations such as the Crofting Commission which have a close working relationship with the islands whether there is benefit in locating additional staff and resources on the islands alongside existing public sector bodies.



Islands economic development

Scotland's Future sets out the Scottish Government's vision for an independent Scotland. *Scotland's Future* makes the case that by providing the ability to tailor all economic levers to Scotland's own circumstances, strengths and preferences independence would enable Scotland to raise economic growth levels to match those in comparable independent European countries, while also increasing equality and wellbeing across Scotland both individually and between different areas.

Scotland's Future also recognises "that our island communities have challenges and opportunities that differ from those in other parts of the country." Independence would offer greater scope for close and regular engagement between local and central government, therefore allowing economic development policy to be customised to best respond to challenges and support opportunities within the islands.

For example, the Scottish Government have committed to establishing a Fair Work Commission upon independence to advise the government on the minimum wage as well as factors relating to individual and collective rights which contribute to fairness at work and business competitiveness. In examining these issues the Commission will explore and advise on the specific circumstances and considerations facing our islands businesses.

In addition, the Islands Councils may use additional tools available as a result of independence to support sustainable economic growth and to boost wealth and job creation on our islands. This would be supported by the areas of empowerment and additional responsibility set out in this prospectus, along with the funding that could become available through both community benefit and the revenues from seabed leases.

Supporting current economic opportunities

The economies of the Outer Hebrides, Orkney and Shetland are all impacted by issues of geography, such as distance from main markets, costs of business, peripherality, sparseness of population and demographic imbalance. To explore their respective economic opportunities and priorities, the Minister for Energy, Enterprise and Tourism, accompanied by senior representatives of HIE and Skills Development Scotland (SDS), visited each Islands Council in early 2014.

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There are clear economic growth opportunities and success stories in all Scotland's islands. These include strengths in the energy sector, underpinned by a natural resource asset base in oil and gas and the emerging renewables sector, as well as sectors like food and drink, aquaculture, creative industries, tourism and life sciences. These strengths, combined with potential supply chain opportunities and the opportunity to improve island connectivity, will drive future sustainable economic growth on the islands.

Start-up and growing businesses are supported via Business Gateway services which are delivered through local authorities, while Highlands and Islands Enterprise (HIE) support the development of businesses with the greatest growth potential as well as supporting the strengthening of communities. As the Scottish Government's economic and community development agency for the whole of the Highlands and Islands, HIE plays a strategic role across the region and is of a sufficient scale to share expertise and pool resources to meet the needs of local areas.

In particular HIE's sectoral expertise and its role as a stakeholder in Scottish Development International (SDI) gives local area teams access to high calibre sectoral specialists and knowledge of international markets which help inform local development priorities within a context of regional, national and global opportunities and challenges. HIE also provides access to support programmes in areas such as entrepreneurship, leadership and innovation and has in place a specialist advice service which is tailored to the needs of businesses from right across the region.

Under current arrangements, superfast broadband provision in the Highlands and Islands should reach 84 per cent of the region's households by the end of 2016, underpinning business performance and community growth. HIE also has particular resource and expertise in areas such as European policy, State aid rules, transport, research and economic analysis which can be deployed to inform and support local area teams and partners in dealing with issues and challenges as they emerge.

In addition to accessing these pan-Highlands and Islands services, which 13 staff based in Orkney, Shetland and Outer Hebrides help deliver, there are 29 staff employed in area-based teams across the three Island Areas. Through these area teams HIE provide account management support to 82 businesses, 39 social enterprises and 15 communities across these islands.



This engagement is helping deliver economic growth on the islands at present while ensuring that the Scottish Government, through HIE, and Councils are well positioned to take full advantage of the economic and employability levers which independence would make available.

Developing island innovation

Utilising existing powers the Scottish Government has established four Enterprise Areas comprising 15 strategic sites, including Arnish in the Western Isles as well as Hatston and Lyness in Orkney. Enterprise Areas are locations with clear opportunities and offer a package of support to encourage early investment, boost growth and stimulate job creation.

Progress has been made at these sites since their designation in April 2012. However, the scale of development and job creation has been constrained by the delays in upgrading grid connections to the islands. To enable these locations to fully benefit from Enterprise Area status, and to maximise the renewables opportunities presented by their natural resource asset base, the Scottish Government will extend the timeframe for Enterprise Areas at Hatston, Lyness and Arnish by three years to 2020.

Alongside this the Scottish Government supports the establishment, by Councils, of local Island Innovation Zones (IIZ) to provide a clear focus on the specific opportunities available in each Island Area and to enable all key partners to coordinate and tailor their support to best meet the needs of the local businesses with greatest potential for expanding.

> *The Scottish Government supports the establishment, by Councils, of local Island Innovation Zones (IIZ).*

An IIZ could provide a brand around which to focus promotional messages, articulating the economic growth opportunities available to potential investors and indigenous businesses. As the specific opportunities and business base, including supply chain potential, differ across the island communities, IIZs would be for islands to develop and take forward working with partners, to identify and secure the most appropriate and tailored local support. This could include streamlined planning commitments, bespoke skills development support, targeted business rates relief (utilising

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powers proposed in the Community Empowerment Bill) as well as other measures appropriate to local circumstances. The Scottish Government and its agencies will engage with the islands as they develop their IIZs, including in the context of the Scotland CAN DO programme, which seeks to support a range of activities promoting a more innovative and entrepreneurial Scotland.

A Scottish Government with the powers of independence could consider what further support it could offer an IIZ subject to the proposals from Islands Councils.

The Scottish Government also encourages the Islands Councils, working in collaboration with HIE and SDS, to further deepen their engagement with private businesses on the islands to ensure support is tailored to meet the needs of the local business communities. Where significant international companies are major employers, and can act as anchors around which to build local economic resilience and embed supply chain links, the Scottish Government will work with the Islands Councils to engage the appropriate decision-makers within these businesses and encourage them to explore how their activities can most effectively benefit local residents and support the development of sustainable communities.

Taxation

Independence would mean that all taxes in Scotland would be set by the Scottish Parliament in line with the needs of the people of Scotland.

Decisions about what specific taxes to apply in an independent Scotland, and at what level, would be taken by the Scottish Parliament and Government of the day.

Scotland's Future sets out the Scottish Government's approach to taxation including early priorities such as action on Air Passenger Duty, Corporation Tax and the abolition of the Married Couples Tax Allowance.

With independence the proximity of Scotland's islands to those making the decisions on taxation and the greater accountability of the Scottish Parliament will enable communities and organisations to make representations for changes to taxation.



As set out in *Scotland's Future*, this Scottish Government plans a simple and transparent tax system after independence designed to minimise the opportunities for tax avoidance. Over the course of the first independent parliament, the Scottish Government and Revenue Scotland will work together to simplify the tax system to reduce compliance costs, streamline reliefs and help to reduce tax avoidance, with a target revenue gain of £250 million a year by the end of the first term. In particular, this Government will task Revenue Scotland to reduce compliance costs for small and medium sized businesses that generate valuable employment.

The Scottish Government would intend to invite representatives of island communities to contribute to a programme of work to review the inherited UK tax system following independence and to begin to reform the inherited tax system in order to realise the full benefits of a modern and efficient tax system. This will provide an opportunity to ensure that we are building a tax system which meets the needs of the whole of Scotland, including our island communities.

Business rates

Supporting businesses to flourish is a key part of promoting resilient communities and sustainable places in our islands. One of the ways of delivering that support is through the tax regime, specifically through the use of business rates.

There is a wide range of business rate relief schemes set nationally, which benefit small businesses or those in particular sectors or geographic areas. For example, in 2013, 2,800 premises on Orkney, Shetland and the Western Isles have benefitted from the Scottish Government's Small Business Bonus Scheme, paying zero or reduced business rates. This gave them the opportunity to invest those funds instead into maintaining and expanding their business or creating new jobs.

The Scottish Government believes that Councils should have further flexibility to incentivise business or to support key industries in their areas and that this power will be of particular value to the Islands Councils. As part of the Community Empowerment (Scotland) Bill the Scottish Government is introducing a new power to allow Councils to create localised relief schemes.

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There are legitimate concerns on Scotland's islands about the costs faced by construction and engineering firms who have much to contribute to the local economy. Once the Bill is passed, it will be possible for local authorities to choose to offer additional rates relief to such firms, or to other sectors at their discretion, helping local business to boost job creation and to build sustainable island economies. It would be open to Councils with islands to consider whether they wish to apply local reliefs specifically on their islands only.

Community ownership

Community ownership or control of land or buildings can help make island communities more attractive to live in, supporting economic regeneration and sustainable development. The community right to buy, introduced by the Land Reform (Scotland) Act 2003 came into effect in June 2004. The Community Empowerment (Scotland) Bill will amend this right, and provide a framework for community bodies representing communities across Scotland to purchase abandoned or neglected land without a willing seller, in order to further the achievement of sustainable development of land. It will also make it easier for communities to define their "community" in a greater variety of ways, not just by postcode, but for example as the community of a particular island or group of islands.

The public sector also owns a range of land and buildings that community bodies may feel they can make better use of. The Bill will introduce a right for community bodies to request to purchase, lease, manage or use public sector assets. The body which owns the asset will have to assess the benefits of the community body's proposals against the current use, and there will be a presumption that transfer will be agreed, unless there are clear reasons against it.

Skills

Developing a local skills base to meet the need of both residents and businesses is of the utmost importance to Scotland's islands and a necessity for economic growth. Companies of all sizes active on the islands have a crucial role to play in upskilling in line with industry needs, including through apprenticeships under the Modern Apprenticeship Programme.



To support and enable this activity the Scottish Government, through Skills Development Scotland (SDS), is committed to developing evidence and understanding of our islands' strategic workforce skills requirements. SDS has a team of dedicated staff located throughout Scotland, including local bases in the Western Isles, Orkney and Shetland. These teams will continue to support the development of appropriate skills, education and apprenticeship provision suitable for the unique circumstances in each of the Island Areas, including through the development of sectoral Skills Investment Plans (SIPs) and Regional Skills Assessments. SDS has also committed to engage with Community Planning Partnerships covering Island Areas to progress activity resulting from the imminent Highlands and Islands SIP.

Other specific initiatives include the Scottish Government's active promotion of the Modern Apprenticeship Programme to employers across the islands. As of 2013 Quarter 3, SDS had supported almost 300 residents within the three Island Areas to start a Modern Apprenticeship (MA) in 2013-14⁴. In addition, over 150 Employability Fund starts had been supported across the three Island Areas in 2013-14. This Fund is administered by SDS, while services are developed and delivered at a local level to ensure they meet individual needs and complement existing locally-funded offers in helping islanders develop the skills needed to secure a job or progress to more advanced forms of training.

The Scottish Government will work together with island communities and partners to continue to develop relevant and purposeful further education, higher education, and skills training capacity on the islands which delivers training for vital local industries of national significance such as oil and gas, marine resources and renewable energy. This important work will continue in the context of local implementation of the Highlands and Islands SIP, and the Scottish Government's response to the recent Commission for Developing Scotland's Young Workforce (Wood Commission) Report.

⁴ Modern Apprenticeship figures by local authority for 2013-14 are due for publication on 17 June 2014

Engineering and construction

The engineering and construction sector in the islands is characterised by small light-engineering, fabrication and manufacturing businesses, in addition to civil-engineering and construction contracting firms. The 2011 census found that the proportion of employment in the construction sector (11 per cent) was of greater importance to the islands when compared to the rest of Scotland (8 per cent).

The islands possess an abundance of natural resources which could be utilised to greater effect to attract investment to their respective areas. The islands could become global players in renewable energy generation and manufacturing - with supply chain activities identified as a key driver for developing the local economy. Further significant island participation in support and supply-chains including decommissioning is an opportunity. A key challenge is to address economic under-performance in the manufacturing sector - particularly given historically high levels of engineering training and skilled workforce. This may be through apprenticeships and training in the oil and gas sector.

> *The islands possess an abundance of natural resources which could be utilised to greater effect to attract investment to their respective areas.*

The Scottish Government and its agencies, Highlands and Islands Enterprise (HIE) and Skills Development Scotland (SDS), will work with the Islands Councils, including Business Gateway, to strengthen the capacity on the islands to form a valuable supply chain of engineering and construction companies operating on the islands. Actions will include:

- » supporting sector-wide development to ensure a sustainable construction industry;
- » supporting growth businesses in the engineering industry, in particular where they add value to the supply chain in other growth sectors such as energy;
- » identifying skills needed in the engineering and construction industry and to support training;
- » skills development to help people living on the islands maximise their employment prospects within the engineering and construction industry; and



- » *Scotland's Future* sets out the economic and industrial policies that Scotland could follow on independence to boost productivity, innovation, research and development and encourage exports across Scotland's economy. The suite of economic measures proposed could all benefit the islands economies.

In taking forward these policies the Scottish Government will consider innovative ways to ensure Scotland's islands benefit from investment in economic growth.

Initiatives identified in *Scotland's Future* include:

- » Developing a new industrial strategy for Scotland, including support for investment, strengthening the role of the Scottish Investment Bank, expanding skills development and expanding our manufacturing base, with a particular focus on maximising the manufacturing opportunities of our offshore energy potential.
- » Boosting innovation through direct and indirect financing such as credit loans and guarantees and tax based incentives that are aimed at encouraging investment in innovation activities in research and development.
- » Increasing participation in the workforce through transformational childcare, and an immigration system that best meets Scotland's needs.

Public procurement

It is essential that public sector procurement, worth around £10 billion annually, delivers the maximum possible public benefit to our economy and communities. The Scottish model of procurement seeks to maximise the contribution that public procurement can make to Scotland's economic prosperity. That approach views procurement as an integral part of the whole process of policy development and service delivery. The Procurement Reform (Scotland) Bill, passed by the Scottish Parliament in May 2014 will help us accelerate improvements in the procurement system and help tackle unnecessary inconsistencies for suppliers doing business with the public sector.

EU law does not allow discrimination in favour of businesses based in Scotland. Removing barriers to SME participation in public procurement markets could contribute significantly to Scotland's economic growth.

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In the Western Isles the Comhairle has a policy to include community benefit clauses in all contracts unless there is reason why this would not be feasible. It is potentially the case that further community benefit can be 'squeezed' out of these contracts to secure better terms for local businesses in terms of sub-contracting and local employment - with guarantees that address youth employability issues with regard to direct employment opportunities and training/skills-development through vehicles such as formal apprenticeships. The Procurement Reform (Scotland) Bill will require that public bodies consider including community benefit clauses in all new major public sector contracts and where they are not appropriate, explain why in the contract notice.

The Scottish Government made representations to the European Commission over the reform of procurement legislation. The First Minister has made clear that the Scottish Government would use its position as an independent Member State to argue for changes to the EU approach to procurement. Taken together, the Procurement Reform (Scotland) Bill and the new EU Procurement Directives will put a sound statutory framework around the Scottish Model of Procurement, simplifying standardising and streamlining procedures for businesses and public bodies alike; and placing sustainable and socially responsible purchasing at the heart of the process.

The Scottish Government will continue to work with Scotland's islands on the implementation of the Procurement Reform (Scotland) Bill and the wider procurement framework during summer 2014, including on opportunities to enhance local business opportunities.

Planning

The Scottish Government is committed to a place-based approach to planning with a high level of local flexibility having already been achieved through planning reform. The National Planning Framework is the spatial expression of the Government Economic Strategy. It sets out our long-term strategy for growth and investment, envisaging Scotland as a successful, sustainable place; a low-carbon place; a natural, resilient place; and a connected place. The Scottish Planning Policy takes forward this vision and sets out how planning can lead to significant and positive change on the ground.



The National Planning Framework's vision for growth highlights the importance of the islands and coasts of Scotland for our future economy. Whilst cities are recognised as key drivers of the Scottish economy, equal recognition is given to the major opportunities for development arising in the three Island Areas, not least from marine renewable energy, but also from their wider economic strengths, world-class environmental quality and quality of life. In spatial terms, the NPF supports improved digital and transport connectivity, prioritises the infrastructure required to unlock the islands' renewable energy potential, and recognises key island towns as hubs for investment and services.

The Scottish Government has further demonstrated its commitment to the island perspective by undertaking systematic 'island-proofing' of the emerging Scottish Planning Policy (SPP) – supported by the Islands Councils within a short-life working group on planning. This has led to, for the first time, explicit references to the specific issues for planning in the Island Areas within the SPP, and a tailoring of relevant policies to reflect local circumstances.

The Scottish Government will extend the life and scope of this working group beyond the SPP proofing work to allow us to work with the Islands Councils to explore key issues, such as the links between marine and terrestrial planning, in more detail. The scope of this work will be defined in collaboration with the islands' Heads of Planning. Rather than simply a forum for discussion, the Scottish Government is committed to identifying and taking forward workable solutions that will provide further flexibility in planning, more efficient resourcing, and a sharper focus on island-specific planning issues.

Transport

It is widely recognised that transport is an essential part of any and all economic activity. The associated assets and infrastructure, and the businesses and communities that use them, are all vital components of strong, vibrant and sustainable island economies.

The Scottish Government recognises the particular importance to the Islands Councils of local partnership in the decision-making arrangements for transport, and of fairly-priced and affordable travel both to/from and within the island groups. These two principles are central to our future actions.

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Governance

Recognising the unique challenges of connectivity to our islands and the extent to which strong communities and local business rely on effective and fairly-priced transport links, particularly the vital importance of the lifeline ferry services from the mainland to the remote Island Areas, the Scottish Government will begin dialogue with island communities and other stakeholders to consider partnership governance arrangements.

These may entail strengthening existing arrangements, based on collaboration between Transport Scotland, regional transport partnerships and Councils, or creating an additional parallel body focused on island transport issues, for example, a twice-yearly islands transport forum. The Scottish Government is committed to governance arrangements that fully account for island-specific views, and will work with stakeholders to consider and ensure this on an ongoing basis.

Fares

The Scottish Government is committed to assessing the affordability of ferry travel to and from island communities, with the aim of bringing in fairer fares for islanders, tourists and businesses. The Road Equivalent Tariff (RET) will soon be rolled out to all the remaining ferry routes in the Clyde and Hebrides Ferry Services network. This will offer passengers, cars, small commercial vehicles and coaches significant fare reductions on a further 14 ferry routes from the start of the 2015-16 winter timetable.

Recognising the different circumstances of the routes and fares to and from the Northern Isles, the Scottish Government will continue to engage with Orkney and Shetland Islands Councils to discuss the future arrangements for fares to and from the mainland. The Scottish Government is clear that RET arrangements would not always be beneficial on the Northern Isles ferry services, as the distances involved could mean increases across a range of ferry fares.

> *The Scottish Government stresses its commitment to fair fares for inter-island ferry services.*

As part of their responsibilities to their communities, the Islands Councils are responsible for setting and agreeing fares for the inter-island ferry services that they provide. Where the Scottish Government are not responsible for the delivery of those lifeline routes, the Scottish Government will discuss the appropriate form and timing of any roll-out of RET with the Islands Councils. The Scottish Government stresses its commitment to fair fares for inter-island ferry services.

Scottish Ministers have actively pressed the European Commission over a number of years for greater flexibility in the maximum length of ferry contracts, previously limited to six years. Following this lobbying, the European Commission recently issued revised guidelines substantially supporting the position that the Scottish Government has taken on this issue. Such increased flexibility in the length of ferry contracts is particularly useful in future contracts where there is likely to be significant investment in vessels by operators. With independence and a stronger voice in Europe, the Scottish Government will be able to represent the concerns of our islands directly in all transport matters.

Air services

The Scottish Government invests around £30 million per annum to support air services to the Highlands and Islands. This comprises the cost of running HIAL airports, the Air Discount Scheme and the Public Service Obligation (PSO) routes. The Scottish Government remains committed to the long-term provision of these facilities.

In particular, the Scottish Government is committed to maintaining the existing Air Discount Scheme so that residents of remote and island communities can continue to access discounted air travel. The Scottish Government notes the wish of the Islands Councils for the scheme to be extended to include certain types of business travel, and invites the Councils to produce a costed and legally compliant business case for consideration by the Scottish Government. As an independent EU Member State, Scotland would be better able to make direct representations to the EU in support of such a facility and in building on the current aid of a social character.

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As part of our continued transport investment, the Scottish Government has begun the process of purchasing two new aircraft which will then be operated by the airline that secures the contract to provide the PSO routes between Glasgow and Campbeltown, Tiree and Barra. The Scottish Government will engage with island passengers, businesses and other community interests to consider what improvements can be made to those routes. The Government will also consider whether any economies of scale can be delivered by bundling Transport Scotland and local authority air routes into one package, and whether management of the contract should be undertaken at a more local level.

Inter-island ferries and fixed links

Inter-island ferries in some areas, particularly the Northern Isles, are provided by the local authorities and funded on a different basis from Calmac services. The Scottish Government understands the significant financial challenges that can fall on individual local authorities, and is committed to the principle of fair-funding in the provision of ferries and ferry infrastructure.

The Scottish Government recognises that the provision of transport services should not place a disproportionate financial burden on any Council such that it could be counter to the principles of Article 170, with particular reference to the revenue and ferry replacement costs of the internal ferry services of Orkney and Shetland, and commits to meaningful negotiation now to conclude this issue.

The Scottish Government also recognises the level of interest in some Island Areas in fixed links, welcomes proposals from the islands and commits to considering any such proposals, sharing relevant information and facilitating networks and learning with other countries such as Norway. The Scottish Government considers that with independence and EU membership, Scotland will be better able to access EU funding to support investment in infrastructure, such as fixed links, and will work with the islands as described elsewhere in this prospectus to maximise the potential benefits. In doing so, it will make use of the specialist European funding support which Transport Scotland is putting in place to help access opportunities for transport-related projects.



Fuel duty regulator

Scotland's Future recognises that the cost of fuel is a key cost to consumer and businesses. With independence, this Scottish Government plans to examine the benefits of introducing a Fuel Duty Regulator mechanism to stabilise prices for business and consumers and how this could be made to work alongside our Scottish Energy Fund.

Digital connectivity

The Islands Councils are seeking a commitment to put in place a universal service in relation to broadband and mobile communication services; specifically:

- » all properties in the islands should be able to access Next Generation Broadband at prices similar to that of the rest of the country; and
- » mobile communication services should provide coverage and connectivity across the Islands.

The Scottish Government is committed to achieving the best possible digital connectivity in Scotland's remote and rural areas, including islands, whether through next generation broadband or mobile broadband services.

Next Generation Broadband

The significant investment being made in Next Generation Broadband (NGB) infrastructure will extend access across the islands over the next two years, but the Scottish Government is working with HIE, Community Broadband Scotland (CBS) and the Islands Councils to go even further. Work already underway includes supplier engagement as part of the Superfast Extension Programme, to understand what technology solutions could be deployed in future, as well as support for emerging community-based projects via CBS.

The Scottish Government calls on the Islands Councils, HIE and CBS to continue this collaboration with the aim of maximising the number of premises with broadband access in the three Island Areas. The Scottish Government stands ready to continue to support this process. A working group, drawn from islands representatives, Scottish Government, CBS and HIE, met in March to take stock of connectivity across the islands and a follow-up session is currently being arranged. This will provide the

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opportunity to discuss current and planned roll-out via the Digital Scotland Superfast Broadband (DSSB) programme and options for those premises unlikely to have NGB delivered as part of this, whether through CBS or the Superfast Extension Programme.

The Scottish Government is pleased to note that CBS is already working with many island communities to support the development of projects. A key part of this is clarifying the eventual reach of the DSSB programme and identifying those postcodes that will not be served by upgraded infrastructure. Additional survey work is underway in Shetland to identify those premises and to therefore provide the certainty that communities need to bring projects forward.

A key underlying principle of this work is that best use is made of existing assets, such as the network owned by Shetland Telecom and any infrastructure delivered through the SWAN (Scotland Wide Area Network) programme. More widely, the Scottish Government is exploring how fibre infrastructure, currently used for non-telecoms purposes (such as controlling windfarms or monitoring electrical substations), could be used to provide backhaul for communities. CBS is in discussion with owners of this infrastructure to explore feasibility and overcome potential barriers.

The Scottish Government recognises the economic and social importance of broadband access to remote and rural communities across Scotland. Telecoms regulation is currently reserved and so earlier this year the Cabinet Secretary for Finance, Employment and Sustainable Growth, as Chair of the Convention of the Highlands and Islands, wrote to Ofcom to explore how a Universal Service Obligation (USO) for broadband could be implemented. However, it is clear that the Westminster Government currently has no appetite to implement this.

In the absence of a broadband USO, the Scottish Government and its partners are investing over £280 million in the DSSB programme which will ensure that 85 per cent of premises can access fibre broadband by the end of 2015 and 95 per cent by the end of 2017. Without this intervention, coverage would only reach 66 per cent by 2017.

> *The significant investment being made in next generation broadband infrastructure will extend access across the islands over the next two years.*



An independent Scotland would have the powers to use potential regulatory levers which could extend access to services. The Scottish Government's proposal is to create a single economic regulator which has responsibilities across a number of sectors including telecoms. It would be able to consider the case for introducing a broadband USO in detail. The Scottish Government believes that, alongside the significant infrastructure investment it is making, a USO has the potential to improve the provision of broadband to households and businesses in our rural communities. The Scottish Government will continue to engage with the Islands Councils on this issue.

Mobile coverage

The Scottish Government is also keen to support and facilitate ongoing engagement aimed at achieving improved mobile coverage on the islands.

Earlier this year, the Cabinet Secretary for Finance, Employment and Sustainable Growth wrote to Ed Vaizey, Department for Culture, Media and Sport (DCMS) Minister, on behalf of the *Our Islands Our Future* group to reflect our shared concerns over progress of the Westminster Government's Mobile Infrastructure Project. As a result of Mr Swinney's letter, DCMS has agreed to meet with the Islands Councils, along with Arqiva who are delivering the project.

Looking ahead, the Scottish Government will continue to support the Islands Councils throughout the process of engagement with DCMS and Arqiva. The Scottish Government proposes to incorporate the Mobile Implementation Project (MIP) engagement within a wider workshop on mobile connectivity, facilitating contact between representatives from Ofcom and Mobile Network Operators and the islands. Such an event would be an excellent forum for the islands to present their vision, for the industry to outline its roadmap for the region and to foster meaningful dialogue between all parties concerned on core issues such as regional roaming, rollout and coverage levels.

Through ongoing dialogue with mobile operators and Ofcom, the Scottish Government has further explored regional roaming. Whilst not technically impossible, the Scottish Government believes that regional roaming may be both technically and commercially difficult to achieve. Furthermore, the Scottish Government understands that regional roaming may deliver an unsatisfactory user experience. This is because roaming domestically would not

operate the same as roaming abroad. The transition across operators' networks would not be seamless, leading to dropped calls and lapses in service. Regional roaming is opposed by all of the mobile operators and Ofcom, whilst continuing to investigate the issue, has no plans to mandate it.

Independence would also offer the Scottish Government and its proposed Single Regulator the flexibility to consider using specific coverage obligations for future spectrum releases and licences which acted to maximise rural mobile and broadband coverage, taking account of successful approaches adopted elsewhere in Europe.

Although Scotland currently lacks the regulatory/legislative powers over telecoms, the Scottish Government nevertheless continues to work with the Westminster Government, Ofcom and the principal operators to ensure the best outcomes for Scotland. In terms of coverage, the Scottish Government successfully lobbied Ofcom ahead of last year's 4G auction to ensure one licence carried a minimum of 95 per cent coverage of population in Scotland. This licence was obtained by Telefonica (O2). Although only requiring Telefonica to achieve this level of coverage, it is worth noting that its infrastructure is shared with Vodafone and resulting network competition has led to other operators, such as EE, promising widespread coverage.

To ensure satisfactory mobile coverage it is clear that auction design is critical in countries with large geographical areas with sparse populations, to give consumers access to service and choice. With independence, we can learn from the regulatory and policy regimes of countries like Sweden to achieve greater coverage target. 4G coverage in Sweden is already at over 90 per cent.

Postal delivery services and Royal Mail

Postal services are of great importance in Scotland, particularly in rural and island communities. Independence will provide the opportunity to ensure a universal postal service is in place which suits Scotland's needs, in particular the needs of our remote and rural communities. *Scotland's Future* sets out this Government's intention to match, as a minimum, the level of service provision inherited from the UK on independence, which is currently a six days per week service for mail. Regulating postal services will also allow an independent Scottish government to take steps to address the high cost of parcel delivery in remote and rural areas.

Scotland's Future also sets out this Government's intention to begin the process of renationalising the Royal Mail in Scotland on independence, and to focus Post Office services on what is best for communities and businesses across Scotland.

Tourism

Tourism can contribute to a diversified and sustainable economy, attracting and servicing inward investment and promoting population growth. The Scottish Government Economic Strategy recognises that tourism is a key economic sector for Scotland. As well as the direct economic impact for businesses and individuals tourism can contribute in the wider context to a diversified and sustainable economy, attracting and servicing inward investment and promoting population growth. Natural, social and community assets and activities are key components of the Island Areas' tourism offer and a source of creative content. It is clear why tourism is vital to the islands – and why the islands have so much to offer.

> *Tourism can contribute in the wider context to a diversified and sustainable economy.*

Between October 2012 and September 2013, a pan-island visitor survey was carried out by VisitScotland, HIE, Orkney and Shetland Islands Councils and Comhairle nan Eilean Siar. It showed that food and drink, as an example, represents a significant part of visitor spend within an area – and sometimes it is the motivation to visit an area in the first place.

The Scottish Government will support stronger partnership between Scotland's islands, VisitScotland, Transport Scotland and other stakeholders to make the most of the opportunities to promote tourism to Scotland's islands. The revised VisitScotland National Tourism Development Framework shows where key investment opportunities are needed – and where current strengths/assets lie.

The Scottish Government recognises the important role of transport connectivity for the tourism sector in the islands.

The Scottish Government welcomes support from the Islands Councils for the future Focus Years and recognises that these present an excellent opportunity to make best use of the varied island assets – and partners on the islands are already being encouraged to work with VisitScotland to harness the unique potential of these years.

Enhancing islands wellbeing

continued

The Scottish Government is committed to work with the Islands Councils, and island communities, on an operational level to realise their unique potential as destinations, improve the use of resources, assist in promoting the sharing of infrastructure to promote tourism, and help introduce solutions that are particularly suited to the islands. This work could include, but would not be limited, to:

- » working with Islands Councils on how existing Knowledge Sharing Platforms can be used to promote closer working (including sharing relevant research findings) between public bodies, local authorities, the industry itself and also third sector organisations;
- » examining how initial work by Orkney Islands Council on an Invitation To Tender for coach services can be used as a model business case for wider application across all the islands – and look at what options there are for supporting further collaborative work;
- » government officials and relevant NDPB staff working with industry and Islands Councils to demonstrate value added already through initiatives such as Mallin Waters – and the wider potential for transnational markets that marine offers; and
- » in addition to the existing marine tourism work, examining next steps in collaborating on a response to the February 2014 European Commission Communication ‘A European Strategy for more Growth and jobs in Coastal and maritime tourism’ COM (2014) 86. Within the specific work on this strategy there are several Commission proposals where Islands Councils could play a key role.

The islands form a crucial part of the wider marketing of Scotland. Their being part of the VisitScotland campaigns opens up much greater opportunities, much greater reach and much greater exposure – especially in this 2014 Year of Homecoming Scotland – when the eyes of the world are upon us.



Culture and Creative Industries

The importance of the creative industries to Scotland is recognised by the inclusion of creative industries as one of seven key growth sectors in the Government Economic Strategy (along with Energy, Financial Services, Food and Drink, Life Sciences, Tourism and Universities). Their general importance to Scotland is at least matched by their importance to our island communities.

The Western Isles, Orkney and Shetland are characterised by the richness of their creative and cultural content and products. Inspired by the ‘sense of place’ which encompasses environment, community, language (Gaelic and dialects of Scots) and cultural heritage, the islands house a diverse range of practitioners in traditional and contemporary music, literature, arts, fashion and crafts. Broadcasting, textiles and heritage offer significant levels of employment and business opportunity. The islands also host renowned events, festivals and galleries which build on its cultural and creative base. Creative products, part of whose appeal lies in their connection to a specific island community, such as Harris Tweed or jewellery from Orkney, are being exported to an international customer base.

The creative and cultural industries make a substantial contribution to driving economic activity within the islands and offer a significant opportunity for future economic growth and diversification. This is recognised by the University of the Highlands and Islands (UHI), which has constituent colleges on each Island Area and which has Creative and Cultural Industries as one of its eight subject networks. Within the UHI centres of excellence such as the Orkney Research Centre for Archaeology and the Centre for Nordic Studies (with bases in Orkney and Shetland) capitalise on the unique historic past of these islands in a way that is relevant to today and reaches out our Nordic neighbours and beyond – for example, the Orkney Research Centre for Archaeology recently brought to bear the expertise that they have developed on the standing stones and monuments of the Orkney World Heritage Sites on a fieldwork project on the statues of Easter Island.

Enhancing islands wellbeing

continued

Across all three Island Areas, the tourism impacts of the cultural and creative sector are also significant, with visitors being attracted to the area by the islands' museums, nationally significant museum collections, archives and archaeological sites (including World Heritage Sites – Heart of Neolithic Orkney/St Kilda) and monuments. Creative businesses and products provide a range of experiences and opportunities for the visitor during their stay.

The sector also forms part of the social fabric of the islands. Access to, and participation in, creative and cultural activity generate community and social wellbeing, and make the islands an attractive place to live and work.

A large number of enterprises rely on local markets (typically the smaller scale enterprises), whilst a smaller number of enterprises (typically the larger 'market leaders') have national and international markets.

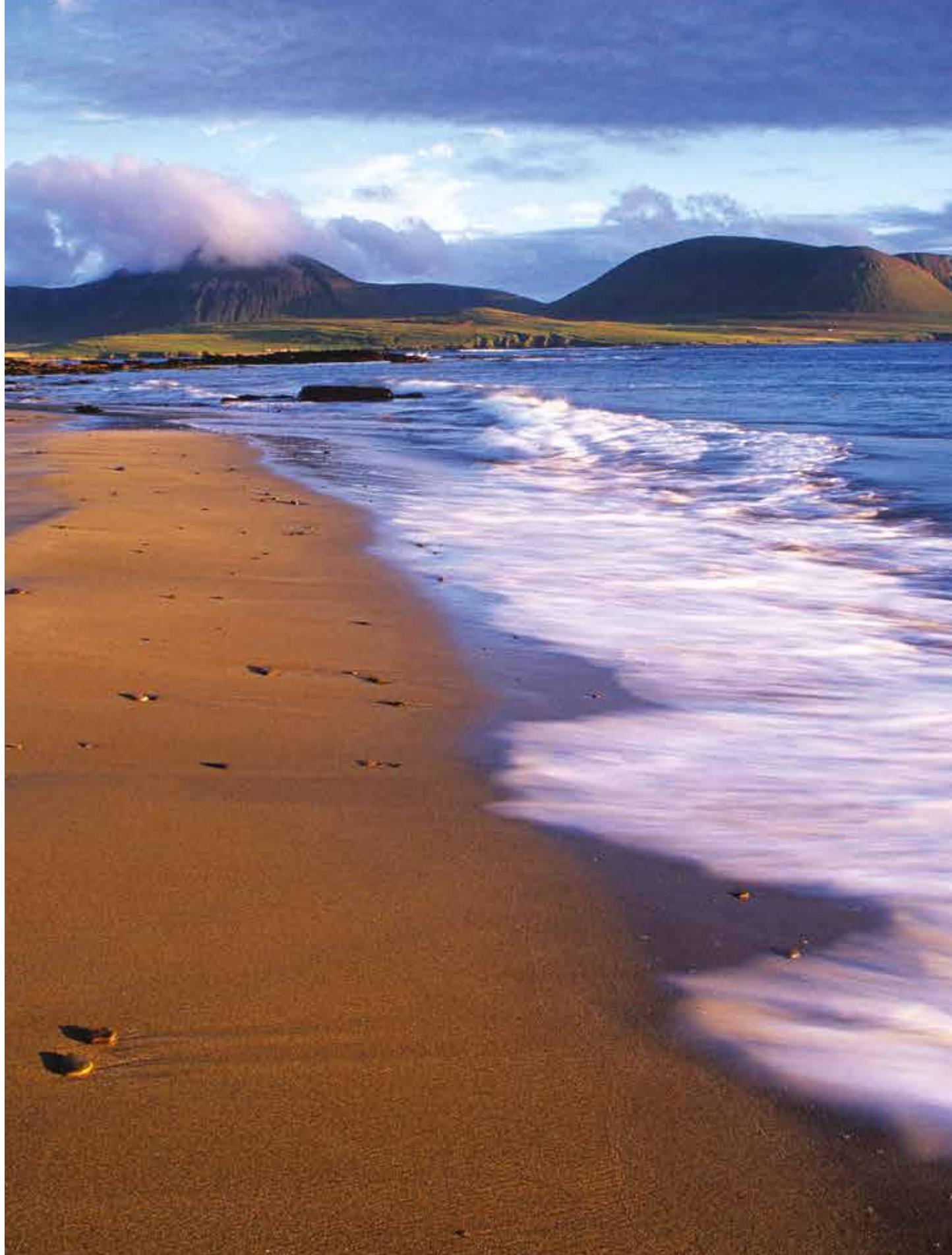
The sector is characterised by a broad and diverse mix of activities – from larger employers such as those in heritage and broadcasting, to self-employed entities – from 'extreme lifestylers' through 'portfolio lifestyles' to micro-businesses.

> *The Scottish Government recognises the indigenous strengths of Scotland's islands: Norse and Gaelic heritage and culture.*

The Scottish Government recognises the indigenous strengths of Scotland's islands: Norse and Gaelic heritage and culture; archaeological and natural heritage; Gaelic content and broadcasting and crafts and fashion. The Scottish Government is committed to continue to support the Norse and Gaelic heritage, culture and language among the island communities. With independence a Scottish Broadcasting Service could develop opt-out broadcasting at sub-Scotland level, including to the islands, to reflect their culture and local current affairs.

The Scottish public sector supports the cultural and creative industries in a range of ways. Local authorities advise and assist small firms and start-ups, including through the Business Gateway. Highlands and Islands Enterprise provides targeted support. In particular, Creative Scotland has a specific remit to support the

cultural and creative industries. Through that, Creative Scotland plays an important role in supporting the culture of the island communities. Reflecting the prominence of the islands in the creative sector, Creative Scotland's investment per head of population in the Western Isles, Orkney and Shetland in 2012-13 saw them in second, fourth and fifth place respectively among Scotland's 32 local authority areas. It has a track record of investing in their vibrant musical traditions, demonstrated, for example, by the recent artists' bursary for research into Shetland's fiddle repertory. The Scottish Government will facilitate further discussion between the islands and Creative Scotland to ensure that this commitment continues.



What happens next

This prospectus sets out the outcome of the Island Areas Ministerial Working Group. It is a comprehensive package of measures and is predicated on the transfer of all powers to the Scottish Parliament that independence would deliver. The full powers of independence would ensure decisions best determined by island communities are made by those island communities and that island needs are taken account of in every level of governance.

Following a vote for independence on 18 September the Scottish Government will begin work to implement this package in full.

A number of the measures described require legislation and would therefore be subject to the scrutiny and will of the Parliament. The most significant of these measures is the establishment of an Islands Act. This prospectus and *Scotland's Future* confirm the Scottish Government's commitment to bring forward a Bill for an Islands Act.

An Islands Bill would be subject to the normal processes of the Scottish Parliament, including full consultation with the public and scrutiny by the Scottish Parliament.

A number of other measures do not require either the transfer of powers that independence would bring or new legislation to be made. Implementation of a number of these is already underway – for example in ensuring the islands have a greater voice and optimal representation in the operation and oversight of the Scotland Rural Development Programme. This voice and representation for the Islands would be extended with Independence as a Scottish Government would be acting as a Member State of the European Union.

One of the early priorities for an independent Scotland will be the creation of a permanent written constitution. As set out in *Scotland's Future*, this will be prepared, post-independence, by a constitutional convention, independent of the Scottish Government and Parliament, in a widely participative and citizen-led process. However, the Government will propose that the written constitution includes a provision recognising the unique position of Scotland's islands.

What happens next

continued

The prospect of constitutional change has allowed the process of democratic renewal to begin. Independence provides the opportunity for people and communities to be at the heart of local decision making and at all levels of national policy making and for their needs to be recognised in the Scottish Parliament and more widely within the European Union.

Independence offers the opportunity for decisions about Scotland to be made by those who care most about Scotland, that is the people who live here. The Scottish Government believes that is the essence of self-determination and through the principles of subsidiarity and local decision making we believe this prospectus extends that opportunity to Scotland's islands.

Appendix 1

Island Areas Ministerial Working Group

Members of the Island Areas Ministerial Working Group were:

Derek Mackay MSP	Minister for Local Government & Planning (Chair)
Paul Wheelhouse MSP	Minister for Environment & Climate Change
Councillor Angus Campbell	Leader of Comhairle nan Eilean Siar
Councillor Dr Steven Heddle	Convener and Leader, Orkney Islands Council
Councillor Gary Robinson	Leader of Shetland Islands Council
Mark Boden	Chief Executive of Shetland Islands Council
Alistair Buchan	Chief Executive of Orkney Islands Council
Malcolm Burr	Chief Executive of Comhairle nan Eilean Siar

Additionally the following Ministers attended certain meetings of the Group appropriate to their portfolio responsibilities:

Richard Lochhead MSP	Cabinet Secretary for Rural Affairs & Environment
Keith Brown MSP	Minister for Transport & Veterans
Fergus Ewing MSP	Minister for Energy, Enterprise & Tourism
Dr Alasdair Allan MSP	Minister for Learning, Science & Scotland's Languages

The Group at its first meeting agreed its focus as being to:

- » Consider how the Islands Councils are and can be supported to use existing powers available to them and engage communities to deliver improved, more responsive public services and better outcomes for communities;
- » Consider the development and extension of local democracy in the island groups and opportunities in the context of the referendum, including the issues raised by the *Our Islands - Our Future* joint position statement; and
- » Agree a prospectus outlining opportunities for island communities in the future, with the Scottish Government firmly of the view that independence offers the best opportunity for such progress.

The Group was supported by a secretariat drawn from officials in each Council and the Scottish Government. The Group met on six occasions:

29 August 2013	Edinburgh
29 October 2013	Glasgow
21 November 2013	Edinburgh
17 February 2014	Lerwick
24 March 2014	Stornoway
2 June 2014	Kirkwall

Each meeting was supported by significant joint working by Islands Councils and Scottish Government officials to develop and explore the range of subjects set out in the *Our Islands Our Future* campaign.

> *We believe that the people who live and work in Scotland are best placed to make decisions about our future – the essence of self-determination; therefore we support subsidiarity and local decision making.*

**“Lerwick Declaration”,
First Minister, Alex Salmond MSP, 25 July 2013**



**The Scottish
Government**
Riaghaltas na h-Alba

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