Scottish Government Islands Programme capital fund 2021/22 to 2024/25

An evaluation of the process for awarding grants

August 2025

Scottish Government
Riaghaltas na h-Alba

Scottish Government Islands Programme capital fund 2021/22 to 2024/25

An evaluation of the process for awarding grants

Dawn Griesbach, Alison Platts and Jennifer Waterton
Griesbach & Associates

The views expressed in this report do not necessarily represent those of the Scottish Government or Scottish Ministers.

Table of contents

Executive summary **1**

1. Introduction **6**
Background 6
Evaluation aims 7
About the report 8

2. Methods **9**
Stage 1: review of documentary evidence 9
Stage 2: qualitative research 9

3. Overview of the Islands Programme **11**
Common aspects across all four years 11
The process for awarding grants 13
The Islands Programme contribution to the National Islands Plan 17

4. Stakeholder views of the current Islands Programme funding mechanism **19**
Challenges of delivering infrastructure projects on Scotland's islands 19
General views of the current competitive bidding process 20
Selection of projects 20
Involvement of island communities in the application process 21
Assessment of applications and decision making 22
Role of Scottish Futures Trust 23
Timing and timescales 23
The funding landscape 24
Advantages and disadvantages of competitive bidding 25

5. Suggestions for improving the current process **27**
Perceived problems with the current competitive process 27
Suggested improvements 27

6. Alternatives to the current approach **29**
Direct allocation 29
Competitive bidding by community organisations 31
Hybrid approaches 32
An integrated fund for all capital projects on the islands 32
Outsourcing the management of Islands Programme funding 33

7. Discussion and conclusions **34**
To what extent have communities been meaningfully involved? 34
What are the advantages and disadvantages of different funding mechanisms? 35

How effective is the process for assessing applications and awarding grants? 36
How effective are programme management and monitoring arrangements? 36
Features of an optimal Islands Programme funding mechanism 37
Conclusions 38

Annex 1: Documentary sources of evidence 40
Rural Affairs and Islands Committee correspondence and reports 40
Other sources of documentary evidence, not in the public domain 42

Annex 2: Outcomes of competitive funding rounds 43

Annex 3: Projects funded, 2021/22 to 2024/25 45
Argyll and Bute 45
Eilean Siar 46
Highland 47
North Ayrshire 48
Orkney 49
Shetland Islands 50

Annex 4: Sources of co-funding 51

Abbreviations

The following abbreviations are used throughout this report:

RAI Committee: The Scottish Parliament's Rural Affairs and Islands Committee

RCGF: Regeneration Capital Grant Fund

SFT: The Scottish Futures Trust

SGIT: Scottish Government Islands Team

Note about terminology

Throughout this report, the term **Islands Programme** is used to refer to the five-year capital grant scheme that has been administered jointly by the Scottish Government Islands Team and the Scottish Futures Trust between 2021/22 and 2025/26. Note that, in its first year, the scheme was named the **Islands Infrastructure Fund (IIF)**. Its name changed to the Islands Programme for the 2022/23 funding round. These two names refer to the same capital fund.

This evaluation focuses on the first four years of the programme only: 2021/22 to 2024/25. The 2025/26 funding round – offering £5.3 million in capital funding – opened to applications in May 2025. This round is not included in the evaluation.

Acknowledgements

The authors of this report would like to thank all those who generously gave their time to participate in this evaluation – including staff from island local authorities, Investment Panel members, staff from the Scottish Futures Trust, and representatives of other stakeholder organisations.

We would also like to say a big thank you to the representatives of island community organisations – many of whom were volunteers – who shared their experiences of the Islands Programme with us.

Thank you, also, to the Scottish Futures Trust for making available a range of reports and other documentary evidence which provided the basis of our documentary review and for taking the time to answer our questions. Finally, we would like to thank the Scottish Government Islands Team for their support and assistance in this evaluation.

Executive summary

1. The Scottish Government's Islands Programme is a £25.8m capital grant scheme dedicated to supporting the delivery of the National Islands Plan. The programme was established in 2021/22 and provides funding for infrastructure projects to Scotland's six island local authorities – Argyll and Bute, Eilean Siar, Highland, North Ayrshire, Orkney Islands and Shetland Islands. The Scottish Futures Trust (SFT) has been funded to support the management of the Islands Programme since its inception.

2. In its first year (2021/22), Islands Programme funding was delivered as a **direct allocation** to island local authorities. The allocations were based on (i) the size of the island-based populations in each local authority and (ii) total island road length. This method of disbursement was intended to expedite payments to local authorities to help island communities recover from the impacts of the Covid pandemic and related lockdowns.

3. In the following three years (2022/23 to 2024/25), funding was disbursed using a **competitive bid process** in which local authorities submit applications for projects in their area. An independent Investment Panel assesses the applications and makes recommendations to Scottish Ministers about which projects should be funded. The competitive bid process has remained largely the same over the years it has operated, although some limited changes were made in response to recommendations made by the Scottish Parliament's Rural and Island Affairs Committee after its first year of operation.

4. There have been a range of views expressed on the best (most efficient and effective) way to disburse capital funding to Scotland's islands to achieve the greatest possible positive impact. The Scottish Government is now developing a new National Islands Plan and, as part of that process, commissioned an independent evaluation of the process used to deliver Islands Programme funding to island communities in the four years from 2021/22 to 2024/25.

5. The purpose of the evaluation was to gather evidence to inform the process that could be used to distribute potential funding in the future. The evaluation comprised a review of documentary evidence and interviews with key stakeholder groups. These included local authority representatives, representatives of island community organisations, members of the Investment Panel, and staff from SFT.

Overview of the Islands Programme

6. In its first four years, the islands Programme supported 70 projects on 51 islands with grant amounts ranging from £17k to £1.68m, and a total value of £15.2m. Comparing the programme in Year 1 (direct allocation) to Years 2 to 4 (competitive bidding) shows the following:

- The number of projects receiving funding was markedly higher in Year 1 than in Years 2 to 4. In Year 1, 37 projects received funding, compared to 33 in total across Years 2 to 4. However, the average sum received by projects was substantially larger (around 3 to 4 times higher) in each of the competitive funding rounds.

- In Year 1, the allocation formula resulted in a large variation in the share of funding received by each local authority, ranging from 5.2% (North Ayrshire Council) to 27.6% (Comhairle nan Eilean Siar). Under competitive bidding (Years 2 to 4 combined), there was a more equal distribution of funds, ranging from 13.3% (Argyll and Bute Council) to 21.7% (Orkney Islands Council).
- Across all four years, more than half of the projects (42 out of 70) are being delivered by community organisations.
- Across all four years, the Islands Programme provided around 40% of the estimated total costs of the projects funded.

To what extent have communities been meaningfully involved?

7. Representatives of community organisations that took part in the evaluation largely reported positive collaboration with their local authorities in relation to the development of funding applications. Some said this collaboration had provided an impetus for ongoing communication and helpful working relationships between them and their local authorities.

8. However, not all community organisations reported positive experiences of working with their local authority. A small number felt they had not been fully involved in the application process or had been unhappy with the application submitted for funding.

9. Local authorities had different approaches for learning about the priorities of their local communities. From the perspectives of the community representatives, these differing approaches appeared to work reasonably well, with just the occasional dissenting voice.

Effectiveness of the process for assessing applications and awarding grants

10. The evaluation found the process for assessing applications and awarding grants under competitive bidding to be thorough, robust and fair. The composition of the panel is seen as appropriate – most members now have direct experience of working in island communities. The participation of young people from the Young Islanders Network has been welcomed.

11. Panel members identified a number of issues and areas for improvement in relation to the assessment process. One concern raised by panel members related to the discussions that sometimes take place in panel meetings about whether certain projects are eligible for funding. Further clarification may be needed on this point – both for local authorities and panel members – if the current competitive bid process continues. There was also a concern that the information provided in applications is not always sufficient to allow the panel to make an accurate assessment of project viability.

12. It is important to note that the number of applications to the Islands Programme has increased each year. In addition, the quality of applications has increased, with all applications in the most recent round (2024/25) reaching the quality threshold for funding. Should this trend continue, and the funding pot remain relatively stable, there will be an increased risk of local authorities (and community organisations) spending time developing applications that are unable to be funded. If the competitive bidding process continues, it would be important to consider ways of reducing this risk. This could be done, for example, by introducing a maximum amount that can be applied for, by developing a

mechanism for ensuring that funding in each year is spread across all island authorities, and / or by directing funding to certain types of projects (for example, community projects).

Effectiveness of programme management and monitoring arrangements

13. The evaluation found that the Scottish Futures Trust (SFT) plays an important and valued role in the management and monitoring of the Islands Programme. There was evidence that the SFT programme manager closely follows the progress of projects funded by the Islands Programme and is aware of the challenges they are facing at every step.

14. SFT also provides much needed capacity and capability to island local authorities. Local authority interviewees often highlighted the helpful input and support they have received from the programme manager and others at SFT to keep their projects moving forward.

15. In whatever choices the Scottish Government may make regarding future funding mechanisms for the Islands Programme, it will be important to retain this role in supporting the programme.

Funding landscape

16. A dominant theme in the discussions with local authorities and community organisations – as well as other stakeholders – was the challenge of having to piece together a comprehensive funding package for a capital project from a wide range of disparate sources. This issue was raised repeatedly by community representatives. Stakeholders pointed out that every fund has its own aims and objectives, criteria, application processes, and deadlines. They described this as a ‘cluttered’ funding landscape.

Advantages and disadvantages of different funding mechanisms

17. Stakeholders discussed the advantages and disadvantages of different funding mechanisms for the Islands Programme including (i) direct allocation, (ii) competitive bidding by local authorities, and (iii) competitive bidding by community organisations.

18. Stakeholders saw the main **advantages** of a competitive bid process as: (i) ensuring alignment between the objectives of the National Islands Plan and the projects selected for funding, (ii) providing an independent, external assessment of what the ‘best’ projects are, (iii) providing the potential for local authorities to access substantial funding, regardless of their geography or size, and (iv) facilitating partnerships between local authorities and their local communities. The **disadvantages** of a competitive bidding process were seen to be that (i) it is not consistent with the Scottish Government aspiration to devolve decision making to a local level, (ii) it is not consistent with the collaborative ethos of the National Islands Plan, (iii) it is a very resource intensive approach, given the limited capacity available within local authorities and community organisations, (iv) the timetable for annual bidding rounds does not align well with the timescales for progressing projects, (v) it can result in funding being given to the best bids, rather than the best projects and it prioritises ‘shovel ready’ projects over potentially more impactful projects, and (vi) it does not match the standards of scrutiny that would apply at a local level.

19. Stakeholders described the main **advantages** of a direct allocation process as follows: (i) it offers a more efficient use of local authority resources and capacity, (ii) better decisions would be made if the process of choosing projects was devolved to a local level, (iii) it is

consistent with the collaborative ethos of the National Islands Plan, and (iv) it would enable local authorities to use their allocations to leverage funding from other sources. However, stakeholders did not necessarily think that the allocation formula used in Year 1 of the Islands Programme (based on island population and road length) was the best one to use. The **disadvantages** of a direct allocation process were seen to be that: (i) it would provide less certainty that expenditure is fully aligned with National Islands Plan strategic objectives, (ii) there could be less scrutiny of funding decisions made at a local level, (iii) direct allocation may not foster meaningful community involvement or collaboration in the process of choosing projects and (iv) there would be less scope to fund large-scale projects as local authorities would be limited by their allocation in any one year.

20. There was limited appetite for changing the Islands Programme into a fund that involves competitive bidding by community organisations – including among the community organisations that participated in this evaluation. Stakeholders noted that: (i) there is already a range of funds available to community organisations, (ii) community organisations that are run entirely by volunteers would be disadvantaged in such a process, (iii) island community organisations would have to compete with each other for funding, which was not thought to be helpful, (iv) this type of approach would raise expectations among community organisations, and also levels of disappointment when applications are unsuccessful, and (v) it would attract large numbers of applications of varying quality, and require a large administrative resource to manage.

21. Some stakeholders also suggested other models which, in their view, would address the disadvantages of a direct allocation or competitive bid mechanism. These included (i) hybrid approaches (comprising aspects of both direct allocation and competitive bidding), (ii) an integrated fund for all capital projects on the islands (intended to help address the problem of the ‘cluttered’ funding landscape), and (iii) outsourcing the management of Islands Programme funding to a third-party organisation (which would provide scope to move away from the pressures of annual funding rounds).

22. Stakeholders also suggested a range of improvements that could be made to the current competitive bid process. Key among these was a more consistent timetable that maximises the time available to local authorities for developing applications and committing expenditure. Others related, for example, to rationalising the scheme objectives and assessment criteria, making the application guidance and forms more user-friendly for the community partners who are often involved in preparing applications, and providing fuller feedback on unsuccessful applications.

Features of an optimal Islands Programme funding mechanism

23. The evaluation found little evidence to suggest that one method for disbursing funds is inherently better than another. All methods have their advantages and disadvantages. Instead, stakeholders said that it is often what happens **before** and **after** the funding is given that enables a capital programme to achieve its intended positive impact.

24. Stakeholders emphasised the importance of not only providing funding for capital infrastructure projects, but also of ensuring the availability of the necessary human capacity (knowledge, expertise, etc.) to develop, manage and deliver those projects.

25. In relation to the Islands Programme, the process of disbursing funding would ideally sit within a wider system in which:

- Each island area has a prioritised plan for infrastructure development that is based on engagement with local communities and aligned to national policy objectives
- There is multi-year funding which local areas can bid for when projects are ready
- Local authorities have a pipeline of projects, and have a process for moving (other) projects forward where delays occur in those at the top of the queue
- There is sufficient capacity and capability – both within local authorities and community organisations – to develop and deliver projects
- There is coordination across funding streams that may provide co-funding
- There are sufficient contractors available for planning, design and construction
- There is flexibility in how the funding may be spent – both in terms of what it is spent on, and in terms of the timetable within which it should be spent
- There is a robust management and monitoring framework in place.

Conclusions

26. Overall, stakeholders thought the current competitive bidding process was working reasonably well. At the same time, local authorities and community representatives see the process as less than ideal. These stakeholders described the process as demanding, resource intensive and risky (in terms of the amount of time invested for potentially little benefit).

27. Stakeholders suggested a range of relatively small improvements that could be made to the current competitive bidding process. However, the more fundamental changes which local authorities and community organisations wished to see would require a broader review of how the Islands Programme operates – not solely limited to the disbursement mechanism. Indeed, one of the main messages from the evaluation was that the disbursement mechanism is not a key determinant in relation to the overall impact of the Islands Programme.

28. Any wider review of the operation of the Islands Programme should be informed by the findings of this evaluation and would seek to address (i) the need for a consistent and predictable timetable for the announcement of funding opportunities and awards, (ii) underlying issues in relation to capacity and capability, and (iii) the extent to which the Islands Programme can be re-engineered to allow greater flexibility and coordination across the array of funding streams which currently exist to support capital infrastructure projects.

1. Introduction

1.1 In January 2025, the Scottish Government Islands Team commissioned an independent evaluation of the process for awarding grants from the Islands Programme capital funding scheme. The evaluation covered the first four years of this five-year programme (2021/22 to 2024/25). This report presents findings from the evaluation and discusses the implications of these for future development of the programme.

Background

1.2 The Islands (Scotland) Act 2018 introduced measures to support the unique needs of Scotland's islands and help create an environment for sustainable growth and empowered communities.[1] The Act requires Scottish Ministers to develop a National Islands Plan to 'set out the main objectives and strategy of the Scottish Ministers in relation to improving outcomes for island communities that result from, or are contributed to by, the carrying out of functions of a public nature'.

1.3 Following extensive consultation with island communities, the first National Islands Plan was published in December 2019. The plan had 13 strategic objectives which were seen by islanders as critical to improving the quality of life in island communities.[2] A National Islands Plan Infrastructure Investment Fund – later renamed the Islands Programme – was subsequently set up as a dedicated funding stream under the Scottish Government's Infrastructure Investment Plan (published in February 2021). The Infrastructure Investment Plan stated that the Scottish Government would:

> '…invest £30 million in delivering the National Islands Plan, supporting a range of areas, including tourism, infrastructure, innovation, energy transition and skills – informed by our learning of how island communities have responded and adapted to COVID-19. This will include specific ring-fenced funding for capital projects on islands relating to net zero and green recovery objectives, creating high quality, skilled, green jobs in some of our most remote and vulnerable communities.'

1.4 The commitment to investment in island infrastructure was reiterated in the Capital Spending Review 2021/22 to 2025/26 and in the 2021 Programme for Government. However, updated capital spending allocations for 2023/24 to 2025/26, published in May 2022, showed that the £30m originally allocated to the Islands Programme had reduced to £25.8m. This change was attributed to a reduction in the capital settlement from the UK Government's Autumn 2021 Spending Review.

1.5 As of Spring 2025, four Islands Programme annual funding rounds have taken place, and a total of £15.2m has been invested in islands infrastructure in Scotland's six island local authorities of Argyll and Bute, Eilean Siar, Highland, North Ayrshire, Orkney Islands

[1] The Act identified a range of factors which would help improve outcomes for island communities including: increased population levels; sustainable economic development; greater environmental wellbeing; health and wellbeing; greater community empowerment; better transport services, housing and digital connectivity; reduced fuel poverty; and enhanced biosecurity.

[2] From April to July 2019, the Scottish Government consulted people living in island communities about their priorities for the National Islands Plan. Their views were reflected in the strategic objectives.

and Shetland Islands.[3] The programme has supported 70 projects on 51 islands, with grant amounts ranging from £17k to £1.68m.

1.6 In its first year (2021/22), Islands Programme funding was delivered as a **direct allocation** to the island local authorities.[4,5] This method of disbursement was intended to expedite payments to local authorities to help island communities recover from the impacts of the Covid pandemic and related lockdowns. Local authorities then distributed the allocated money to projects that met criteria set by the Scottish Government. Projects could be delivered by local authorities or community organisations – in some cases working in partnership with other local organisations – and could involve local authority-owned, community-owned or community-leased assets.

1.7 In the following three years (2022/23 to 2024/25), Islands Programme funding was disbursed through a **competitive bid process**, with local authorities acting as the lead applicants for projects in their area. A competitive bid process was adopted after considering a range of alternative funding mechanisms, as this approach was seen by the Scottish Government to enable maximum alignment between national policy objectives and local expenditure. This approach also mirrored that used to disburse a range of other Scottish Government and UK capital funds, including the Regeneration Capital Grant Fund (RCGF), which local authorities were already familiar with.

1.8 While there are a number of other funding streams which focus on investment in island communities and contribute to delivery of the National Islands Plan objectives, it is important to note that the Islands Programme is the only fund **explicitly dedicated** to supporting the delivery of the National Islands Plan.

Why is an evaluation of the Islands Programme grant awarding process required?

1.9 The Scottish Government is aware that there are a range of views on the best (most efficient and effective) way to disburse Islands Programme funding to ensure maximum impact. These views have been expressed in communication (written and oral) with the Scottish Parliament's Rural Affairs and Islands Committee (see Annex 1 for details) as well as in the responses to a public consultation carried out in 2023 as part of a review of the National Islands Plan.[6] Following that review, the Scottish Government is now developing a new National Islands Plan and, as part of that process, wished to carry out an evaluation of the process used for delivering Islands Programme funding to island communities.

Evaluation aims

1.10 Given the range of views noted above, the Scottish Government commissioned an independent evaluation to examine (i) the effectiveness of the Islands Programme in

[3] The amounts awarded through the Islands Programme were: £3.9m in Year 1 (2021/22); £4.5m in Year 2 (2022/23); £4.0m in Year 3 (2023/24); and £2.8m in Year 4 (2024/25). Note that £5.3m funding for Year 5 (2025/26) of the Islands Programme was announced in the Programme for Government on 6 May 2025.

[4] The methodology for the direct allocation was agreed with COSLA. (See Chapter 2 for details.)

[5] Note that the total £25.8m funding allocated to the Islands Programme included two direct awards to community projects on Kerrera and Fair Isle made in 2021/22. It also supported two other funds in 2021/22 – the Islands Communities Fund (£2m) and the Healthy Islands Fund (£1.36m) – which community groups could bid for. These two funds were managed by Inspiring Scotland and are not covered by this evaluation.

[6] See D Griesbach and A Platts (2024) National Islands Plan Review: Consultation Analysis.

providing support to island communities, (ii) the role of the fund in supporting implementation of the National Islands Plan and (iii) the approaches used to date to distribute Islands Programme funding. The purpose was to gather evidence to inform the process that could be used to distribute potential funding in the future. There were several specific questions that the Scottish Government wanted the evaluation to address. Each of these related to a broader set of questions which ultimately provided the focus for the evaluation:

- Under the current competitive bidding process, to what extent have communities been meaningfully involved in decisions about how Islands Programme funding was used at a local level?
- What are the advantages / disadvantages of different mechanisms to disburse capital funding (i.e. competitive bidding, direct allocation, opening the fund to community groups, and others)?
- How effective is the process of assessing applications and awarding grants under the current competitive process?
- How effective are the fund's management and monitoring arrangements?

1.11 Note that the focus of this evaluation was on the **mechanism** for allocating Islands Programme funding. The evaluation did not consider the outcomes for or impacts on island communities achieved by the fund. Therefore, in examining the **effectiveness** of different processes used to disburse funds under the Islands Programme, the main consideration was the extent to which these processes supported the fund's role in addressing National Islands Plan objectives.

1.12 It was not part of the scope of this evaluation to examine in any detail how other infrastructure funding programmes are delivered. However, stakeholders taking part in this evaluation often shared their views on aspects of other funding programmes and approaches that they considered worked well. These views are reported in Chapter 6.

About the report

1.13 The remainder of this report presents:

- The evaluation methods (Chapter 2)
- An overview of the Islands Programme – its operation and a summary of the awards made in Year 1 (through the direct allocation process) and in Years 2 to 4 (through the competitive bid process) (Chapter 3)
- Stakeholder views on the current (competitive bid) funding mechanism (Chapter 4)
- Suggestions for improving the current approach (Chapter 5)
- Suggested alternatives to the current approach (Chapter 6)
- Discussion and conclusions (Chapter 7).

1.14 The report also contains annexes providing further detail about aspects of the Islands Programme. References to the material in these annexes are made throughout the report.

2. Methods

2.1 This evaluation was carried out in two stages between February 2025 and May 2025. The first stage (February to March 2025) comprised a review of documentary evidence. The second stage (March to May 2025) involved qualitative research – interviews and focus groups – with Islands Programme stakeholders.

Stage 1: review of documentary evidence

2.2 The purpose of the documentary review was to gather evidence of how the Islands Programme has operated in the four years from 2021/22 to 2024/25, including how decisions have been taken about which infrastructure projects to support. The documentary review also identified issues for further exploration in the second stage of the evaluation.

2.3 A wide range of Islands Programme documents provided the basis for the documentary review, including:

- Application forms and guidance to Islands Programme applicants
- Completed application forms
- Papers related to Investment Panel proceedings and decisions (the Investment Panel assesses applications and makes recommendations for funding under the current competitive bid process)
- Grant offer letters
- Monitoring forms and reports.

2.4 Another key source of evidence was the Scottish Parliament's Rural Affairs and Islands Committee (RAI Committee).[7] As part of the committee's scrutiny of the Scottish budget for 2023/24 and 2024/25, it invited written and oral evidence on the operation and impact of the Islands Programme. The committee made a number of recommendations for improvement which resulted in changes being made to the competitive bid process in 2023/24. (See Chapter 3 for details of these changes.) Annex 1 provides details of the evidence presented to the RAI committee.

Stage 2: qualitative research

2.5 The second stage of the evaluation gathered stakeholders' experiences of the Islands Programme and explored their views on the advantages and disadvantages of the current competitive bid funding model. It also considered broader questions of how best to fund infrastructure projects in the Scottish islands.

2.6 Stakeholders in the Islands Programme include:

[7] This committee considers and reports on a range of matters including (i) rural land use, including forestry, farming and crofting, (ii) food and drink supply chains, (iii) animal welfare and wildlife crime, (iv) fisheries and aquaculture, and (v) issues relevant to the Islands (Scotland) Act 2018, all of which fall within the responsibility of the Cabinet Secretary for Rural Affairs, Land Reform and Islands. The Committee's name changed from Rural Affairs, Islands and Natural Environment Committee to Rural Affairs and Islands Committee in February 2023.

- The Scottish Government Islands Team (SGIT) and Scottish Futures Trust (SFT) who have had a role in developing, delivering and monitoring the programme
- The Investment Panel – the group responsible for assessing applications and making recommendations for funding to Scottish Ministers under the competitive bid process
- Island local authorities and island community organisations that have applied for funding and / or been involved in the development and delivery of projects.

2.7 This second stage of the evaluation involved the following:

- Interviews (including some group interviews) with 12 council officers in the six island local authorities.
- Interviews with members of the Investment Panel: Eight panel members (not including SGIT members) participated in interviews, while one panel member provided written comments.
- Focus groups and interviews with community organisations whose projects received Islands Programme grants: Representatives of community organisations that received grants in relation to a community-owned asset were invited to participate and 15 people (from 14 projects) agreed to take part.
- Interviews with community organisations whose projects were unsuccessful in obtaining Islands Programme funding: Representatives of five community organisations were invited to participate and two agreed to take part.
- Interviews with three staff from SFT (including the Islands Programme manager): SFT has been involved (together with SGIT) in the design, delivery, management, monitoring and evaluation of the Islands Programme from its inception.
- Interviews with representatives of Highlands and Islands Enterprise (HIE) and Development Trusts Association Scotland (DTAS): These two organisations play a significant role in supporting and, in some cases, providing funding for infrastructure developments in island communities.

2.8 It should be noted that some stakeholder interviewees had experience of other grant funds as assessors, applicants or recipients, and were able to reflect on this in interviews.

2.9 Finally, members of SGIT assisted the evaluation by providing further detail (verbally and in writing) about the background and ongoing management of the Islands Programme.

3. Overview of the Islands Programme

3.1 This chapter provides a descriptive overview of the Islands Programme. It sets out key aspects of the programme, describes how the programme has operated and changed over time, and gives a summary of the number and types of projects it funded in Year 1 (when a direct allocation mechanism was used to disburse funds) and in Years 2 to 4 (when a competitive bid process was used). The chapter also briefly discusses the role of the Islands Programme in addressing the strategic objectives of the National Islands Plan.

Common aspects across all four years

3.2 Three aspects of the Islands Programme have featured across all four years, namely (i) the objectives and criteria for funding, (ii) the requirement for expenditure to be legally incurred by the end of the financial year, and (iii) the role of SFT.

Objectives and criteria for funding

3.3 The objectives of the Islands Programme are:

- To sustain, enhance and develop transformational and critical infrastructure projects based on local priorities that align with the National Islands Plan and its strategic objectives
- To create and / or reshape infrastructure projects that meet the objectives and criteria of the project fund, that co-ordinate and / or integrate with other funded and planned initiatives on the islands, thereby driving sustainable growth
- To ensure that all projects (and related delivery) build on clear place-based, community wealth principles to ensure inclusive islands' growth while working to achieve the Scottish Government's net zero ambitions and a just transition
- To maximise leverage of partnership, investment and cross-policy funding and impacts of any investment to enhance island life.

3.4 In addition, the primary criteria for expenditure are stated as follows:

- To meet the overall objectives of the Islands Programme
- To link directly to at least one of the National Islands Plan strategic objectives
- To ensure transformational impact against place-based priorities to accelerate local growth
- To align with local critical infrastructure priorities and have the potential to collaborate with other place-based investment opportunities to maximise benefits
- To demonstrate project readiness, collaborative and partnership delivery models, project viability and long-term sustainability.

3.5 These objectives and criteria appeared in the documentation for each funding round. Additionally, the documentation for the three competitive rounds of funding stated that projects were expected to demonstrate alignment with a range of (additional) overarching

Scottish Government priorities, some of which overlapped with points listed under the key objectives and primary criteria presented above.[8]

3.6 Islands Programme funding cannot be used to substitute for funding already committed by the local authority. Nor can it be used to carry out works that fall within the statutory duties of local authorities (for example, the ongoing maintenance of roads – although enhancements to road infrastructure are permitted). Application guidance asks local authorities to set out the 'additionality' or improved outcomes that will be achieved for their communities from their use of Islands Programme funding.

Timescale for expenditure

3.7 Islands Programme funding must be fully committed by the end of the financial year for each funding round. This point is included in grant award letters. To provide some flexibility in relation to this requirement, the Scottish Government has stated that grants may be claimed when the expenditure is 'legally incurred'. Expenditure is seen as 'legally incurred' when there is a binding contract in place in relation to a project – for example, when a contractor has been appointed, or when a local authority has a contractual agreement with a third-party organisation (such as a community organisation) to deliver the project.

The role of SFT

3.8 SFT has been funded by the Scottish Government to support the design, delivery, management, monitoring and evaluation of the Islands Programme since its inception. The SFT programme manager for the Islands Programme is a secondee from the Scottish Islands Federation and lives in an island community. SFT's role has involved:

- Working with the Scottish Government Islands Team (SGIT) to develop the programme, producing application forms and guidance for local authorities
- Supporting local authorities to ensure they (i) fully meet the contractual investment criteria and terms of their grant awards, (ii) are able to commit to the expenditure to draw down their grant, and (iii) deliver their project once the grant is claimed
- Monitoring the progress of funded projects in an ongoing way – including monitoring local authorities' applications to other programmes / funding sources where co-funding is involved
- Monitoring and reporting on the outputs and outcomes of the programme.

3.9 The programme manager – who provides secretariat support to the Investment Panel but is not involved in assessing bids – has also played an important role in advising and supporting local authorities in considering suitable projects for funding. Two other senior SFT staff (both part of SFT's Place, Housing and Economic Investment team) have been

[8] For example, in the guidance for the 2024/25 funding round, these were specified as: The National Islands Plan; National Performance Framework; Programme for Government 2023–2024; Infrastructure Investment Plan; National Planning Framework 4; Place Principle: introduction; National Transport Strategy and Strategic Transport Projects Review 2; Community Wealth Building.

members of the Investment Panel since 2022/23 and have also supported the programme throughout its period of operation.

The process for awarding grants

3.10 This section provides a description of the process for awarding grants in Year 1, when a direct allocation process was used, and in Years 2 to 4, when a competitive bid process was used. It also provides details of the amount of funding disbursed to local authorities under these two mechanisms.

Year 1: Direct allocation

3.11 In 2021/22, £5m of Islands Programme funding was directly allocated to island local authorities using a formula agreed with COSLA. The allocations were based on (i) the size of the island-based populations in each local authority and (ii) total island road length (seen as an indicator of the geographical size of each island authority's area of responsibility). A direct allocation approach was used to expedite payments to local authorities in the context of ongoing recovery from Covid and the severe impacts of the pandemic on island economies.

3.12 SGIT was given the task of managing the Islands Programme in autumn 2021, and award letters were issued to local authorities in December 2021. To receive their allocations, local authorities had to submit a claim providing details of their proposed expenditure and confirming adherence to the terms of the grant – including the requirement to legally incur the expenditure by 31 March 2022 (i.e. three months after award letters were issued).

3.13 Local authorities used different approaches to identify local projects to spend their funding on in Year 1. For the most part, this involved drawing on existing knowledge of potential community and local authority projects and identifying those that were the best fit with Islands Programme objectives and at an appropriate stage in development for a funding application to be submitted. However, one local authority reported that they had contacted the area officers from Highlands and Islands Enterprise (HIE) to identify community organisations with 'shovel-ready' projects, while another put out a call for potential projects via existing networks and carried out a basic in-house assessment of those put forward. Seeking council approval for projects was part of the process in some cases. In all cases, the process for identifying suitable projects was driven by the limited time available to spend the money allocated.

3.14 Table 3.1 shows the amounts allocated to each local authority in 2021/22 and the number of projects each local authority funded with their allocations. Altogether, £3.9m of the available £5m was passed over to five local authorities and was spent on 37 projects. Note that Shetland Islands Council was unable to claim its allocation of £1,100,000, as it was not able to enter into a contractual agreement with a developer for its proposed project by 31 March 2022.

Table 3.1: Local authority allocations and number of projects funded, 2021/22

Local authority	Amount awarded	No. of projects funded
Argyll and Bute	£740,000	11
Eilean Siar	£1,379,000	10
Highland	£510,000	8
North Ayrshire	£259,000	3
Orkney Islands	£1,013,192	5
Shetland Islands*	£0	0
Total	**£3,901,192**	**37**

* Shetland Islands Council was unable to claim its allocation as it was not able to enter into a contractual agreement with the developer for their proposed project prior to the deadline of 31 March 2022.

Years 2 to 4 – Competitive bidding

3.15 From 2022/23 to 2024/25, the Islands Programme used an annual competitive bid process. Under this process, local authorities must submit separate, costed proposals – using a standard application form – for each of the projects for which they are seeking funding. Applications are then assessed by an Investment Panel against a specified set of criteria, stated as 'deliverability', 'need and partnership', and 'project outcomes' in the 2024/25 funding round.[9] The process for assessing applications and making recommendations for funding involves six stages:

- The SFT programme manager reviews all applications and follows up on any outstanding compliance issues with local authorities.
- Applications are scored by individual panel members using appraisal guidance and scoring criteria.
- SFT produces a ranked list of applications based on each application's average weighted scores across all criteria. (Note that guidance to panel members stipulates that, in order for any application to be recommended for funding, it must achieve a stated quality threshold.)
- A panel meeting is held to discuss and agree funding recommendations.
- Recommendations about funding are sent by Scottish Government officials to Scottish Ministers.
- Final decisions on funding are made by Scottish Ministers.

3.16 It should be noted that the ranked list, based on average weighted scores, is intended to guide discussion at the panel meeting. The scores are not intended to be the sole basis of the final recommendations for funding.

3.17 The SFT programme manager provides secretariat support to the Investment Panel. This includes producing a written summary of the panel's discussion and recommendations to inform SGIT's advice to Ministers.

[9] The assessment criteria and related questions in application forms were revised in 2022/23 as part of the package of changes made in response to local authority and RAI Committee feedback. (See paragraph 3.20).

3.18 Over the three years of the competitive bid process, there was variation in the timetable for announcing the annual funding round. In 2022/23, the funding was announced on 21 March 2022, with a deadline for bids of 10 June, and notification of awards in early September. This gave local authorities seven months to commit their funding. The following year – in response to recommendations from the RAI Committee – the timetable was brought forward. The announcement of funding was made on 31 January 2023, with a deadline for bids of 21 April, and notification of awards on 16 May. This gave local authorities 10 months to commit their funding. However, in 2024/25, due to uncertainty about the Scottish Government's annual budget, the announcement of funding was not made until 24 May 2024, with a deadline for bids of 30 August, and notification of awards on 7 October. This gave local authorities just under six months to commit their funds. Although local authorities were generally informed of their awards before the official announcement was made, contracts were only issued after the official announcement. Issues relating to the Islands Programme timetable, and the timescales for committing the funds, are discussed further in Chapter 4.

3.19 Table 3.2 provides information about the number of awards made and the amounts received by each local authority between 2022/23 and 2024/25. Altogether, 33 applications (out of 48 submitted) received funding, and a total of £11,292,728 was disbursed.

Table 3.2: Number of awards made in Years 2 to 4, and amounts received, by year and local authority

Year	2022/23		2023/24		2024/25		Total	
Local authority	No. of awards / amount rec'd		No. of awards / amount rec'd		No. of awards / amount rec'd		No. of awards / amount rec'd	
Argyll & Bute	2	£350,000	2	£1,150,000	0	£0*	4	£1,500,000
Eilean Siar	2	£514,781	3	£383,350	2	£701,500	7	£1,599,631
Highland	2	£512,000	1	£298,900	2	£759,258	5	£1,570,158
North Ayrshire	2	£1,049,450	2	£951,623	1	£414,425	5	£2,415,491
Orkney Islands	1	£1,683,169	2	£416,307	1	£346,000	4	£2,445,476
Shetland Islands	2	£340,600	3	£799,820	3	£621,552	8	£1,761,972
Total	**11**	**£4,450,000**	**13**	**£4,000,000**	**9**	**£2,842,735**	**33**	**£11,292,728**

* Argyll and Bute Council was awarded £157,265 in 2024/25 for one project but was unable to proceed with the project and claim the grant because of the significantly higher than expected costs of the tenders received in a formal procurement process for the work.

Changes made to the competitive bid process after the first year

3.20 Following the first round of competitive funding, the Islands Programme came under scrutiny from the RAI Committee, with Committee members and representatives of local authorities expressing a range of concerns about its operation. These focused on the perceived resource intensive nature of the process, the wide-ranging funding criteria, the make-up of the Investment Panel, the timing (and timescales) for submission of applications,

and the limited time available from the confirmation of awards to the deadline for drawing down the funds.

3.21 In response to recommendations made by the Committee, a number of changes were made for the second round of the competitive bid process. These included: (i) increasing the support available from SFT, (ii) streamlining the application form and the application process overall, (iii) removing the cap on the number of applications from any one local authority (which had been set at five in 2022/23), (iv) launching the fund earlier in the financial year and giving earlier notification of outcomes to local authorities, and (v) increasing representation from island communities on the Investment Panel.

Membership of Investment Panel

3.22 The Investment Panel was established in the first year of competitive bidding (2022/23) and comprised eight members (plus the SFT programme manager as a non-voting member providing secretariat support). Membership was based on recommendations from SFT, the Scottish Islands Federation and Scottish Government officials, and was approved by Scottish Ministers. Panel members were selected because of their experience of connecting policy with infrastructure spend, their experience of island infrastructure investment, and / or their experience of participating in similar bid assessment panels. The selection of panel members was also informed by the importance of minimising conflicts of interest.

3.23 Following feedback from local authorities and the RAI Committee, SGIT took steps to expand the membership in 2023/24 to include greater representation from the islands. Panel membership was increased from 8 to 13. The new members had current and past involvement in island local authorities, island-focused public bodies, island-focused representative groups, and / or personal links to islands, and included members of the Young Islander Network. Membership of the panel was refreshed again in 2024/25.

Outputs from Year 1 compared to outputs from Years 2 to 4

3.24 There were similarities and differences between the outputs of the Islands Programme in Year 1 (under direct allocation) compared to Years 2 to 4 (under competitive bidding). In terms of similarities, in each year, across all four years, more than half of projects have been delivered by community organisations. In addition, across all four years, the Islands Programme provided around 40% of the estimated total costs of the projects funded.[10]

3.25 In terms of differences, the number of projects receiving Islands Programme funding was markedly higher in Year 1 when funding was delivered as a direct allocation to local authorities than in Years 2 to 4 when the competitive bid process was in place. Altogether, 37 projects received funding in Year 1, compared to 33 in total across Years 2 to 4. However, the **average size of the grants** received by projects was substantially larger in each of the competitive bid funding rounds than in the direct allocation round.

- In 2021/22, the average grant per project was £105,438 (range: £17,240 to £443,782).
- In 2022/23, the average grant was £404,545 (range: £72,000 to £1,683,169).

[10] Precise information about co-funding is not available as many projects awarded Islands Programme grants are still ongoing, and final project costs (and information about other awards) are not available.

- In 2023/24, the average grant was £307,692 (range: £55,000 to £730,998).
- In 2024/25, the average grant was £315,859 (range: £50,500 to £651,000).

3.26 Another difference is the proportion of funding received by local authorities under direct allocation and competitive bidding. Under direct allocation (Year 1), there was a large variation in the share of funding received by individual local authorities, due to the allocation formula. Shares ranged from 5.2% (North Ayrshire Council) to 27.6% (Comhairle nan Eilean Siar). Under competitive bidding (Years 2 to 4 combined), there was a more equal distribution of funds, ranging from 13.3% (Argyll and Bute Council) to 21.7% (Orkney Islands Council).

3.27 Annexes 2 and 3 provide details of the outputs of the Islands Programme, and a complete list of the projects awarded funding between 2021/22 and 2024/25. Note that some projects received awards in more than one year. In addition, some projects that were unsuccessful in obtaining Islands Programme funding in a particular year were successful in a subsequent year.

The Islands Programme contribution to the National Islands Plan

3.28 The National Islands Plan has 13 strategic objectives – of which 12 are **thematic** in nature. (The 13th objective relates to implementation of the Plan.) The 12 wide-ranging thematic strategic objectives are as follows:

1. **Population levels:** To address population decline and ensure a healthy, balanced population profile
2. **Sustainable economic development:** To improve and promote sustainable economic development
3. **Transport:** To improve transport services
4. **Housing:** To improve housing
5. **Fuel poverty:** To reduce levels of fuel poverty
6. **Digital connectivity:** To improve digital connectivity
7. **Health, social care and wellbeing:** To improve and promote health, social care and wellbeing
8. **Environmental wellbeing and biosecurity:** To improve and promote environmental wellbeing and deal with biosecurity
9. **Climate change and energy:** To contribute to climate change mitigation and adaptation and promote clean, affordable and secure energy
10. **Empowered island communities and strong local partnership:** To empower diverse communities and different places
11. **Arts, culture and language:** To support arts, culture and language
12. **Education:** To promote and improve education for all throughout life.

3.29 In their applications under the current allocation mechanism, local authorities are asked to indicate the **primary** National Islands Plan strategic objective – and any other strategic objectives – addressed by their proposed project.

3.30 Monitoring data collected by SFT indicate that projects with a primary objective of 'sustainable economic development' were awarded the largest amount of funding over the four years (£4.6m). This was followed by projects with a primary objective of 'empowered island communities' (£2.8m) and 'health, social care and wellbeing' (£1.9m). None of the projects awarded funding had primary objectives of addressing fuel poverty, or climate change and energy – although some projects may have addressed these issues as secondary objectives. See Table A2.2 in Annex 2 for details.

4. Stakeholder views of the current Islands Programme funding mechanism

4.1 This chapter discusses stakeholders' views of different aspects of the **current** Islands Programme funding mechanism – that is, the competitive bidding process. The findings presented here are based both on the documentary evidence and on qualitative research carried out with local authorities; Investment Panel members; staff from the Scottish Futures Trust (SFT); representatives of community organisations whose projects were funded by the Islands Programme; representatives of community organisations whose projects were not awarded funding; and representatives of Highlands and Islands Enterprise (HIE) and Development Trusts Association Scotland (DTAS).

4.2 This chapter presents information on stakeholders' views and experiences of:

- The process of selecting projects for application
- The involvement of island communities in the application process
- The process of assessing applications and making award decisions
- The role of the Scottish Futures Trust
- Timing and timescales
- The funding landscape
- The advantages and disadvantages of the current competitive bidding process.

4.3 Stakeholder suggestions for improvements that could be made to the current competitive bidding process – and potential alternatives to the current process – are discussed in Chapters 5 and 6.

4.4 It is important to note that, regardless of their views on the mechanism for disbursing Islands Programme funding, local authorities and community representatives were keen to emphasise how much they valued the Islands Programme as a flexible source of funding for islands infrastructure projects, particularly given the current economic climate and the increasing difficulties of obtaining funding. They particularly appreciated that the fund could be used for both small and large projects, as well as for projects that were local authority led (with community backing) and community led; and that it funded design fees as well as building costs.

Challenges of delivering infrastructure projects on Scotland's islands

4.5 To provide a context for the findings presented below, it is helpful to first set out some of the challenges of delivering infrastructure projects on the islands.

4.6 Infrastructure development in any locality is a complex and difficult task, and there are additional challenges associated with delivering infrastructure projects on Scotland's islands. These include:

- **Geography and transport:** The remoteness of (some of) the islands from distribution centres and the lack of a comprehensive network of regular and reliable

transport links between the Scottish mainland and the islands, and between the islands themselves, makes it difficult and expensive to transport construction materials and personnel.

- **Climate:** Weather conditions can be severe and unpredictable and may impact on the progress of work and exacerbate transport difficulties.
- **Lack of suitable or skilled contractors / sub-contractors:** There can be difficulties in identifying suitable contractors and obtaining competitive quotes for design, building and construction work.
- **Lack of temporary accommodation:** There is limited availability of suitable temporary accommodation for construction (and other related) workers who may require it.

4.7 Stakeholders said that these factors present substantial challenges to the delivery of islands infrastructure projects, especially in the winter months, and can increase the time required for projects to be delivered. In addition, they emphasised that these factors can, in turn, push up the cost of projects.

General views of the current competitive bidding process

4.8 Overall, stakeholders thought that the current competitive bidding process was working reasonably well. Local authorities, Investment Panel members, and representatives of SFT said that local authorities are now familiar with the application and assessment process. In addition, there was a view that the application process has improved over time. Community representatives (in particular, those whose projects had received Islands Programme funding) were mostly positive about the experience of working with their local authorities in developing applications. In general, local authorities trust the decision making of the Investment Panel and also appreciate and value the support they receive from SFT.

4.9 At the same time, however, local authorities and community representatives do not, by any means, see the current process as ideal. These stakeholders find the competitive process demanding and resource intensive. The long list of programme objectives, criteria for expenditure and separate application assessment criteria which had to be addressed in applications were seen to be overwhelming and confusing, especially for community representatives involved in writing project applications who may be unfamiliar with policy language. Stakeholders also think that the unpredictability and inconsistency of the annual funding cycle, and the tight timescales associated with the process add further challenges. In addition, some local authorities questioned the appropriateness of using a competitive process to allocate capital funding to island communities given the clear need for improvements in infrastructure and funding to support this.

Selection of projects

4.10 Local authorities use different methods to identify their communities' priorities for capital investment. In some island groups, there are local authority officers responsible for liaising with community organisations and groups. These individuals provide a bridge between the community organisations and the regeneration or economic development officers who develop and submit the bids for Islands Programme funding. In one area, the regeneration team invites brief expressions of interest from island-based community

development trusts and other community organisations when they are aware that Islands Programme funding may become available. This gives them an up-to-date picture of projects that may be ready for capital funding.

4.11 Candidate projects are often discussed with the SFT programme manager before making final decisions about which applications to submit. Some local authorities also reported that they sought approval from relevant council committees before submitting their applications.

4.12 There is a great deal of variation between local authorities in the extent to which the projects they submit for funding relate to a local authority asset or a community-owned asset. Monitoring data provided by SFT indicates that, of the 70 projects funded by the Islands Programme between 2021/22 and 2024/25, around half (42 out of 70) were delivered (or are being delivered) by a community-led organisation and / or involved a community-owned asset. This figure includes a small number of projects that involved a non-community-owned asset being developed by the local authority or other public body with the intention of leasing this to a community organisation to manage once completed.

4.13 Comhairle nan Eilean Siar and Shetland Islands Council have largely prioritised community-led projects in their use of Islands Programme funding. By contrast, Argyll and Bute Council and Orkney Islands Council have mainly focused on local authority-led projects for which they gathered evidence of community backing. Highland Council and North Ayrshire Council have funded a mix of projects – some led by the local authority and / or other public sector partners, and others led by community organisations.

4.14 Some local authorities (especially those who tended to favour community asset-based projects) explicitly stated their concern that current timescales do not allow sufficient time to organise a comprehensive, local authority-wide expression of interest stage following the announcement of each year's funding. They thought that this kind of process would be helpful in ensuring that the 'best' projects are put forward.

Involvement of island communities in the application process

4.15 Community representatives indicated that these different arrangements for identifying community projects worked well in some areas. However, in a few areas, community representatives thought that the communication between them and their local authority was less well established, and that the local authority was, as a result, less aware of their community's priorities or their organisation's work at a local level.

4.16 Community representatives whose projects had received Islands Programme funding generally gave positive accounts of their experiences of working together with their local authorities on their applications. In most cases, community organisations provide project-specific information, while local authorities complete the more 'technical' sections and ensure that applications adequately address the various questions and assessment criteria. Sometimes, though, the community representatives prepare the entire application. Community representatives often commented on the amount of time they had spent on their Islands Programme application which ranged from 'a few days' to 'a week or more'. Some said they struggled with the application form, expressing uncertainty about what information was required for each question, or seeing the application form as repetitive – asking them

to provide the same information in two different parts of the form. However, others said that the Islands Programme application was 'one of the better ones' that they had completed.

4.17 Those whose projects received a grant from the Islands Programme said that they valued the input of their local authorities and appreciated the support and advice they received in relation to their application. They felt this process of working together on the application gave their local authorities a greater awareness of and investment in their project and in the wider work of their organisation.

4.18 However, some concerns and reservations about working with the local authority were also expressed by interviewees, particularly in relation to projects that had been turned down for funding. In one case, a community representative reported having had very limited involvement in the application process; they felt that greater involvement in the process would have increased their knowledge and understanding of the scheme objectives and criteria and would have enabled a better application to be submitted. In another case, the community representative felt unhappy with the resulting application submitted for funding.

Assessment of applications and decision making

4.19 Investment Panel members were generally positive about the management and operation of the process for assessing applications and the panel's role in that. They highlighted:

- Efficient and effective management of the process by SFT
- Adequate time and information for assessing applications – although some noted the time commitment had been greater than they had anticipated, and that there was variability in the quality of applications (rather than in the quality of projects)
- Helpful briefings for new panel members, clear guidance on the assessment criteria and scoring of applications, and good support from SFT throughout the process
- Open, collegiate, and supportive panel meetings with everyone agreeing they had the opportunity to contribute to the deliberations in reaching a consensus on the applications to be recommended for funding
- Well-chaired meetings and appropriate handling of conflicts of interest.

4.20 Individual interviewees nevertheless also noted some specific concerns about the process and / or offered suggestions for improvements that might be made. These are covered in Chapter 5 (paragraph 5.5).

4.21 On the whole, panel members thought that current membership of the panel was appropriate and offered a suitable range of knowledge and expertise. The inclusion of representatives from the Young Islander Network was seen as bringing a helpful perspective to the assessment process.

4.22 Two panel members offered opposing views on the extent to which the Chair of the panel should have discretion to make adjustments to the recommendations made by the panel in the panel meeting itself. While one panel member thought there should be 'full transparency' (i.e. the panel should be involved in any subsequent changes to funding

recommendations made during the meeting), another was content to allow the Chair (some) discretion to authorise changes.

4.23 There was limited comment on the role or composition of the Investment Panel from local authority or community organisations who were not directly involved in its operation. However, local authorities and community representatives occasionally commented on the feedback they had received on unsuccessful applications, offering a mix of views. Some local authorities said that they knew when a particular project was unlikely to be funded – and so were not surprised at the panel decision. However, one local authority disputed an assessment of the panel that one of the projects they had submitted for funding did not align with National Islands Plan objectives. At the same time, other local authorities reported cases where an application for funding was turned down in one year but was successful in a following year after they revamped and strengthened it. One community representative whose project was not awarded funding questioned the extent to which the panel fully understood the needs of island communities.

Role of Scottish Futures Trust

4.24 Local authority representatives were unanimous in their appreciation for the support provided by SFT from Year 2 of the Islands Programme onwards. SFT personnel (and the SFT programme manager, in particular) were described as ‘great’, ‘approachable’ and ‘knowledgeable’, and their input was regarded as ‘helpful’ and ‘invaluable’.

4.25 SFT support was especially appreciated in relation to (i) giving a ‘heads up’ on the opening of the fund for applications, (ii) advising on the selection of projects to put forward for funding (i.e. commenting on whether the project was a ‘good fit’ for the Islands Programme and likely to meet the assessment criteria and whether it was at an appropriate stage of development), (iii) providing advice on draft applications and feedback on application outcomes, and (iv) acting as a sounding board and ‘critical friend’, providing support and dealing with queries at all stages of the process – both pre-and post-application. SFT’s role as an intermediary between local authorities and the Scottish Government was also appreciated. Some local authorities said they found it easier / more comfortable to speak to the SFT programme manager in relation to queries and issues that arose, than might have been the case if they had to speak to someone from the Scottish Government.

4.26 It was also reported that SFT had become involved at a very practical level when funded projects ran into difficulties. For example, when costs increased in relation to one large development, a member of SFT staff helped to revise the design of the building – which resulted in a reduction of the construction costs.

4.27 Investment Panel members also commented positively on SFT’s experience and expertise in relation to the development and funding of infrastructure projects, and the overall value that SFT brought to the Islands Programme process.

Timing and timescales

4.28 Timing and timescales (and the challenges associated with them) was a dominant theme in discussions with local authorities and, to some extent, community representatives.

4.29 Local authorities repeatedly said that the variation in the timetable for the process from one year to the next in terms of (i) when funding announcements were made, (ii) the deadline for submissions and (iii) when outcomes were notified / grant offer letters were received hindered their ability to plan their activities efficiently.

4.30 In addition, they offered comments on specific aspects of timing and timescales:

- **The time between the announcement of funding and the deadline for submissions:** Some local authorities were concerned that current timescales did not allow them sufficient time to organise a comprehensive 'expression of interest' stage with their local communities. This meant that the selection of projects to go forward to the application stage was often based on existing networks and contacts, or their own knowledge of projects already 'on their radar'. In addition, the time available to develop applications and get clearance through the local authority's own internal scrutiny processes (including consultation and sign-off from relevant committees and undertaking value for money assessments) was also challenging.
- **The time between the deadline for submissions and notification of application outcomes:** Some local authorities said they were not able to progress a project while awaiting the outcome of their application and that this period was, essentially, 'dead time'.
- **The time between receipt of the grant offer letter and the end of the financial year (31 March):** Local authorities said that the short period of time between receipt of the grant offer letter and the requirement for funds to be fully committed presented a substantial challenge for them in relation to (i) undertaking formal procurement exercises to identify suitable contractors and entering into legally binding contracts, and (ii) securing any co-funding required. These challenges were magnified in relation to large-scale projects. In addition, if the (formal) grant offer letter was delayed (as had happened over the course of the programme), the local authority might have to enter into a contract early (without formal notification) or risk 'losing the contractor'. This represented an 'uncomfortable risk' for the local authority.

The funding landscape

4.31 Another dominant theme in discussions with local authorities and community organisations – as well as with DTAS and HIE – was the challenge of having to piece together a comprehensive funding package for a capital project from a wide range of disparate sources. This issue was raised repeatedly by community representatives. Stakeholders pointed out that every fund has its own aims and objectives, different criteria, different application processes, and different deadlines. They described this as a 'cluttered' funding landscape. See Annex 4 for a list of organisations that co-funded Islands Programme projects.

4.32 A related issue raised by stakeholders was the difficulty of obtaining grants to cover revenue funding for organisations in addition to capital funds for infrastructure projects. This was seen to be critical to the successful delivery of projects. As one stakeholder said: 'it's **people** who deliver projects'.

Advantages and disadvantages of competitive bidding

4.33 One of the main aims of this evaluation was to explore the advantages and disadvantages of different funding mechanisms for the Islands Programme. In relation to the current competitive bidding model, the main **advantages**, described by SFT, some members of the Investment Panel and some community representatives, were seen as:

- Providing assurance that there is full policy alignment between the strategic objectives of the National Islands Plan and the projects selected for funding
- Providing an independent and external evidence-based assessment to ensure that projects selected for funding are the 'best', in the sense of being the most impactful and the most aligned with national and local community priorities
- Ensuring, by using a consensus-based approach to awarding grants, that no single individual is able to exert undue influence over which projects receive funding
- Giving all island local authorities – and all individual islands – the potential to access substantial funding, regardless of their geography or size
- Facilitating and supporting better partnership working between local authorities and their local communities.

4.34 Local authorities, some Investment Panel members and some community representatives described what they saw as the **disadvantages** of the current competitive bidding process. These were that:

- It was not aligned with the Scottish Government aspiration for 'subsidiarity' and the devolving of decision making to a local level.
- It was not aligned with the ethos of the National Islands Plan – which was described as one of collaboration and partnership, rather than competition. The competitive nature of the process was seen as particularly problematic where there is more need (demand) for infrastructure projects than can be met by the Islands Programme alone.
- It was a very resource intensive approach, especially given the limited capacity and capability within local authorities to undertake the tasks of project selection, development, management and delivery. Some local authority staff reported decreased staffing in regeneration / economic development teams in recent years. In this context they highlighted the risks to the local authority of devoting significant resources to developing applications which were not funded.
- It was a very resource intensive approach for community representatives – and even more so for those relying on volunteers rather than paid staff.
- The timetable associated with an annual bidding round does not align well with the timescales for progressing all projects.
- It can result in funding being given to the best **bids**, not necessarily the best, most transformational projects. This is because the competitive process depends on the capacity and ability to write bids.

- ‘Shovel ready’ projects are prioritised over potentially more impactful projects which may require phased funding over a period of time.
- It did not match the standards of scrutiny which would apply at local level (where, it was said, all project proposals would be required to go through a rigorous committee process comprising elected representatives of local communities).

5. Suggestions for improving the current process

5.1 Throughout this evaluation, stakeholders made suggestions for relatively minor improvements to the current process. These are summarised below. However, it should be noted that these suggestions do not address the more substantial concerns which (some) stakeholders – particularly local authorities and some community organisations – raised in relation to the current process (discussed in Chapter 6 and below).

5.2 In relation to these bigger issues, stakeholders were asked for their thoughts on possible alternative funding mechanisms for the Islands Programme. A summary of these discussions is set out in Chapter 6.

Perceived problems with the current competitive process

5.3 As stated in Chapter 4, local authorities and representatives of community organisations welcomed and highly valued the Islands Programme as a source of funding for islands infrastructure projects. However, stakeholders also highlighted some of the limitations of the Islands Programme, including that:

- The amount of funding available through the Islands Programme – however welcome – was not adequate to address the scale of need of the islands for infrastructure development. In particular, the Islands Programme was not a suitable vehicle for delivering very large projects (related to, for example, housing or transport).
- It was run as a series of annual funding rounds, with no guarantee of a longer term (5- or 10-year) commitment. Local authorities highlighted the difficulties in taking a more strategic approach to funding large-scale capital projects when so many of the funds available to them – including the Islands Programme – provided only short-term (annual) funding. This prevented them from working with local communities to develop a pipeline of projects for delivery in a coherent and phased way.
- In addition, the actual amount of funding available varied from year to year in a way that made it difficult to start developing applications in advance of the announcement of funding.

5.4 Finally, a wide range of stakeholders also highlighted a need for investment at a local level in the capacity and capability required to develop and deliver capital infrastructure projects. There was an acknowledgement that organisations like SFT, HIE and DTAS had played a key role in developing capacity and / or providing capability, but that greater capacity and capability were needed within local authorities and community organisations.

Suggested improvements

5.5 Stakeholders made a range of suggestions for improvements to the current process. Most of these (listed below) were relatively minor in nature and were made by one or two stakeholders in each case. However, issues with the timetable and timescales were highlighted by all local authorities, and recognised by other stakeholders too (SFT, members of the Investment Panel, community organisations) and for that reason, suggestions relating to these issues are shown first in the list:

- There should be a more consistent timetable – roughly the same – from one year to the next, with dates specified for (i) the notification of available funding, (ii) the application deadline, and (iii) the date for notification of outcomes. The timetable should offer the longest lead-in times possible and take account of the timing of local authority election cycles.
- On the one hand, it was thought that the application guidance should be reviewed and revised to (i) rationalise the range of objectives and assessment criteria that applicants are required to address, (ii) offer a simplified explanation of what information is being sought at each question – particularly for representatives of community organisations, who do not always understand what is required, and (iii) make it clear that detailed information about local authority strategy is unnecessary.
- On the other hand, there was a view that more detailed information should be sought from applicants about the viability of their projects. One panel member did not think sufficient information was provided by many applicants to allow full scrutiny and 'due diligence' to be carried out. They said there was often not enough financial information about the expected ongoing running costs of projects and how these would be met, which would enable the panel to make a better assessment of project viability. This same panel member also suggested that the application form and assessment process should give greater attention to the potential for displacement[11] and to subsidy control considerations.[12]
- The application guidance should explicitly state that applications will only be considered if they demonstrate that the project will deliver 'additionality'. This means that the project must produce an output or outcome that goes beyond the statutory responsibilities of local authorities or beyond what local authorities have already committed to fund. In addition, it was suggested that steps should be taken to ensure that all applications sent to the panel for consideration have been deemed to be eligible for funding.
- Written feedback from the panel on unsuccessful applications should be fuller and more informative. This is important, not only for local authorities, but also for the community organisations that are often involved in completing the application forms. Suggestions should be offered about how the project could be improved to be more likely to succeed in a future round of funding.
- Prospective panel members (particularly those who may have no previous experience of assessing applications for funding) would like better information about what the panel process involves (time commitment, length and content of applications) before they join. In addition, as part of the induction process for new members, it may be helpful to provide the opportunity to view previous Islands Programme applications to gain an understanding of the information that will be included, the differences between a good and bad application, and the scoring process.

[11] Displacement: where public funds are used to support a business, it needs to be considered whether the activities of that business could negatively impact on another business operating in that area.

[12] Subsidy control: Subsidy control refers to a set of rules, procedures, and processes that govern how public authorities can award subsidies while minimising negative impacts on competition and investment.

6. Alternatives to the current approach

6.1 One of main aims of this evaluation was to consider whether the current competitive bid process is the most effective way of allocating capital funding to improve local outcomes, address the priorities of local communities, and deliver on the objectives of Scotland's National Islands Plan. At the same time, stakeholders were asked to consider the advantages and disadvantages of **other** possible mechanisms – including, specifically, direct allocation to local authorities, and allowing community organisations to bid directly for funds. However, discussions were not limited to these two options. Stakeholders were also invited to propose alternative mechanisms, and to share their experiences of other funding programmes they were familiar with, and which they thought worked well. A summary of the views expressed in these discussions is presented here.

Direct allocation

6.2 The version of direct allocation used in Year 1 of the Islands Programme (2021/22) was seen to be somewhat untypical given the context of Covid recovery, and the fact that the funding was made available so late in the year – leaving local authorities with just three months to fully commit it. Stakeholders agreed that this had not been ideal.

6.3 Nevertheless, local authorities have continued to argue for Islands Programme funding to be disbursed to them as a direct allocation (see Annex 1 and the representations made by local authorities to the RAI Committee in 2023). Local authority representatives interviewed for this evaluation also generally indicated a preference for direct allocation. Just one local authority expressed some ambivalence about this, as the awards made to this local authority each year under the competitive bidding process were substantially larger than the allocation they would have received under the 2021/22 allocation formula. Representatives of this local authority made the point that they would not feel it was worth bidding for funding if they only managed to secure awards equivalent to the allocation they received in 2021/22, given the time and effort required by the application process.

6.4 Local authorities and some other stakeholders highlighted the following **advantages** of a direct allocation process:

- Direct allocation is the most efficient approach in relation to the use of local authority resources and capacity, which are very stretched.
- Subsidiarity should be the guiding principle for decision making in respect of capital infrastructure funds. Specifically, island authorities argued that better decisions will be made if funding is devolved to local level and elected members are able to determine their priorities working in partnership with island communities.
- The National Islands Plan describes an ethos based on collaboration and partnership. A direct allocation process is better able to achieve this, and avoids the situation where island areas are competing with each other for limited resources.
- A direct allocation would give local authorities a pot of money which they could use to leverage funding from other sources.

6.5 The following additional points were made:

- There are many projects that need support, but they are not necessarily appropriate for a competitive process – for example, small projects that are too small to compete against big projects.
- A prioritisation process is likely to be required within each local authority, as the available funds received through a direct allocation may not be sufficient to fund all the potential projects that would benefit from it. It was suggested that this prioritisation process could be designed to ensure a fair and transparent distribution of resources among island communities.
- It would be possible to include a process of Scottish Government 'sign off' to ensure that projects selected for funding under a direct allocation arrangement meet Scottish Government criteria for Islands Programme funding.

6.6 There was considerable discussion about the formula that should be used in any potential new direct allocation system. The formula used to allocate funds in Year 1 (based on population and road length) was not supported by all local authorities. Some authorities (especially those with smaller island populations) favoured a formula that did not place so much emphasis on population size, arguing that this fails to take into account the impact of visitor populations. In addition, a population-based approach generally focuses resources in more populous island areas, while island areas with smaller populations (which may perhaps be at greater risk of further population decline) would be disadvantaged.

6.7 Most other stakeholders involved in this evaluation – including representatives of community organisations – did **not** favour a direct allocation mechanism for disbursing Islands Programme funding to local authorities. The **disadvantages** of a direct allocation mechanism were seen to be the following:

- A direct allocation mechanism would provide less certainty that expenditure is fully aligned with Scottish Government priorities for the fund (which are linked to the National Islands Plan strategic objectives). There was concern that the money might get 'lost' within local authority budgets and be used to meet the local authority's own priorities, particularly in the current tight financial context.
- There was a perspective that there could be less scrutiny of funding decisions made at local authority level – interviewees noted concern about the degree of 'rigour' or 'due diligence' that would be applied, and the lack of external oversight.
- Direct allocation may not foster meaningful community involvement or collaborative working or the development and funding of innovative or high impact projects. It may not result in the 'best' or 'best value' projects being funded.
- There would be less scope to fund large-scale expensive projects in individual areas, regardless of their merit and potential impact, as local authorities would be limited by their allocation in any one year. Additionally, it was noted that not all local authorities may be able to spend their allocation every year.

6.8 Community organisations sometimes made similar points, suggesting that local authorities were more likely to spend their allocations on their own priorities and projects – which are likely to be based in areas of higher population density – rather than on community priorities and projects.

Competitive bidding by community organisations

6.9 On balance, the view among all stakeholder groups (including among representatives of community organisations) was that the current model of competitive bidding was preferable to one where communities bid directly for the funding. The following points were made:

- A range of funds are already currently available to community organisations.
- The capacity and capability of community organisations to develop and manage large capital projects is very variable. Many community organisations are run by volunteers. These groups are disadvantaged in relation to competitive bidding compared to organisations with paid staff and high levels of capability.
- Island community organisations would be competing with each other for funding; this was not thought to be helpful.
- Such an approach would raise expectations – and consequently levels of disappointment when applications are not successful.
- Opening the fund to community groups would run the risk of attracting large numbers of applications of varying quality. A large administrative resource was likely to be required to assess applications and provide advice and feedback to applicants.

6.10 Representatives of community organisations who preferred the current competitive bid model rather than one which would involve community organisations as the applicants made the following additional points:

- They valued the role their local authorities played in helping them to develop their applications and felt that the current process encouraged partnership working between their organisation and their local authority.
- The local authority's involvement in the application process created a sense of buy-in from the local authority to the work of the community organisation. This buy-in might not exist if the community organisation applied for the funds themselves.
- They thought their local authorities had wider, more strategic perspectives on (i) local infrastructure needs and (ii) the ambitions of community organisations across the area. Thus, the local authority was in the best position to assist with project development and avoid duplication in terms of the types of projects submitted and ensure that applications are put forward at the most appropriate time.
- They preferred a situation in which the local authority was responsible for formal reporting activities in relation to the project.

6.11 Support for an Islands Programme disbursement model that involved direct bidding by communities tended to come from representatives of organisations whose projects were **not** awarded Islands Programme funding through the current competitive bid process. These interviewees had not found working with their local authority to be a positive experience and would have preferred to deal directly with funding bodies and bid for funding in their own name. Occasionally, other interviewees also expressed reservations

about the local authority acting as a filter or gatekeeper for funding applications, and / or suggested that another avenue should be available for those who did not wish to work with the local authority or whose projects had not been selected for submission as a local authority bid.

6.12 Some panel members were also open to the idea of a model where communities bid directly for Islands Programme funding but said that such a move would require careful thought and planning. They said that they had not previously given any consideration to what such a model would look like.

Hybrid approaches

6.13 Some interviewees with experience of other capital funding programmes highlighted the existence of (what was sometimes referred to as) a 'hybrid approach' which would comprise both a direct allocation component and a centrally run competitive component. Examples of funds using such models are the Place-based Investment Fund (RCGF is the competitive component of this fund), and the Carbon-Neutral Islands Fund. The benefit of this type of dual approach is that 'everyone gets something', but there is also an opportunity for local authorities to also bid for more funding than they would receive through an allocation alone.

6.14 More generally, interviewees often did not see a simple binary choice between a central competitive process and direct allocation of funds to local authorities; rather, they touched on a range of different ways in which a funding scheme might be better designed to incorporate different aspects of direct allocation and / or competition while also ensuring that the scheme maintained its focus on government policy priorities. For example:

- Direct allocation to local authorities with the allocated funds ring-fenced for specific purposes or governed by particular conditions which could, for example, include the requirement to spend it on community led projects
- Direct allocation in which projects have to be approved by the Scottish Government before the funding is released
- Direct allocation with local competitions then used as the mechanism for disbursing the funds at the local level – it was suggested that the Scottish Government or SFT could be represented on local assessment panels for applications
- A competitive process with a separate pot reserved for direct bids from community groups
- A fund (central or local) offering both capital and revenue grants.

6.15 There was also a suggestion that a pilot could be run to assess whether a locally based competitive bidding process for community organisations would be viable.

An integrated fund for all capital projects on the islands

6.16 Greater integration of funds for all capital projects on the islands (or, at least, more coordination between funds and funders) was discussed as a solution to the challenge of the cluttered landscape of funding programmes. It was suggested this could involve the

management of similar funds by one body or the pooling of all infrastructure funds for the islands into one consolidated programme of funding. Interviewees suggested that those applying for funding generally did not care where the money came from or who was providing it, and that such an approach would be administratively easier for applicants to negotiate. It would still be possible for smaller funding pots to be created within this overall fund with a focus on particular types of projects or applications, and to require the source of funding to be recognised in any publicity and promotion.

Outsourcing the management of Islands Programme funding

6.17 Finally, there was a suggestion that Islands Programme funding could be outsourced to a third-party organisation with expertise in fund management, economic development and / or infrastructure development, to manage on behalf of the Scottish Government. The disbursement process could involve formal applications from local authorities, with the Scottish Government involved in decisions about which projects are funded.

6.18 This type of solution would enable a move **away** from the current process – that involves annual calls for bids and a deadline of 31 March for incurring funding – **towards** a system that was open to applications on an ongoing, rolling basis. Thus, it would remove much of the pressure on local authorities created by the current process of competitive bidding.

7. Discussion and conclusions

7.1 This process evaluation sought to examine the mechanism currently used for disbursing Islands Programme funding and to consider whether a revised approach was merited.

7.2 The evaluation focused on four broad questions:

- Under the current competitive bidding process, to what extent have communities been meaningfully involved in decisions about how Islands Programme funding was used at a local level?
- What are the advantages / disadvantages of different mechanisms to disburse capital funding (i.e. competitive bidding, direct allocation, opening the fund to community groups, and others)?
- How effective is the process of assessing applications and awarding grants under the current process?
- How effective are the fund's management and monitoring arrangements?

7.3 Each of these questions is addressed below.

7.4 The final sections of this chapter set out (i) the features of an **optimal** mechanism, and (ii) the conclusions arising from the evaluation.

To what extent have communities been meaningfully involved?

7.5 Representatives of 17 community organisations participated in the evaluation. All of these had projects that were submitted to the Islands Programme. Thus, any assessment about the extent to which communities in general have been meaningfully involved does not include those communities who were unaware of the Islands Programme or who had aspirations to participate but did not have the capacity or capability to do so.

7.6 Among those community representatives who did take part in the evaluation, most reported successful – and meaningful – collaboration with their local authorities in relation to the development of their applications. Some explicitly said this collaboration had provided an impetus for ongoing communication and positive working relationships between them and their local authorities. Others said that, as a consequence of this collaboration, their local authority had a greater awareness of, and buy-in, to their project and the wider work of their organisation.

7.7 The evaluation found that in some cases the community representatives took the lead in developing the application. These individuals reported spending days or weeks on this task, including time spent seeking advice and guidance from their local authority. Although this process was highly resource intensive for the community representatives, some said they believed it was appropriate that they should tell the story of their own project. They also appreciated the work that their local authority officers did to improve their application and to deal (post-award) with monitoring and reporting requirements.

7.8 Another finding of the evaluation was that local authorities had different approaches for learning about the priorities of their local communities – for example, running a fairly rapid 'expression of interest' process to seek out potential projects for Islands Programme funding; inviting suggestions from other organisations that had a remit to work with community organisations on infrastructure projects; using their own 'tracking information', prioritisation matrix, or local networks to identify 'shovel ready' projects. From the perspectives of the community representatives, these differing approaches appeared to work reasonably well, with just the occasional dissenting voice in some areas.

7.9 A small number of community representatives said they were unaware of the Islands Programme before they had been involved in the application submitted on their behalf and they suggested that an exercise to increase awareness of the fund among community groups would be helpful.

7.10 Irrespective of any changes that the Scottish Government may make in relation to a future funding mechanism for the Islands Programme, it may wish to consider how current application material and application forms could be made more user-friendly for the community partners who are often involved in completing these application forms.

What are the advantages and disadvantages of different funding mechanisms?

7.11 Chapters 4 and 6 have provided a summary of what stakeholders saw as the advantages and disadvantages of different funding mechanisms for capital grant schemes. This information is not repeated in full here. However, it is worth noting that the key aspects of the current (competitive bidding) process that were reported to be working well were:

- The flexibility of the Islands Programme in relation to the types of projects it funds (i.e. large-scale and small-scale projects; projects led by local authorities and projects led by communities) – although, note that this is **not especially a feature of the funding mechanism**, but rather, simply, a positive feature of the Islands Programme
- Its role in facilitating partnership working between local authorities and community organisations – at least in some geographic areas
- The evidence-based focus of the assessment process and the alignment of funded projects to the strategic priorities of the National Islands Plan
- The involvement of SFT in supporting delivery of the programme.

7.12 Aspects of the current process that were reported to be working less well were:

- The timing and timescales associated with the annual funding rounds, which presented major challenges for local authorities and community organisations
- The resource intensiveness of the process – both for local authorities and community organisations – coupled with the uncertainty of knowing whether an application will be funded

- The lack of certainty about the levels of funding available in the longer-term, and the implications of this for strategic decision making and efficient planning.

How effective is the process for assessing applications and awarding grants?

7.13 The findings of the evaluation confirm that the process for assessing applications and awarding grants is thorough, robust and fair. However, there was also a view that the information requested – and provided – through the application process was not always adequate to enable the panel to make a fully informed judgement about the viability of projects in the longer term.

7.14 The composition of the panel is appropriate – with most members now having direct knowledge or previous experience of working in island communities. The participation of young people from the Young Islanders Network has been welcomed.

7.15 Panel members take their responsibilities in assessing applications seriously, and the review process overall is thorough and wide ranging. Due care and attention are given to ensuring that all panel members are properly supported and that any (potential) conflicts of interest in decision making are avoided or appropriately managed.

7.16 Panel members made a number of suggestions for how the assessment process could be improved and these have been reported in Chapter 5.

7.17 It is important to note that the number of applications to the Islands Programme has increased each year. In addition, the quality of applications has increased, with all applications in the most recent round (2024/25) reaching the quality threshold for funding. Should this trend continue, with the size of the funding pot remaining fairly stable, there will be an increased risk of local authority applicants (and representatives of community organisations that participate in this process) spending considerable time in developing good-quality applications that are unable to be funded. If the Scottish Government intends to retain the competitive bidding process, it may be necessary to consider ways of reducing this risk. This could be done, for example, by (i) introducing a maximum amount that can be applied for, (ii) developing a mechanism for ensuring the funding in each year is spread across all island authorities (i.e. ensuring that ‘everyone gets something’), and / or (iii) directing project funding to certain types of projects (for example, projects relating to community-owned assets).

How effective are programme management and monitoring arrangements?

7.18 The evaluation found that SFT plays an important and valued role in the management and monitoring of the Islands Programme. It was clear from the information available in monitoring reports that the programme manager follows the progress of projects funded by the Islands Programme and is aware of the challenges they are facing at every step.

7.19 However, the role of SFT in the Islands Programme goes beyond management and monitoring. Indeed, they play a role in the overall delivery of the programme by providing much needed capacity and capability to island local authorities. All the local authority

officials who took part in the evaluation were very positive about their relationship with the SFT programme manager, highlighting the helpful input and support they have received from her and others at SFT to keep their projects moving forward.

7.20 Investment Panel members also praised the programme manager in relation to the quality of support given to the bid assessment process.

7.21 In whatever choices the Scottish Government may make regarding future funding mechanisms for the Islands Programme, it will be important to retain this role in supporting the programme.

Features of an optimal Islands Programme funding mechanism

7.22 In commissioning this evaluation, the Scottish Government had a specific interest in understanding the effectiveness of the two different funding mechanisms used to disburse Islands Programme funding between 2021/2022 and 2024/25 – direct allocation to local authorities and competitive bidding by local authorities – as well as a third possible mechanism, which would involve inviting community organisations to bid for funds.

7.23 However, in exploring stakeholders' views and experiences of these mechanisms, and of other programmes that fund capital investments, it became clear that there is nothing about any particular method for disbursing funding that makes one method inherently more effective than another. Indeed, stakeholders said that it is often what happens **before** and **after** the funding is given that enables a capital programme to achieve its intended positive impact.

7.24 In this context, stakeholders emphasised the pivotal importance not only of providing funding for capital infrastructure projects, but also of ensuring the availability of the necessary human capacity (knowledge, expertise, capability etc.) to develop, manage and deliver those projects.

7.25 Thus, in relation to the Islands Programme, the process of disbursing funding would ideally sit within a wider system in which:

- Each island area has a plan for infrastructure development that is based on meaningful engagement with local communities, is fully aligned with national policy objectives, and has a clear sense of the priority attached to each project
- There is multi-year funding which local areas can anticipate and bid for when their projects are ready
- Local authorities operate a live tracking system holding up-to-date details in relation to a pipeline of projects, and manage a process for moving (other) projects forward where delays occur in those at the top of the queue
- There is sufficient time, capacity and capability – both within local authorities and within community organisations – to enable the successful development and delivery of projects
- There is sufficient access to the range of contractors required for planning, design and construction

- There is flexibility in how the funding may be spent – both in terms of what it is spent on, but also in terms of the timetable within which it should be spent
- There is a robust management and monitoring framework in place to identify and address issues as they arise.

Conclusions

7.26 Overall, stakeholders thought that the current competitive bidding process was working reasonably well. Local authorities, Investment Panel members, and representatives of SFT said that local authorities are now familiar with the application and assessment process. Community representatives (in particular, those whose projects had received Islands Programme funding) were largely positive about the experience of working with their local authorities in developing applications. In general, local authorities trust the decision making of the Investment Panel and also appreciate and value the support they receive from SFT.

7.27 At the same time, however, local authorities and community representatives do not, by any means, see the current process as ideal. These stakeholders find the competitive process demanding and resource intensive. They also think that the unpredictability and inconsistency of the annual funding cycle, and the tight timescales associated with the process add further challenges. In addition, some local authorities questioned the appropriateness of using a competitive process to allocate capital funding to island communities given the clear need for improvements in infrastructure and funding to support this.

7.28 Stakeholders made a range of suggestions for relatively small improvements that could be made to the current competitive bidding process. These included (i) further simplification of the application form and guidance, (ii) rationalising the range of objectives and criteria, (iii) offering more explanation of what information is being sought for each question, (iv) ensuring that only those applications that are eligible for funding are passed to the Investment Panel for assessment, (v) providing fuller feedback on unsuccessful applications, and (vi) reviewing panel induction processes. These changes could be implemented by Scottish Government in relation to a potential 2026/27 funding round.

7.29 More importantly, local authorities emphasised the need for a more consistent timetable for the Islands Programme which maximises the time available to them for application development and committing of expenditure.

7.30 The findings of this evaluation indicate that local authorities continue to prefer a direct allocation mechanism, but not one which uses the allocation methodology used in Year 1. There was limited support from other stakeholders for a direct allocation mechanism. Those who did support it highlighted the potential for it to be used to leverage capital funding from other sources. These stakeholders also suggested that local authorities would simply need to be given a clear set of principles / criteria for spending their allocations. They did, however, note that a competitive bid mechanism gave some local authorities the opportunity to obtain more funding than they would get through any direct allocation mechanism.

7.31 Among other non-local authority stakeholders, there was a general concern that spending would be less 'evidence-based' and, potentially, less likely to align with national policy priorities, if Islands Programme funding were given to local authorities as a direct allocation.

7.32 There was limited appetite for introducing an approach that would involve direct bidding by communities. Stakeholders generally saw this option as not strategic; resource intensive to administer and manage; and likely to disadvantage communities with the least capacity.

7.33 An important message from this evaluation is that there is a shortage of capacity and capability to deliver infrastructure projects in the islands. This challenge cannot be addressed simply by finding more efficient ways to disburse capital funding or by improving the process of awarding grants to the 'best' projects.

7.34 The more fundamental changes which local authorities and community organisations wished to see would require a broader review of how the Islands Programme operates – not solely limited to the disbursement mechanism. This would be informed by the findings of this evaluation but would also seek to address (i) the underlying issues in relation to capacity and capability, and (ii) the extent to which the Islands Programme can be re-engineered to allow greater flexibility and coordination across the various funding streams which exist.

7.35 If increased funding could be made available through the Islands Programme, there would be merit in considering a hybrid approach. This could involve making part of the fund available to local authorities as a direct allocation and part through a competitive bidding process – similar to the approach taken by the Scottish Government's Place-based Investment Fund (of which RCGF is the competitive arm). In the context of the Islands Programme, it could be specified that the direct allocation must be used for specific purposes, such as capacity building among local authorities and / or communities. Alternatively, it could be used to fund small-scale project costs relating to, for example, feasibility studies, design work, the development of business plans, etc. The remainder of the fund could be delivered through a competitive bid process that gives local authorities the opportunity to obtain funding for larger-scale projects.

7.36 Finally, this evaluation has found that there is no one **best** disbursement mechanism for Islands Programme Funding. There are strengths and weaknesses, pros and cons, associated with every mechanism. Maximum impact from a capital funding programme will be achieved not simply through the mechanism for disbursing funds, but through an increased capacity and capability for developing and managing capital projects on the islands.

Annex 1: Documentary sources of evidence

Rural Affairs and Islands Committee correspondence and reports

Budget 2023-24 (session 6 of the Scottish Parliament)

Correspondence is in date order.

1. Letter from Finlay Carson MSP (Convenor) to Mairi Gougeon (Cabinet Secretary) concerning the Scottish budget 2023-24. 1 July 2022.
2. Letter from Finlay Carson MSP (Convenor) to Chief Executives Highlands and Islands local authorities (Orkney Islands Council, Shetland Islands Council, Comhairle nan Eilean Siar, Argyll and Bute Council, Highland Council and North Ayrshire Council) concerning the Scottish budget 2023-24. 1 July 2022.
3. Letter from Finlay Carson MSP (Convenor) to Peter Reekie (Chief Executive of the Scottish Futures Trust) concerning the Scottish budget 2023-24. 1 July 2022.
4. Letter from Pippa Milne (Chief Executive of Argyll and Bute Council) to the Clerk of the RAI Committee. 18 August 2022.
5. Letter from Craig Hatton (Chief Executive of North Ayrshire Council) to Finlay Carson MSP (Convenor). 18 August 2022.
6. Letter from Mairi Gougeon (Cabinet Secretary) to Finlay Carson MSP (Convenor). 26 August 2022.
7. Letter from Comhairle nan Eilean Siar to Convenor of RAI Committee. 26 August 2022.
8. Letter from Tony Rose (Scottish Futures Trust, Director of Strategy, Place & Economy) to Finlay Carson MSP (Convenor). 26 August 2022.
9. Letter from Gareth Waterson (Orkney Islands Council Corporate Director – Enterprise and Sustainable Regeneration) to Finlay Carson MSP (Convenor). 28 August 2022.
10. Official Report, Rural Affairs, Islands and Natural Environment Committee. 28 September 2022. Representatives of local authorities attended this meeting and discussed their experience of the Islands Programme. A recording of this session is also available.
11. Letter from Tony Rose (Scottish Futures Trust, Director of Strategy, Place & Economy) to Finlay Carson MSP (Convenor) – follow-up clarification. 12 October 2022
12. Letter from Finlay Carson MSP (Convenor) to the Cabinet Secretary for Rural Affairs and Islands, Mairi Gougeon concerning pre-budget scrutiny 2023-24. 3 November 2022. This letter sets out the RAI's Committee's recommendations for improving the competitive bid process introduced in 2022/23.
13. Letter from Mairi Gougeon (Cabinet Secretary for Rural Affairs and Islands) to Finlay Carson MSP (Convenor) concerning pre-budget scrutiny 2023-24. 22 December 2022. See Annex A.

14. Official Report, Rural Affairs, Islands and Natural Environment Committee. 11 January 2023. See columns 35 and 36 regarding discussion of the Islands Programme budget and disbursement mechanism. This is also a recording of this session available.

Budget 2024-25 (session 6 of the Scottish Parliament)

Correspondence is in date order.

15. Letter from Finlay Carson MSP (Convenor) to Mairi Gougeon (Cabinet Secretary for Rural Affairs, Land Reform and Islands) concerning 2024-25 pre-budget scrutiny. 11 July 2023.
16. Letter from Finlay Carson MSP (Convenor) to Chief Executives of island authorities (Argyll and Bute Council, Comhairle nan Eilean Siar, Highland Council, North Ayrshire Council, Orkney Islands Council and Shetland Islands Council) concerning 2024-25 pre-budget scrutiny. 11 July 2023.
17. Letter from Finlay Carson MSP (Convenor) to Peter Reekie (Chief Executive, Scottish Futures Trust) concerning 2024-25 pre-budget scrutiny. 11 July 2023.
18. Letter from Mairi Gougeon (Cabinet Secretary for Rural Affairs, Land Reform and Islands) concerning National Islands Plan Annual Report 2022 – Follow-up information. 30 August 2023. This letter provides information about projects receiving Islands Programme funding in 2022/23.
19. Letter from Pippa Milne (Chief Executive, Argyll and Bute Council) to Clerk of the Rural Affairs and Islands Committee regarding 2024-25 pre-budget scrutiny. 31 August 2023.
20. Letter from Kate Lackie (Chief Executive, Highland Council) to Finlay Carson MSP (Convenor) regarding 2024-25 pre-budget scrutiny. 30 August 2023.
21. Survey response from North Ayrshire Council to Rural Affairs and Islands Committee regarding 2024-25 pre-budget scrutiny. August 2023.
22. Survey response from Orkney Islands Council to Rural Affairs and Islands Committee regarding 2024-25 pre-budget scrutiny. August 2023.
23. Survey response from Shetland Islands Council to Rural Affairs and Islands Committee regarding 2024-25 pre-budget scrutiny. August 2023.
24. Letter from Mairi Gougeon (Cabinet Secretary for Rural Affairs, Land Reform and Islands) concerning 2024-25 pre-budget scrutiny. 31 August 2023.
25. Letter from Tony Rose (Director of Strategy, Place and Economy, Scottish Futures Trust) to Finlay Carson MSP (Convenor) concerning 2024-25 pre-budget scrutiny. 1 September 2023.
26. Official Report, Rural Affairs and Islands Committee. 27 September 2023.
27. Letter from Mairi Gougeon (Cabinet Secretary for Rural Affairs, Land Reform and Islands) to Finlay Carson MSP (Convenor) concerning post-budget 2024-25 committee session on 27 September 2023 – further information. 12 October 2023.
28. Letter from Finlay Carson MSP (Convenor) to Mairi Gougeon (Cabinet Secretary for Rural Affairs, Land Reform and Islands) concerning 2024-25 pre-budget scrutiny. 22 November 2023.

29. Letter from Mairi Gougeon (Cabinet Secretary for Rural Affairs, Land Reform and Islands) to Finlay Carson MSP (Convenor) concerning 2024-25 pre-budget scrutiny. 19 December 2023.

Other sources of documentary evidence, not in the public domain

- Islands Programme monitoring reports produced by the Scottish Futures Trust
- Islands Programme grant offer letters to local authorities
- Islands Programme guidance and application materials for local authorities (relating to the competitive bidding process)
- Islands Programme appraisal guidance and scoring criteria for Investment Panel members (relating to the competitive bidding process)
- Notes of Islands Programme Investment Panel discussions (relating to the competitive bidding process)

Annex 2: Outcomes of competitive funding rounds

Table A2.1: Summary of application outcomes, 2022/23 to 2024/25

Local authority	Number of applications funded	Number of applications not funded	Total value of awards
2022/23			
Argyll and Bute	2	2	£350,000
Comhairle nan Eilean Siar	2	1	£514,781
Highland	2	0	£512,000
North Ayrshire	2	0	£1,049,450
Orkney Islands	1	0	£1,683,169
Shetland Islands	2	1	£340,600
Total 2022/23	**11**	**4**	**£4,450,000**
2023/24			
Argyll and Bute	2	0	£1,150,000
Comhairle nan Eilean Siar	3	2	£383,350
Highland	1	1	£298,900
North Ayrshire	2	0	£951,623
Orkney Islands	2	0	£416,307
Shetland Islands	3	0	£799,820
Total 2023/24	**13**	**3**	**£4,000,000**
2024/25			
Argyll and Bute	0*	2	£0
Comhairle nan Eilean Siar	2	1	£701,500
Highland	2	1	£759,258
North Ayrshire	1	3	£414, 425
Orkney Islands	1	0	£346,000
Shetland Islands	3	0	£621,552
Total 2024/25	**9**	**7**	**£2,842,735**
Total	**33**	**14**	**£11,292,735**

* Argyll and Bute Council was awarded £157,265 in 2024/25 for one project but was unable to proceed with the project and claim the grant because of the significantly higher than expected costs of the tenders received in a formal procurement process for the work.

In relation to the projects that were **not** funded in the three-year period of the competitive bidding process:

- In 2022/23, four applications – two submitted by Argyll and Bute Council, one by Shetland Islands Council, and one by Comhairle nan Eilean Siar – were not successful in achieving funding. Reasons given by the Investment Panel for not awarding funding were that: (i) the relationship to the National Islands Plan strategic objectives was not sufficiently clear, (ii) there was a lack of community involvement in the development of

the application, (iii) there was insufficient detail and / or evidence presented to make a convincing case for funding, and (iv) the local authority had previously committed to funding the work themselves.

- In 2023/24, three applications were not successful in achieving funding. Two (from Highland Council and Comhairle nan Eilean Siar) were unsuccessful because they had failed to demonstrate benefits to, or engagement with the community – and both were regarded as local authority responsibilities. In the third case (an application from Comhairle nan Eilean Siar), a conditional award was made, dependent on other sources of funding being received. In the event this co-funding was not forthcoming, and the funds allocated were used instead for an application from another local authority (Orkney Islands Council) which had met the quality threshold for funding.
- In 2024/25, seven applications were not successful in achieving funding. These came from Argyll and Bute Council (2), Comhairle nan Eilean Siar (1), North Ayrshire Council (3), and Highland Council (1). The reasons given by the Investment Panel included that (i) the project was underdeveloped and too speculative, the business case had not been made convincingly, or it was unclear that the funding required for completion would be forthcoming, (ii) it was unlikely that legal commitments for expenditure of the grant could be completed by 31 March 2025, (iii) the project was not thought to be viable once operational, and would be unlikely to have impacts beyond very specific groups of the population, and (iv) there had been inadequate community consultation and / or focus on local impacts and outcomes.

However, it should be noted that, in 2023/24 and 2024/25, all the applications that were **not funded** had, in fact, passed the necessary quality threshold for funding in the initial panel assessments.

Table A2.2: Amounts allocated towards National Islands Plan strategic objectives identified by local authorities as PRIORITY objectives*, 2021/22 to 2024/25

National Islands Plan Objectives	Amount allocated over four years
Sustainable economic development	£4,628,526
Empowered island communities	£2,761,720
Health, social care and wellbeing	£1,858,020
Population levels	£1,683,169
Transport	£1,486,830
Housing	£892,000
Arts, culture and language	£885,850
Environmental wellbeing and biosecurity	£647,812
Education	£250,000
Digital connectivity	£100,000
Fuel poverty	£0
Climate change and energy	£0
Total	**£15,193,927**

* The primary Strategic Objective assigned to an award for reporting purposes is based on information provided by local authorities in their applications and monitoring form updates.

Annex 3: Projects funded, 2021/22 to 2024/25

This annex presents information on the projects funded by the Islands Programme in each local authority area over the 4 years from 2021/22 to 2024/25. Note that, where no community partner is listed, the project was delivered by the local authority or by the local authority with other public sector partners.

Argyll and Bute

2021/22 – Funded through direct allocation to local authority

Project	Amount awarded	Island(s)	Community delivery partner(s)
Road infrastructure for housing	£100,000	Colonsay	Colonsay Community Development Company (CDC)
Campsite	£40,000	Colonsay	Colonsay CDC
Achamore Gardens	£30,000	Gigha	Isle of Gigha Heritage Trust
Port Ellen playing fields	£50,000	Islay	South Islay Development
Fuel station	£50,000	Jura	Jura Community Business
Moorings	£40,000	Jura	Jura Development Trust
Old Schoolhouse	£55,000	Kerrera	Isle of Kerrera Development Trust
Seaweed processing infrastructure	£67,000	Mull	South West Mull & Iona Development
Aros pier and quay	£50,000	Mull	Tobermory Harbour Association
Business units	£45,000	Tiree	Tiree Community Development Trust
Rothesay pontoon	£213,000	Bute	–

2022/23 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Island community halls, digital hubs	£100,000 (£25k per partner)	Coll Iona Islay Tiree	Development Coll Iona Hall South Islay Development Tiree Community Development Trust
Tobermory seawall and railings improvements	£250,000	Mull	–

2023/24 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Enabling infrastructure for worker accommodation	£700,000	Mull	Mull and Iona Community Trust
Tiree Community Care Hub	£450,000	Tiree	–

2024/25

Argyll and Bute Council was awarded £157,265 in 2024/25 for one project but was unable to proceed with the project and claim the grant because of the significantly higher than expected costs of the tenders received in a formal procurement process for the work.

Eilean Siar

2021/22 – Funded through direct allocation to local authority

Project	Amount awarded	Island(s)	Community delivery partner(s)
Eriskay School redevelopment (received funding in 2021/22, 2022/23 and 2024/25)	£283,400	Eriskay	Comann Eachdraidh Eirisgeidh
Kirkibost harbour	£25,000	Great Bernera	Great Bernera CDT
Kallin harbour	£287,600	Grimsay	Kallin Harbour Pier Users Group
Leverhulme Community Hub	£211,900	Harris	Leverhulme Community Hub
Tarbert Community Centre	£71,100	Harris	Tarbert Community Centre
Taigh Chearsabhagh (received funding in 2021/22 and 2024/25)	£50,000	N Uist	Taigh Chearsabhagh Museum and Arts Centre
Grogarry Lodge Old Steading	£100,000	S Uist	Storas Uibhist
Ludag old ferry waiting room	£50,000	S Uist	Storas Uibhist
Studio Alba	£100,000	Lewis	–
Improving town centre and tourism infrastructure	£200,000	Lewis Harris	–

2022/23 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Community Facilities Programme (received funding in 2021/22, 2022/23 and 2024/25)	£ 347,781	Berneray Eriskay North Uist	Berneray Hall Comann Eachdraidh Eirisgeidh Ùrachadh Uibhist
Ionad Hiort – RIBA stage 4 design	£167,000	Lewis	Ionad Hiort Ltd

2023/24 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Seallam! Hebrides People Visitor Centre	£55,000	Harris	Northton Heritage Trust
An Taigh Mor	£78,350	Lewis	Urras an Taighe Mhòir
UHI OH Stornoway Campus and mobile facilities and equipment on four islands*	£250,000	Lewis Barra Benbecula N Uist S Uist	–

2024/25 - Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Taigh Chearsabhagh creative hub (received funding in 2021/22 and 2024/25)	£50,500	N Uist	Taigh Chearsabhagh Trust
Ionad Eilean na h-Oige (received funding in 2021/22, 2022/23 and 2024/25)	£651,000	Eriskay	Comann Eachdraidh Eirisgeidh

Highland

2021/22 – Funded through direct allocation to local authority

Project	Amount awarded	Island(s)	Community delivery partner(s)
Hub (received funding in 2021/22 and 2023/24)	£42,760	Canna	Isle of Canna CDT
An Laimhrig	£50,000	Eigg	Isle of Eigg Heritage Trust
Housing enablement	£20,000	Rum	Isle of Rum Community Trust
Small Isles road improvements	£17,240	Eigg Muck	–
Road improvements	£49,360	Raasay	–
Kilt Rock car park	£171,725	Skye	–
Toilet block (did not proceed, reallocation to Kilt Rock)	£109,992	Skye	–
Elgol toilets and parking	£48,923	Skye	–

2022/23 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Old Surgery - housing enablement	£72,000	Eigg	Isle of Eigg Heritage Trust
Old Man of Storr visitor and retail unit	£440,000	Skye	–

2023/24 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Canna visitor hub (received funding in 2021/22 and 2023/24)	£298,900	Canna Sanday	Isle of Canna Development Trust

2024/25 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Staffin Harbour improvements	£409,258	Skye	Staffin Trust
Community and public access improvements	£350,000	Skye	–

North Ayrshire

2021/22 – Funded through direct allocation to local authority

Project	Amount awarded	Island(s)	Community delivery partner(s)
Brodick car park	£75,000	Arran	–
Lay by upgrade	£76,300	Cumbrae	–
Implementation of islands connectivity study EV points	£107,700	Arran Cumbrae	–

2022/23 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Millport Town Hall, phase 2 (received funding in 2022/23 and 2024/25)	£509,450	Cumbrae	Millport Town Hall Trust
Pit stops	£540,000	Arran Cumbrae	–

2023/24 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Dyemill bike park	£220,618	Arran	Arran High School Mountain Bike Club
Garrison House	£730,998	Cumbrae	Cumbrae Community Development Company

2024/25 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Millport Town Hall, final phase (received funding in 2022/23 and 2024/25)	£414,425	Cumbrae	Millport Town Hall Trust

Orkney

2021/22 – Funded through direct allocation to local authority

Project	Amount awarded	Island(s)	Community delivery partner(s)
Garson Ind Est. Herring Factory	£40,000	Mainland Orkney	–
Livestock trailers and tractor	£146,410	Papa Westray N Ron'say	–
Loch Ayre walkway	£28,000	Mainland Orkney	–
Improvements for lifelong learning and leisure facilities	£443,782	Mainland Orkney Hoy Rousay Sanday Shapinsay Stronsay Westray	–
Scapa Flow Romney Hut	£355,000	Hoy	–

2022/23 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Kirkwall New Nursery	£1,683,169	Mainland Orkney and all 20 islands	–

2023/24 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Kirkwall Bridge Street	£200,000	Mainland Orkney	–
Airfield terminal buildings*	£216,307	Papa Westray Stronsay	–

* Application initially rejected and subsequently offered part-funding

2024/25 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Airfield terminal buildings	£346,000	Eday Westray	–

Shetland Islands

2021/22 – Funded through direct allocation to local authority

No funding provided in 2021/22 – the identified project was not able to proceed in the required timescales.

2022/23 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Aald Skul Enterprise	£88,095	Mainland Shetland	Community Development Co of Nesting
Papa Stour Kirk (received funding in 2022/23 and 2024/25)	£252,505	Papa Stour	Papa Stour History & Community Group

2023/24 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
COPE	£653,613	Mainland Shetland	COPE: Shetland Home Co Expansion Ltd
Growing Space, Nesting	£75,202	Mainland Shetland	Community Development Co of Nesting
Hymhus, Bigton (received funding in 2023/24 and 2024/25)	£71,005	Mainland Shetland	Bigton Collective

2024/25 – Funded through competitive bidding

Project	Amount awarded	Island(s)	Community delivery partner(s)
Bird Observatory	£204,895	Fair Isle	Fair Isle Bird Observatory Trust
Hymhus, Bigton phase 2 (received funding in 2023/24 and 2024/25)	£139,992	Mainland Shetland	Bigton Collective
Papa Stour Kirk phase 3 (received funding in 2022/23 and 2024/25)	£276,665	Papa Stour	Papa Stour History and Community Group

Annex 4: Sources of co-funding

Projects awarded grants from the Islands Programme also received funding from:

- Island local authorities (including 'in kind' contributions)
- Architectural Heritage Fund
- Berneray Community Hall
- Community and Renewable Energy Scheme (CARES)
- Community Development Trusts / Companies
- Community Led Local Development (CLLD) Fund
- Community Ownership Fund (UK)
- Crown Estate / Crown Estates Coastal Communities
- Crowdfunding / donations / community fundraising
- Garfield Weston Foundation
- Highlands and Islands Enterprise (various funds)
- Historic Environment Scotland
- Islands Growth Deal
- Kirkjuvagr Limited
- NHS Boards / HSCPs
- National Trust for Scotland
- Northton Heritage Trust
- Place-Based Investment Fund (Scottish Government)
- Regeneration Capital Grant Fund
- Rural Growth Deal
- Rural Tourism Infrastructure Fund
- Scottish Cycling
- Shared Prosperity Fund (UK)
- Social Investment Scotland (in the form of a loan)
- SportScotland
- University of the Highlands and Islands
- Windfarm Communities Fund

© Crown copyright 2025

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit **nationalarchives.gov.uk/doc/open-government-licence/version/3** or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: **psi@nationalarchives.gsi.gov.uk**.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at **www.gov.scot**

Any enquiries regarding this publication should be sent to us at

The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-83691-810-3 (web only)

Published by The Scottish Government, August 2025

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1615914 (08/25)