



OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Affairs, Islands and Natural Environment Committee

Wednesday 28 September 2022

Session 6



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Wednesday 28 September 2022

CONTENTS

	Col.
PRE-BUDGET SCRUTINY	1
SUBORDINATE LEGISLATION	50
Pests of Plants (Authorisations) (Amendment) Regulations 2022	50

RURAL AFFAIRS, ISLANDS AND NATURAL ENVIRONMENT COMMITTEE **25th Meeting 2022, Session 6**

CONVENER

*Finlay Carson (Galloway and West Dumfries) (Con)

DEPUTY CONVENER

*Beatrice Wishart (Shetland Islands) (LD)

COMMITTEE MEMBERS

*Karen Adam (Banffshire and Buchan Coast) (SNP)

*Alasdair Allan (Na h-Eileanan an Iar) (SNP)

*Ariane Burgess (Highlands and Islands) (Green)

*Jim Fairlie (Perthshire South and Kinross-shire) (SNP)

*Rachael Hamilton (Etrick, Roxburgh and Berwickshire) (Con)

*Jenni Minto (Argyll and Bute) (SNP)

*Mercedes Villalba (North East Scotland) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Diarmaid Lawlor (Scottish Futures Trust)

Russell McCutcheon (North Ayrshire Council)

Pippa Milne (Argyll and Bute Council)

Tony Rose (Scottish Futures Trust)

Neil Rutherford (Scottish Futures Trust)

Gareth Waterson (Orkney Islands Council)

CLERK TO THE COMMITTEE

Emma Johnston

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Affairs, Islands and Natural Environment Committee

Wednesday 28 September 2022

[The Convener opened the meeting at 09:02]

Pre-Budget Scrutiny

The Convener (Finlay Carson): Good morning, and welcome to the 25th meeting in 2022 of the Rural Affairs, Islands and Natural Environment Committee. I remind all those who are using electronic devices to switch them to silent.

Our main item of business is pre-budget scrutiny, which today involves an evidence session with island local authority representatives and then with the Scottish Futures Trust. I welcome our first panel, all of whom are appearing virtually: Russell McCutcheon, who is executive director of place in North Ayrshire Council; Pippa Milne, who is chief executive of Argyll and Bute Council; and Gareth Waterson, who is corporate director of enterprise and sustainable regeneration in Orkney Islands Council.

We have about 90 minutes for questions from members, and I will kick off.

It would be helpful to have some further information about the successful bids in your specific areas and about what happens to the projects that were unsuccessful in securing funding. I will kick off with Russell.

Russell McCutcheon (North Ayrshire Council): With regard to North Ayrshire Council's bids, we were delighted to be successful with both bids that we made for 2022-23. They were existing priority projects that had been identified through our local island plans, our regeneration delivery plan and the visitor management plan that we have.

The projects could be summarised as follows. The first was for Millport town hall, which was phase 2 of a larger project. The project value is £0.5 million, and we were successful in achieving a £0.465 million grant towards the next phase of the redevelopment of that town hall. That will include an office space, a basement heritage and conservation centre plus a green room, a permanent men's shed, storage areas and a small community garden.

The second project that we were successful in was one that we called island pitstops, with a project value of £0.6 million and a grant of £0.54 million towards that. Essentially, it was to

redevelop island toilet buildings that are owned by North Ayrshire Council into pitstops. They will be refurbished into eco-designed buildings with landscaped outdoor spaces that offer communities and visitors access to sustainable and efficient amenities including improved toilet facilities, local information and interpretation, and cycle parking and maintenance stations.

Phase 1 of the Millport town hall project had already been part-funded by the regeneration and capital grant fund. Additional allocations have also been provided under the RCGF to support the increase in costs associated with Covid, the current economic position and previously unforeseen works associated with historic buildings. That funding will also be used to support the delivery of phase 2.

The island pitstops project was previously submitted to the rural tourism infrastructure fund. It was refreshed for submission to the islands programme and it was basically informed by our island plans and visitor management plans.

The projects aim to make an important contribution to delivering on priority actions within Arran and Cumbrae, as outlined in our local island plans, which have been developed alongside our island communities to support economic recovery and the longer-term sustainability of island life. Those two islands are really reliant on the visitor economy, and it is estimated that the works that we are undertaking to support and contribute to an enhanced visitor experience will have a significant impact on the local economy of the islands.

As I said, we had no unsuccessful projects in 2022-23. Obviously, that position could have been significantly different. I think it is fair to say that the approach that was taken to unsuccessful projects would have been dependent on the scale and the delivery timescale that was involved. Consideration would have been given to other funding sources to support delivery, due to the relatively limited capital and revenue budgets available.

For example, we have the Ayrshire rural and islands ambition—ARIA—fund as part of the community-led local development, there is the shared prosperity fund and the council also has a community investment fund. That is available for localities in North Ayrshire to make bids to in order to support local community actions and community projects, which are determined by locality planning partnerships in terms of their viability and whether they would meet the criteria that are set out.

I do not know whether you want me to go into further detail or whether that is sufficient at the moment.

The Convener: No, that is very useful. We will move on to Pippa Milne.

Pippa Milne (Argyll and Bute Council): Good morning. We made four bids for the fund, totalling just over £1 million, and we were successful with only two to a value of £350,000. The two successful projects were, first, the Tobermory sea wall and railings project, which is to address some of the coastal flooding and to upgrade the asset of the railings that protect the road along the front in Tobermory and, therefore, businesses that operate along the front. That project had been partially completed and the funding of £250,000 for that project will enable us to complete the remainder of the sea wall and railings, thus protecting economic activity and transport infrastructure and making the island more resilient to the impacts of climate change.

The second project that was successful was island community halls digital hubs. That was to—*[Inaudible.]*—Iona, Tiree and Coll to a value of £100,000, which would effectively give them videoconferencing facilities. That was following—*[Inaudible.]*—communities that operate on a hybrid basis.

It will also enable those halls to host Near Me services from the national health service, and it will allow local community members to use the infrastructure if they are not able to get internet access in their homes.

We have bid unsuccessfully on two projects. One was the island airport resilience sustainability project. We operate airfields on Coll and Colonsay, and we bid for £300,000 to upgrade those facilities. In part, the bid was to enable crews to undertake work themselves and to undertake training on the island, which would make it easier for them to maintain their qualifications to operate airfields—*[Inaudible.]*—off island. That would make for more resilient services.

The other bid was for the Kerrera road project, which we supported the community to draft. It was to put in a road to the north of the island, to join the north to the ferry port. The project has already received some funding from the islands team and the council. The bid was to enable the major work to be completed.

For the Kerrera road project, the community will now attempt to go forward at the lower spec and complete the road. The island airport resilience sustainability project will wait for further funding opportunities. That is not a project that we will be able to take forward without that funding at this time.

I am happy to provide more information if the committee wants anything else in that regard.

The Convener: Before we move on to Gareth Waterson, I have a question about the flood prevention project in Tobermory. Other

communities throughout Scotland will get flood prevention money for schemes that they have drawn up from other pots of money. Was this the most appropriate or the only source of funding for flood prevention?

Pippa Milne: Tobermory had not been identified as a flood protection area that was liable to have a plan under the flood protection money, so the islands infrastructure fund was determined to be the most appropriate source of funding. As I said, we had only partially completed the project before, so we were constantly on the lookout for funding to complete it, and that flood protection money was not available to us.

The Convener: That is helpful.

Gareth Waterson (Orkney Islands Council): Orkney had one application to the islands infrastructure fund, for a new nursery in Kirkwall. The project cost for that was £2.5 million in total, and we were successful in being awarded £1.5 million towards it. It is for a 51-place nursery adjacent to Orkney College, which will be built to according to Care Inspectorate design guidance and to Passivhaus standards. It will be a 542 square metre new build just below the college.

The project was in a good stage of development when the opportunity to apply for funding from the islands infrastructure fund came along. It was fortuitous that we had a project that fitted very well with the application guidance and was worked up to a suitable stage for us to be able to get it into the application process. We had only that one application, and, had we not been successful, the project would have been delayed.

The project will enable market failure to be addressed. In Orkney, we had market failure in the childcare sector: only one private nursery had been operating and it had closed. We are in that position of market failure in a number of other areas. For example, there is no private sector provision of elderly care; when the private facility closed, the council stepped in to run it—on a temporary basis, we hope.

09:15

There has also been a shortage of childminders. People have not been operating in that field, of late. Across the community, people have struggled to get childcare. The project will certainly address the provision of childcare on the Mainland. Roughly 180 children are born in Orkney every year, and about 90 per cent—160 or so—are on the Orkney Mainland.

The project will enable the college to offer childcare training placements in the adjacent facility, and it will address pressing childcare need, given that the council and the NHS all need

childcare to be available, to allow people to get to work. The project fits well with the aims and objective of the fund.

I am happy to answer any questions on the project.

The Convener: Thank you. That was a good introduction. We will move to questions. We have 15 or 20 questions to ask, so it would be helpful if people kept their questions and answers as succinct as possible.

Jenni Minto (Argyll and Bute) (SNP): I thank our panel for joining us and for their full submissions in response to our letter.

I am interested in hearing your views on the benefits and challenges of this year's competitive process, compared with the direct allocations of previous years. Also, how does the approach compare with how councils allocate their own funds to island projects? Is there anything that the Scottish Government can learn from how you operate? Russell McCutcheon, I will come to you first.

Russell McCutcheon: Thank you for the question. To be honest, the key benefit to North Ayrshire Council of this year's competitive bidding, compared with the previous approach to allocations, was the amount of investment that we were able to achieve. In 2022-23, we secured substantially larger awards, which totalled just short of £1.05 million. In comparison, we got £259,000 last year through the islands infrastructure fund, of which 80 per cent was based on population and 20 per cent on road length. The prioritisation of the moneys in relation to the outcomes that were required allowed us to have particular success this year.

The difficulty with the competitive bidding process is the time and resources that are required to achieve success. The input and efforts that go into submitting bid applications to a competitive process do not necessarily correlate with the level of success. There is the potential for a lot of time and effort to go into submitting bids without achieving success. It would not be proper of me to say that North Ayrshire Council preferred the competitive bidding process, given that we might not have had the level of success that we achieved.

The local elections this year were an issue when it came to submitting bids to the competitive process. The competitive process was announced in March 2022, but the first opportunity for our local cabinet to consider potential applications was in June. That was to do with the fact that we were setting up new council structures and whatnot, as a result of the elections. The June cabinet met within days of the submission deadline, so things

were quite frantic, given the timescale to which we had to adhere.

The timescales for production and submission of applications can be relatively short, and the timescale for financial commitments in relation to an award is quite tight. For example, with the islands infrastructure fund, awards were made in December 2021 and financial commitments were required by March 2022. It must be pointed out that, on islands, mobilising contractors and projects can be very weather dependent and seasonal in relation to availability. Therefore, cognisance of the challenges of living on islands and mobilising projects would be relatively well received.

It would be fair to say that North Ayrshire Council would probably not prefer competitive bidding processes. We would prefer an allocations process that was calculated on the basis of need and that supported longer-term objectives for localities, including reducing poverty and inequality, creating fair jobs and tackling climate change.

We did some calculations around the apportionment methodology. Based on population only, we would have gained about 6 per cent—in a £5 million budget, that would have represented £300,000. If allocations had been made on the basis of place-based investment programmes, which would have taken into account population and levels of deprivation, we would have got slightly more—about £350,000, with a 7 per cent share. However, with an allocation based on 80 per cent population and 20 per cent road length, we achieved a 5.18 per cent share, which, as I said, amounted to £259,000. Therefore, it is very difficult to give a definitive answer, coming from a position of success, but I acknowledge that that would not always be the case.

Jenni Minto: That is very helpful.

Pippa Milne, what are your thoughts on the process and how it compares with how Argyll and Bute Council allocates its funding to islands?

Pippa Milne: We made it clear when the idea was first mooted that we did not support the bidding process. Increasingly, we find that such processes are very resource intensive in terms of the time that is required, especially given our limited capacity and the sums involved in the fund. We were less successful in the bidding process this time—we got less than half the amount that we received the previous year through an allocated process, and only 50 per cent of our bids were successful. In terms of resource and value for money, the process does not seem to be efficient.

We question whether the capacity that was taken up at the Scottish Futures Trust added value

to our own processes and whether that capacity could have been better deployed. We also question the assertions that we were given, both verbally and in writing, that the fund would be distributed equally to islands over the life of the programme, given that there is a competitive process. Being limited to five bids is particularly difficult for us, because we have 23 islands and need to spread the funding across all of them.

We work strongly with SFT advisers, and we thank them for that. We would not have continued with the bids if we had not believed that they would be successful. When dealing with a bid fund, there is always the worry that, at some point, it will become a beauty parade, given the limited pot of money. That can lead to aborted effort, so—*[Inaudible.]*—around that.

We work well with our elected members and communities to determine where Crown Estate Scotland funding and place-based investment go. Previously, we had more scope to join up that funding and spread it across a wider range of islands—I think that we were able to cover seven or eight with the previous fund. However, even if we had been 100 per cent successful on this occasion, we would not have been able to do that, given that we were limited to the five bids.

I will make similar points to those that were raised by North Ayrshire Council. It is difficult to come up with the perfect methodology for distribution. However, that would still be our preference because of efficiency in being able to deploy our resource. We would also benefit from having a longer-term view of the likely funding. That is similar to the point made by North Ayrshire Council. Bearing in mind the fact that it is a £30 million fund over five years, if we can give an indication of that allocation over the five years and are able to look at ways in which we could manage the smoothing of that, we could take a much more strategic view about investment over the entire programme.

That would also make it easier to communicate with island communities that might not be in the earlier funding rounds about where they might fit in the whole programme of activity. It would also enable us to more easily join up and match fund with other funds. As soon as we start to deal with multiple funds, which are all on a set timescale with different criteria, it gets difficult to join them up and match them.

I also echo North Ayrshire Council's point about the timing. The fact that it fell at that particular point at the end of council terms and then in the fallow period before we were able to have meetings caused an issue with local involvement.

The other issue is that the assessment panel was remote from the islands. There is a question

about how that sits with the spirit of the Islands (Scotland) Act 2018 and empowering those communities with regard to how that spend is deployed. There was concern about whether the process really enabled them to determine their priorities.

Jenni Minto: If it continues in that way, I suppose that that highlights the importance of ensuring that the local councillors have good connections with island communities in their wards. Pippa Milne and Russell McCutcheon have given full answers. I wonder whether Gareth Waterson has anything to add to what they have said.

Gareth Waterson: I have very little to add, and I echo a great deal of what has been said. The ability to take a longer-term view would allow us to plan more strategically. The very short timescales that we were given, particularly in the first year of the funding allocation, meant that we had to work hard. I think that, in effect, we were buying things rather than planning for longer-term infrastructure-type investment. We would also prefer being able to take a longer-term view and having an allocation. Despite being successful in the bidding process, we would appreciate having that in order to be able to plan better over a longer period. It would allow us to deliver better for our communities over that period. As with all budget processes, having longer-term sight of available funding enables you to get better results for communities.

The Convener: Rachael Hamilton has a supplementary question.

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): Pippa Milne, you talked about complexity and the pressure on resource. Is there a way that you could feed those things in so that you could shape the next process for the submission of bids in order to simplify it and provide a less complex solution? Do you have that opportunity? If you did, what would you say?

Pippa Milne: This time, there was some engagement with the island team in advance. Certainly, we would prefer an allocation process and the ability to have that longer-term view. We would have expected that to go to the islands group, which is tasked with overseeing the implementation of the plan, for some discussion. However, it was announced before that meeting—in the same week, but before the meeting. Therefore, we would give similar feedback to what I have said to you today. In the light of our experience in trying to influence this round, I do not know how much opportunity we will have to shape that process.

09:30

The feedback that we have had is that there was an attempt to align it with the regeneration capital grant fund, but we would still be concerned that, given the sums involved and all the issues that we all have raised in evidence, the process is a time-consuming one. Especially for a new fund when you do not know the panel's views, it is difficult to refine your bids in a helpful way. We would much prefer to go down the route of having well-established principles, having criteria and allowing for scrutiny, but there would also be that local decision making, as happens with the Crown Estate and place-based funding.

The Convener: Before we move on, I have a quick question. Is the capacity of each individual authority considered as part of the bid process? It sounds like Argyll and Bute Council might have had capacity issues in relation to the resources that it had available to submit a competitive bid. Other local authorities might be in the same situation. Is any consideration given to that as part of the competitive process?

Pippa Milne: I anticipate that that is an issue for all local authorities as our resources get tighter. For us, certainly, the bid took place at the same time that we were working on levelling-up funding and progressing our regional growth deal. That puts pressure on the same team, which is trying to bid for those funds and preparing investment plans for the shared prosperity fund. I would expect that, to varying degrees, most councils have the same sort of pressures. Whether consideration is given to that issue in any way is probably a question for civil servants and the SFT.

Alasdair Allan (Na h-Eileanan an Iar) (SNP): What is the local authority perspective on the criteria that the investment panel used to assess bids? How fair did you find the process? How easy did you find it to operate? I address those questions first to North Ayrshire Council—for no particular reason, I should add.

Russell McCutcheon: The islands programme approach for 2022-23 was comparable to the stage 2 process for other Scottish Government funding programmes, including, as was mentioned before, the regeneration capital grant fund and the vacant and derelict land investment programme. Overall, the process appears to have been well managed by the SFT. Clear guidance and application documentation were available to us, so I have no adverse comments to make on that aspect.

Alasdair Allan: Do any other witnesses have a view on that? Could you say a bit more about communities' perspective on that issue? Did communities feel that the application process was user friendly? Were they supported in it? What

were the options for support? I will go to one of the other local authorities—does Pippa Milne or Gareth Waterson want to comment on those questions?

Pippa Milne: I am happy to come in and comment, in part, about the process. Our feeling was that the criteria were quite broad, so a lot of things could fit in with them, whereas, as was mentioned, we understand what the panel for the regeneration capital grant fund looks for, and so does the support team, but it was less clear to us what this panel was looking for.

We were not sighted on the scoring that was ultimately given to the project. We were asked for additional information on some applications and not others, but those others were scored down, and we were told in feedback that they were not successful because of the lack of data. We have been left a bit confused about that part of the process and how it worked.

In relation to communities, the picture is mixed, in that we largely led on creating the bid, so communities were slightly insulated from that, apart from the community in Kerrera, which worked hard on the bid and was not successful. People gave their time and, for a community organisation, it was a lot of time and effort to put in only to be unsuccessful.

Alasdair Allan: What was the involvement of communities in Orkney?

Gareth Waterson: The project had been proposed. There was a petition from the community, and people who were looking for childcare were asking the council to do something. The community proposed the project, and an application was made to the islands infrastructure fund. It was not that we went to the community with the criteria for the application, but that the community came to the council with a project that it thought the council should undertake. It met the criteria particularly well and, because it was a construction project, we were in the fortunate position that we had started to consider it and had engaged with the community planning partnership, which had endorsed it, before we made the application.

The process was almost the other way round. The project was brought to us by the community, which told us that it wanted us to do something and that it needed the nursery, and then the application process was there for us to complete.

The Convener: It sounds as though the Orkney Islands Council project was led by the grass roots and that that is what developed a lot of the thinking behind it. What happened in North Ayrshire Council? Was there a call for projects? How were the projects that the council implemented identified?

Russell McCutcheon: The second of the two projects that I articulated was the Millport town hall project. That is a significant investment—£3 million overall—and the bid for stage 2 was a successful bid for the fund about which we are talking. There was a well-oiled machine in terms of the community fulfilling its aspirations for the town hall building, but the project came to us.

The other project related to pitstops. We had community involvement in our visitor management plan for Cumbrae and Arran, and the project came out of that plan.

Projects are coming from the grass roots to the council. The process is probably more project based than criterion based. It is a matter of undertaking the projects that communities are galvanised by and keen to take forward with support from the local authority. The role is then to fit those projects into whatever funding pot is appropriate and suitable at the time.

With a more allocated approach to the fund, the competitive aspect would be taken away. However, local governance arrangements on place-based investment programmes are already in place. They operate well in allocating money to projects. I imagine that the community-led and grass roots-based approach to the matter will continue.

It would be wrong of me not to confirm that, in North Ayrshire, we have a continuing pilot with the Scottish Government and Highlands and Islands Enterprise on island recovery and renewal, through which we jointly fund a senior officer for the islands. That role is very important in North Ayrshire for liaising with Scottish Government officials and Highlands and Islands Enterprise, but, importantly, it also involves working with local communities.

The role has been instrumental in the creation of our 10-year island plans for Cumbrae and Arran. Those plans outline a place-based investment approach to the islands' economic recovery. They are heavily fed into by local communities. Therefore, we have in abundance evidence, information and knowledge on what our local island communities are striving to achieve. It is very much a case of grass-roots approaches coming to the council and us assisting.

In order to build island capacity, there is a need for island-specific revenue funding for capacity building, and for project-specific delivery staff to improve and assist infrastructure and capital project delivery, specifically when statutory and public bodies such as the council are not eligible to apply for the islands programme streams, such as the island communities fund.

The Convener: Thank you. Ariane Burgess will develop the point about community engagement a little further.

Ariane Burgess (Highlands and Islands) (Green): It is fantastic to hear about the projects that received funding, and I am sorry that other projects, which were also important, did not get funding.

The witnesses have begun to touch on this, but we would like to hear a bit more about the impact of the competitive process on community engagement in the design and delivery of capital projects. Gareth Waterson, you have already said that your project was quite far on at that point, but Pippa Milne might want to say a little more, and then Russell McCutcheon might want to add something.

Pippa Milne: Similar to what Russell McCutcheon said, we tend to see some of the projects develop and then look for appropriate funding. They have all been slightly different. The Kerrera road was a long-held aspiration of the island community, and we have supported them, at various stages, to develop that bid over a number of years. Post Covid, the digital hubs project has very much come from community aspiration to see that project come to fruition.

With the Tobermory harbour railings, there was, again, a strong local community view that the asset should be improved in order to address flooding issues. The Tobermory Harbour Association, a local community enterprise, was instrumental in that.

The airport bid was made because communities feel strongly that the outcome should be a sustainable air service. We then assessed what the operational gaps were in the project to help to make it more of a reality.

For those funds and the other ones for which we allocate funding, locally elected members identify projects or projects come from our on-going work with community organisations, which builds awareness of their aspirations and project ideas. We then try to match the projects to the funds, rather than putting out a call for funding. Projects normally involve a relatively short turnaround time and in-year delivery, so waiting until the funds come and then starting a bidding round in the local area would make project timescales undeliverable.

Ariane Burgess: Thanks very much.

Karen Adam (Banffshire and Buchan Coast) (SNP): Good morning. I will start with Russell McCutcheon. We have heard that North Ayrshire Council feels that the funding landscape is getting a bit cluttered. What are your views on that? What are the issues behind that comment?

Russell McCutcheon: I think that it is fair to say that, as we have emerged and continue to emerge from Covid, there have been a significant number of funds for business support, community support, place-based investment and place frameworks, and there have been all sorts of different mechanisms to access that funding. We also have the long-standing regeneration capital grant fund. There is some confusion, certainly in our organisation, about the longevity of certain funding and the funding allocations that have been made. A longer-term approach would enable much better strategic planning.

In particular, the fact that the islands fund is a five-year fund gives us an ideal opportunity to start that proactive forward thinking. Instead of having annual competitive bids for such funding, it would be a lot easier if we had known funding coming over the horizon, so that we could align that to our island plans, our place-based investment programmes and other grass-roots projects, as we have mentioned.

09:45

As we emerge from Covid and move on, there will be more opportunities to rationalise the funding that is available. The issue is the sheer number of funding sources and the different kinds of funding. There is even different terminology for the same sorts of funds. With the different amounts that become available, it is sometimes difficult to interrogate whether it is duplicate funding, funding that has been mentioned before or new funding. It is difficult to weave our way through that cluttered arena at the moment.

Karen Adam: That is helpful. How could the process be made more streamlined and strategic?

Russell McCutcheon: That could probably be done through a review of the available funding, the amounts available and the outcomes that are determined by the available funding sources. There could be some sort of amalgamation into a smaller number of funds that are designed to achieve similar aims.

Karen Adam: I ask Pippa Milne the same question. How do you feel about the funding streams?

Pippa Milne: I will give an example to highlight the issues. We have an island project involving Rothesay pavilion on Bute that is under significant financial pressure and has been paused. It is subject to, I think, 14 different funding streams, all with different criteria, that fund different elements of the project. All the funding streams have different timescales and reporting requirements. If you are managing a complex capital project, for example, and you overlay that funding issue, it is exceedingly complex to pull all that together and

manage the process so that you get the timing right and get the funding that you need to deliver the project.

I echo the points that have been made by North Ayrshire Council about the need to streamline and amalgamate funds. That would be a massive bonus and would have a positive impact on our capacity.

Karen Adam: I ask Gareth Waterson the same question.

Gareth Waterson: I agree with all those points. There is also the effort that has to be put into the bidding process, which has been touched on. That process is quite resource intensive. In Orkney Islands Council, we have been struggling with recruitment of staff over the past couple of years. A lot of people have left the organisation through early retirement or have gone on to other things, and there is an issue with getting people to come back.

The bidding process this year was a struggle, because we had a shortage of internal staff. We actually engaged external assistance, really just to corral internal resource into filling in the application. That certainly helped us. It was not a huge consultancy—we had a small consultancy from Hub North Scotland, which, in effect, kept us to the timescale. With so many people juggling extra work, it was about having enough resource to actually get round to filling in the application form and pulling together all the information.

We had good assistance from the SFT. I again thank our SFT colleagues on Tiree, who told us what we needed to do in no uncertain terms. We got very good advice from the SFT that we needed to look at the criteria for assessing the bids and consider where we absolutely needed to put in the effort for the application form.

We had that assistance, and we also had the external consultancy—in effect, it was timekeeping—to say that we had to get the bids done by the due date so that they could be reviewed, corrected or amended or so that additions could be made.

However, the issue is really the resource that has to go into the bidding process. A lot of extra effort is required, especially if such efforts are needed for every other bit of funding and all have to be layered on top of one another.

We are just embarking on our islands growth deal, which is jointly funded by the UK and Scottish Governments, and we can see that it will be a huge amount of work to pull together elements of the project where there is a funding gap and we will need to target multiple funding sources. That will require real effort from all the islands that are involved in the deal—which is not

the other islands that are represented at this meeting—as there is quite a big funding gap that we have to fill. Unfortunately, given the way in which our tender prices are going, we can see that the funding gap will be bigger. The cost of doing everything seems to have increased quite significantly all of a sudden, judging by the tenders for other projects that we have had over the past two or three months.

Karen Adam: It is interesting to hear that, and I am pleased to hear that there was support for the application process. As you look ahead, do you think that inflationary pressures will cause funding issues for your authority and others? Might what you say in an application not add up to what you will need when the time comes?

Gareth Waterson: I am certain that we will have those challenges. We just had a housing project tender return. We had thought that we had sufficient budget to do the project, but the tenders that have come in are quite significantly over budget.

It is about material and labour prices. I happen to know a couple of the local contractors, and they are struggling to get workforce. I do not know whether that is an island issue—it seems to be an issue nationally, across the board, that there are fewer people in the workforce. We have more jobs in Orkney at the moment than there are people to do them. If you are out of work in Orkney, it is not because you are looking for a job; there are jobs. The issue is reflected in the rates of pay that contractors are having to offer labourers. One contractor was bemoaning the fact that no one wants to be a labourer. He can get joiners and masons—although not enough of them—but he said that trying to get someone to be a labourer on a site is a real problem at the moment.

Karen Adam: Thanks. I think that we are getting into issues about which other members have questions.

The Convener: We have moved on a bit. Beatrice Wishart and Alasdair Allan want to expand on those issues.

Beatrice Wishart (Shetland Islands) (LD): Thanks, convener, and good morning to the panel. I hear what Gareth Waterson is saying and I can identify with some of the issues from a Shetland perspective. Pippa Milne and Russell McCutcheon, what are your views on the effect of the cost of living and price increases on the capital projects that you have identified? Russell, you alluded to weather and seasonal challenges in relation to the labour market and getting supplies in; will you expand on that?

Russell McCutcheon: I am happy to respond. Thanks for raising the issue.

The issues that my council is experiencing with its capital programme are stark. They absolutely are significant. The construction industry was quoting 20 per cent inflation as recently as four or five weeks ago. There are significant issues with workforce and the supply chain, which are exacerbated by the issue of access and getting on and off islands, particularly Arran and Cumbrae.

The issues are filtering through to tender prices and bids for projects. People are becoming very risk averse, and rightly so. They are becoming extremely choosy about the type of project that they are willing and able to deliver, which is driving up costs significantly.

We have not had any tender processes carried out over the past year that have not been significantly over our budgeted prices. Those budgeted prices are being very carefully considered in the current context and the current financial climate. We are not naively expecting to get a lot for our money at the current time. We are factoring in contingency and additional expenses, but even that is not proving to be enough.

That is the case not only for islands, but for North Ayrshire's mainland, as well. Things are really difficult just now, and I think that the recent announcements on borrowing prices, for example, will further exacerbate that. The general economic situation will be extremely difficult—we are currently experiencing only the tip of the iceberg.

The regeneration capital grant fund, which is also administered by the Scottish Government, takes cognisance of that. We have a number of on-going projects through that scheme on the mainland and on the islands. There is acknowledgement that, given the cost of living, construction inflation and various other things, additional funding is required to be made available in order for projects to be delivered.

Pippa Milne: Like others, we see cost inflation coming through on all our capital projects, and for the islands that issue is probably more extreme. The availability of contractors is also a difficulty. Often, contractors will choose to take contracts in the central belt or more easily accessible areas and not deal with the difficulties of transporting materials and staff, for example, to the islands. The number of contractors based in those areas is limited.

Travel and fuel costs, for example, are effectively 185 per cent and 70 per cent higher than those in urban United Kingdom areas. We see a shortage of available skills in the area. It is difficult for employers, including in the construction industry, to get staff to work on those contracts. We see that in existing housing projects, for example.

The project on Bute that I mentioned is paused because the contractor went bust during the Covid pandemic. That contract now has an £11 million cost pressure on it because of the inflation that resulted from that event. We expect to have to scale back our capital programme in response to that, and that is a real issue for us.

The Convener: Alasdair Allan has a supplementary question.

Alasdair Allan: You have mentioned issues around the cost of living and the cost of projects, which, obviously, come within a wider context. When the International Monetary Fund voices a note of alarm, we know that something has gone badly wrong.

On contracts specifically, I know from my experience in my constituency that people who run projects live in fear of retendering because of issues around increasing costs, particularly building costs. Have any of you experienced that? Have the cost of living and the cost of building created a new pressure on timescales for projects, many of which have been competing, as you have said?

Gareth Waterson: We have had to retender several of our housing projects, not because of timescales but because of the budget. The increase in our budget had not kept pace with the contractors' rate of inflation. With the lead times for materials that they were seeing, they were very reluctant to give a firm price for a project and hold it. They said that, by the time that they came to deliver the project, the cost of cement or wood could have increased significantly.

10:00

We had a period of trying to catch up—of trying to increase our budget. However, when there is governance over a budget but the tender price comes in higher, we have to go back to get further governance over the increased price. That has led to delays on a couple of our housing projects.

I looked into whether we could bulk-buy cement, which was causing a real issue in the islands for a period. However, apparently, there is a plasticiser in cement that goes off, so a big warehouse load of cement cannot be stored for a long time. It is a bit like a bag of flour on a supermarket shelf—it goes off. In the islands, there used to be a big lot of cement but, now, the additives mean that that is not a viable option.

I spoke to a local supplier about the way that steel prices were going. They said that they were bringing only half loads of steel reinforcing rods into Orkney because, if steel prices went down, they did not want to be sitting with a whole lot of

reinforcing rods that they had paid for at a higher price. That leads to delays in the supply.

Multiple issues are at play. It is all to do with that uncertainty about the future—whether the supply will ease up and materials will come back. They used to be able to order stuff and get it delivered two or three days later but, now, they have to plan weeks ahead in order to get materials. It is amazing how many things that I never knew were made in Ukraine are now in short supply, because of the tragedy that has happened in that country.

The Convener: Thank you. If no one has anything to add to Gareth Waterson's comments we will move to a question from Jenni Minto.

Jenni Minto: That has been a sobering discussion.

I am interested in hearing how councils measure the impact of capital projects. What criteria do you use? How do you share that—perhaps with communities, for future bids? As councils, how do you learn from the criteria that you use to judge your capital projects?

Pippa Milne: It varies with the scale of the project. We have done some significant regeneration projects, for which we have done a baseline economic assessment and then gone back after a reasonable time to reassess the impacts. Some projects are smaller. For the capital that we put into the Tobermory project the impact was more about meeting the delivery milestones and how many businesses could be protected from flood risk. It varies with different projects.

Looking at the economic impact is challenging, to some extent, because it is about the long term—for example, when it comes to the population. A lot of our projects have come about because of market failure, or because the market is broken, so we are trying to measure a negative. We are in the world of building something in the hope that other things will come off the back of it—it requires the public sector to take a risk in that space.

Coming up with effective measures is difficult, so we try to share that learning with communities and we support them through our community development team. In the past, we have got different island communities together, so that island organisations can share their experience. However, it is difficult to say that one size fits all. We tend to look at it project by project.

Jenni Minto: Gareth Waterson, how does Orkney Islands Council operate?

Gareth Waterson: We have a capital project appraisal process. The version of it that I am looking at on my screen has 12 separate criteria, which we use to assess our own internal projects

against each other. They cover a number of things. Whether the project addresses a statutory provision is our first criterion. Others include whether it meets a community planning goal, protects existing assets, minimises capital costs, has investment from external sources, and so on. We have that process to go through because we have a scarce resource and we are trying to use it for things that are in the council plan, so that the projects that address top priorities come out at the end.

Unfortunately, we seem to have a whole lot of exceptions. We have that process, and then life happens and things go wrong; we try to follow the process, but other things come out of left field. Having been here a long time, I have probably seen more left-field things coming in than ones that have gone through the process. However, we have an agreed process to follow.

It probably aligns relatively well with the criteria that we followed for the infrastructure fund. However, life happens.

Jenni Minto: That is helpful. I suppose that, given that life happens, you can always review what your steps and criteria are for all the left-field ones that come in.

Russell McCutcheon, do you have anything to add on how North Ayrshire operates?

Russell McCutcheon: Yes. As Pippa Milne said, how we monitor the impact of capital projects depends on the individual project, what it is trying to achieve and what the scale and extent of that is. We might look to monitor social, environmental or economic outcomes. For example, for a building construction project with significant green and carbon metrics, we could easily use those metrics to measure what we deliver after the project is completed. That is one example.

There is a raft of tools that we would use, such as monitoring and evaluation plans and value-for-money assessments. We do the original cost benefit analysis and we keep track of that. We have benefits realisation plans that clearly articulate at the outset what benefits we are trying to achieve. We then monitor those benefits, which have to be smart and measurable.

Social outcomes include things such as footfall in visitor centres, local business uptake, and local job numbers that are associated with visitor centres and the supply chain for visitor centres. As I said, it really depends on the individual project. However, there is currently an industry for ensuring that we get maximum value for money with capital investment, because money is so tight and the moneys that are available have to be spent wisely.

Jenni Minto: That is great. Thank you.

Rachael Hamilton: I have quite a simple question about whether the ambitions of the islands plan are being properly funded. We have talked about the stretch on funding, but do you believe that the funding that was already available is almost being regurgitated within the landscape of current funding? How does that look?

Obviously, there are multiple strands of funding. Today we have heard how difficult it is in terms of time and resource to get hold of that funding. Do you believe that some of those funds are over and above your funding through the local government settlement or do they replace that funding?

That sounds complicated, but I think that the witnesses will know where I am coming from. That question is for Gareth Waterson.

Gareth Waterson: Before giving evidence today, I had a look at the islands plan and the 13 objectives that are in it. The one that really stands out for me—because in my council area we are really struggling with it—is ferry funding, or funding for replacement ferries. There is nothing in our existing local government settlement for vessel replacement. The sheer scale of the requirement to replace a 30-plus-year-old fleet means that the cost is much bigger than the whole of the funding that is available for the islands plan.

The objective of improving transport services—in the islands plan it has a picture of a little ferry beside it—will only relate to the very margins of our ferry infrastructure. It might be possible to look at waiting rooms, for example, but we will not be able to do anything on vessel replacement. What we are going to do to replace our vessels has been an issue for almost all the time that I have been in the council. I firmly believe that we need to have a national plan for a national fleet and to have the efficiencies of all doing the same thing with similar engines, as well as a regular programme of updating and replacing vessels when the right time comes, so that everyone in Scotland is treated the same.

For me, ferries are the issue. I do not think that the budget that is available is anything like sufficient to address all the objectives of the islands plan; I would say that it is woefully short. However, it is very welcome that we have something that authorities with islands can bid into, for things such as Orkney's new nursery—I do not think that there would have been another source of funding that would have been as well suited to that project. However, the funding is way short of being sufficient to address all the objectives for the national islands plan in a meaningful way.

Rachael Hamilton: Russell, is North Ayrshire Council feeling the same pinch in relation to the budgets that you have available to allocate for the

issues to which islanders most need funding to be allocated?

Russell McCutcheon: Yes. I totally agree with Gareth Waterson's points, especially those on ferries and the ferry service. Arran and Cumbrae are heavily reliant on the tourism economy. We got the University of Strathclyde's Fraser of Allander Institute to do an economic study on the impact of the ferry service on the Arran community. Staggeringly, that service contributes £130,000 per day to the Arran economy. Therefore, if the ferry service is down for a week, that deprives the Arran economy of almost £1 million.

It is fair to say that transport, connectivity, jobs and housing are the key issues for the islands that must be addressed. If the ferry service was more reliable, fit for purpose and sustainable, Arran would become a lot more self-sustaining because, as I said, the service provides about £1 million-worth of economic impact for the island. That would self-replicate and get bigger and better through the wellbeing economy that we are trying to achieve on our islands.

For me, the islands investment fund has been really good and really well received for the smaller projects. However, the macro picture is very much about access, connectivity, population growth and housing.

Rachael Hamilton: Do you agree with Gareth Waterson that there should be a national ferry funding plan?

Russell McCutcheon: Absolutely.

Rachael Hamilton: I put the same question about the pressures on funding to Pippa Milne. Do you believe that the islands plan has been funded sufficiently? What impacts has it had on Argyll and Bute?

Pippa Milne: I echo what others have said. The islands funding is very welcome for smaller projects, but it has not really touched the macro issues that our communities talk about, such as housing and roads infrastructure.

Regarding your question about whether the islands funding replaces core grant, it is difficult for us to comment directly on that, but we certainly see more of our funds being provided for specific purposes, with specific criteria, rather than being freely available. In Argyll and Bute, we have a £250 million budget and we broadly assess that about £70 million is controllable by us. That covers some statutory services as well, so the actual proportion that we have full autonomy over is limited.

10:15

On transport and ferries, our view on the islands connectivity plan is that it should be holistic and look at all transport, including the ferry infrastructure, and beyond, to transport on the islands. Currently, the plan looks at Transport Scotland-controlled services and infrastructure, rather than the holistic picture of the islands. We would certainly like to see a more holistic and strategic approach to both ferry infrastructure and transport infrastructure in general.

The Convener: I remind members that we have 15 minutes for the final questions. Alasdair Allan has a brief supplementary question.

Alasdair Allan: I do not underestimate the challenges on vessel replacement, but can Orkney Islands Council confirm whether the Scottish Government recently paid for half the costs of a replacement vessel, MV Nordic Sea, for the Papa Westray to Westray route?

Gareth Waterson: Absolutely—yes. We got £750,000 towards the replacement cost of the vessel. The Nordic Sea was a boat that we bought second hand from Norway to replace the Golden Mariana, which we still have and that is very shortly coming up to its 50th birthday—it is the oldest vessel in our fleet. We were very grateful to receive funding for half of the cost of that replacement.

Rachael Hamilton: Where did the other half come from?

Gareth Waterson: The other half came from the council's resources. It came, in effect, from the general capital grant that we received as part of our local government allocation and from a small sum of money that we had set aside out of the revenue budget for transportation to make provision for the lumpy repairs that we tend to have to make with the old fleet that we have. A lot of our vessels have engines that are no longer in production. When an engine block for a Mirrieles Blackstone becomes available in India, we try to secure it so that, if engines break down, we are able to repair them and put the boats back into service.

Beatrice Wishart: I am interested in the panel's views on the carbon neutral islands project and in what role local authorities have in delivery. The island of Yell, in my constituency, has been selected as a carbon neutral island, so I would be interested in hearing your views on that. Who wants to start?

Pippa Milne: I suppose that we are in the early stages of that. Islay has been selected as Argyll and Bute Council's carbon neutral island. I believe that Community Energy Scotland has started to engage with communities on the islands. We are

linked in with that work. However, it is not clear at this stage how it will develop further, in terms of the plans.

Russell McCutcheon: North Ayrshire Council is in a similar position. Community Energy Scotland is starting to mobilise on the island of Cumbrae and we are excited to be involved in that process. It is seen as a community-led project and a community-based initiative. We are very supportive of that, but we are also keen to support it where we can. We recognise that, like other islands, Cumbrae has a relatively small number of people, so we tend to see the same individuals getting involved in various projects. Community councils, development trusts and various other organisations on the island generally involve the same people wearing different hats, so we are conscious that we have to align any activities on the island with current activities.

The island plan for Cumbrae has significant green objectives attached to it, and those are being delivered through the island's locality planning partnership. We are trying to align those people with the carbon neutral islands programme in order to make sure that there is no duplication of effort. We need to align all the work, and we are in the very early stages. Community Energy Scotland is working on local connectivity, and we are assisting with that.

Gareth Waterson: There is a similar picture in Hoy, which is the island that has been selected in Orkney for the carbon neutral islands programme. I had some involvement in that I requested that selection of Hoy be determined by metrics being used, rather than by the local authority making the decision. I imagine that there would have been a bit of a bun fight in the council chamber had it been decided by the council.

I think that Hoy had the best metrics for the carbon neutral islands programme. We are in the early stages, but it is interesting to note that the council is planning to erect a wind farm on Hoy and that we have planning permission for it. If the wind farm is built—we are still waiting for a green light for the interconnector to Orkney—and if we get it through the Office of Gas and Electricity Markets process, once it gets into electricity production it will certainly give Hoy a boost towards achieving carbon neutral status.

Alasdair Allan: I am interested in the carbon neutral islands programme. There are challenges around that for you and the public sector, not least because of inflation and the fact that the UK Government has presided over a situation in which the Scottish Government's budget is worth £1.7 billion less in real terms than it was some months ago.

Could each of you say a wee bit more about the islands in your areas and how you will prioritise funding to ensure that there is totality in a project—that it will impact on the whole island rather than just on an aspect of its economy and society?

Pippa Milne: As I said, Islay is our selected island. We pushed to have it identified as a carbon neutral island because our growth deal had already identified that it was looking to address some climate change impacts as well as carbon impacts.

There are a lot of distilleries on Islay that use peat and therefore impact on fuel use. We had regard to that, as well as to transport. We are looking to contribute investment, through the rural growth deal, to what develops through the carbon neutral islands project. That is why I made the point about it being at quite an early stage.

The development trust on Islay is keen to look at what can be done. ScotWind is being developed off Islay, and BW Ideol is keen to look at whether it could develop an on-island network. I am not clear what scope there is within the carbon neutral islands project for such projects to come through. Some work still needs to be done to see how that would effectively complement the rural growth deal projects so that we can get maximum benefit. We hope that the private sector will also get involved in that, for green credentials in whisky production.

Alasdair Allan: Thank you. Do the other witnesses want to comment on projects in their areas?

The Convener: They do not, so we will move on to questions from Ariane Burgess.

Ariane Burgess: You will be aware of the £5 million islands bond fund, which the Scottish Government has decided not to progress. We have already chatted about the cluttered landscape of funding, but I am interested in hearing what you think would be the best way to repurpose that money.

Gareth Waterson: The islands bond was an interesting concept, although I heard some adverse comments about it. The intention was to try to ensure population stability or growth in outlying island areas. I hear that the biggest challenge for those islands is housing: there are very few houses available, especially for young families who are starting out, on some of our small islands, which have shrinking populations. For example, if a young family were looking for a house on Papa Westray, which is one of our really small islands, there are no houses available for them to move into.

I have been working with Voluntary Action Orkney to enable development trusts to build new

properties on islands; they would build two or three properties per island. Not all islands have a development trust, but most do. The group wanted to see whether it could get rural housing funding, so that, if the development trust had a little bit of funding and the council had a little more, we could pull together a package in which the development trust could lead on building two or three houses on the island. I wonder whether diverting some of the islands bond fund into housing projects of that type would help our most remote islands. It strikes me that the intended purpose of the bond was to deal with the population issue. Housing is probably one area in which it could do that.

There are wider benefits to housing because of the jobs and economic activity that go along with building houses on islands. It is hoped that local contractors could create local jobs and community wealth building. House building also leaves something for the long term. The house does not disappear, whereas if a grant is paid to a family they can wait until the period of repayment has passed then move on. That is one of the adverse comments that I have heard about the fund. However, what is put into housing infrastructure will remain on the island and do good in the long term.

Ariane Burgess: Thanks, Gareth. For clarification, do you think that funding should come from a pot of money that is separate from the rural and island housing fund, or do you imagine the funding being diverted into that fund and being accessed through one fund? I am considering the cluttered landscape of funding.

Gareth Waterson: We are trying to build a package for those projects, so it could be an additional source of funding that could be allocated to authorities with islands in them to give them additional ability to provide housing in their areas. The Orkney Islands have development trusts and the council is currently considering that. However, I imagine that housing is an issue across all the islands, so I am sure that something very similar would work on other islands.

Ariane Burgess: Absolutely. Does Pippa Milne or Russell McCutcheon have any thoughts on how to repurpose the £5 million islands bond fund?

10:30

Pippa Milne: Population is our biggest issue. As Gareth Waterson said, housing is coming up as one of the top issues, but it is complex. I always talk about it as—[*Inaudible*]. There tend to be different levels of skills, infrastructure and housing in different places. In the scheme of what we have to tackle—and, certainly, looking across my 22 islands—£5 million is a relatively small sum of money. I would rather see that being added to an

existing fund and to move away from the bidding process, as we said earlier. I think that it would be easier to add that money to the rural housing fund or to allocate the islands bond fund on a distribution basis.

Russell McCutcheon: Thank you for the question. There are two parts to that. The first part is that, in the context of the currently cluttered funding arena, we would have to remain consistent and suggest that the money be allocated to an existing fund to supplement it and make that existing fund stronger. I support the housing fund as a potential reservoir for that.

However, decluttering is not exactly taking place at the moment. The convention of the Highlands and Islands, or COHI, has a working group that has been established to look at approaches to addressing depopulation and repopulation and at topics of focus including housing, jobs, critical infrastructure, access to public services, talent attraction, retention and return. It is doing that through current development of an action plan to support repopulation, and it is working with partners including HIE and Skills Development Scotland. It might be another reservoir for discussion about how money could be allocated. For example, small-scale pilots to impact population levels could be funded through that money to test the art of the possible. I give that second part of the answer in the context of there being no decluttering of the current funding mechanisms.

The Convener: Thank you. We will wrap up with a short supplementary question from Jim Fairlie.

Jim Fairlie (Perthshire South and Kinrossshire) (SNP): I am fine. I do not have a question.

The Convener: That brings us to the end of the evidence session.

Alasdair Allan: I had indicated that I would like to ask a supplementary question, but if there is not time, there is not time.

The Convener: If the question is very brief, it can take the place of Jim Fairlie's supplementary question.

Alasdair Allan: Do the people who are represented on the panel welcome the fact that the Government listened to the consultation responses on the islands bond, despite the fact that they were—to put it politely—rather mixed? Perhaps Russell McCutcheon wants to answer that.

Russell McCutcheon: To put it simply, the answer is yes, that is absolutely welcomed. We appreciate that and we thank you for that.

The Convener: I am glad that we got that on the record.

I thank the witnesses and appreciate their full responses to our questions. The evidence session has been most useful as part of our budget scrutiny.

10:33

Meeting suspended.

10:40

On resuming—

The Convener: Our second panel is from the Scottish Futures Trust. We have Neil Rutherford, senior associate director for investment and place; Tony Rose, director for strategy and economy; and Diarmaid Lawlor, associate director for place.

We have about 90 minutes for questions from members—*[Interruption.]* I beg your pardon—we have 60 minutes. That would have been a big mistake, given that we tend to run over. We have 60 minutes, so you can relax a bit.

I will kick off. Will you explain or provide an overview of the Scottish Futures Trust's role in developing the islands plan?

Neil Rutherford (Scottish Futures Trust): I will start. I do not know whether it would be useful to the committee for us to talk about the SFT at a more general level, but I am happy to talk about the islands programme.

As an infrastructure agency with expertise and capability, we are there to support the programme. We work closely with the Scottish Government's islands team. We were involved in developing the strategy for the use of the fund—that is, the design and delivery of the fund—as well as providing support for the fund. Subsequently, we have been involved in the assurance and monitoring of the fund. Those elements are probably self-explanatory.

A big part of our role was to support those bidding for funds. As one of the witnesses from the previous panel mentioned, we have a programme lead who is based on Tiree. She spent a lot of time engaging with the authorities about the process and what was being looked for. She provided support, guidance and general assistance. In addition, materials were produced to support that process.

The Convener: In a recent response to the committee, the Scottish Government explained that a competitive bid approach

“provides assurance that money is going direct to deliver national Government policy”.

Does that work well alongside the aspirations of the islands that you are there to support?

Neil Rutherford: I will perhaps widen out my response in answering that. We ended up with a competitive bid process for a variety of reasons. Wider feedback from a number of parties suggested that allocations did not always work their way to them, so we needed a way for those parties to engage with the process. You mentioned the national islands plan. An issue is how that money relates to that plan.

I should have said that the programme is designed around critical infrastructure. Part of the consideration is around what bits of infrastructure on islands really matter and how communities help to shape whatever infrastructure comes forward.

A number of factors fed into the process, as witnesses on the previous panel mentioned, including how other funds work and are allocated. I am sure that we will come on to speak about connections between some of those, so I will stop there.

The Convener: Beatrice Wishart would like to explore that a little more.

Beatrice Wishart: Will you reflect on how the competitive bidding process worked this year and on how it compares with last year's allocation process? Should future rounds be done in a similar competitive way?

Neil Rutherford: The infrastructure investment fund was for 2021-22 and was launched in December, and it was very much felt that we could not fit a bid process around the timescales that were involved. However, consideration was given to how funding would be allocated or distributed in future rounds.

Therefore, the emphasis of the two funds was slightly different. The infrastructure investment fund was about response to Covid and had shorter timescales, whereas the islands programme takes a strategic long-term view and tries to identify what infrastructure is required. As I said, the bid process built on other input, thoughts, engagement and consultation.

10:45

We are learning from the previous round, and we are engaging on that. However, given where the world is at the moment, an element of certainty needs to be provided on some aspects in order for the process to run again. All the infrastructure, resource and so on is there to run the process again, so it could be set up pretty quickly. However, as I said, given everything that is going on at the moment, there are some steps before the next launch.

Jim Fairlie: I ask this question merely out of curiosity. If we had an allocation system instead of a competitive system, would that not just mean that the money would be spread across everything? People would say, “I could do a bit of this and a bit of that,” but the targets that the Government’s infrastructure proposals are looking to achieve would be missed.

Neil Rutherford: I will give an example. Under the 2021-22 allocation of the islands infrastructure fund, there were 38 projects, and in effect 11 projects came through the islands programme process. There were different average funding levels, although, within the islands programme, there are some smaller funds right through to bigger projects, such as the Orkney nursery, which was discussed earlier.

Consideration of how we take a place-based approach and how we deliver the critical infrastructure that communities need fed into the decision process, and we need to follow that through.

Diarmaid Lawlor (Scottish Futures Trust): That is a great question. The competitive process tries to target the need to balance national policy objectives with local priorities. Building on the previous testimony, I note that it takes time for communities and authorities to build a project. In theory, there is a stack of ideas and half-ready projects, and a competitive process invites those that are ready now to come forward, with a balance relating to the national objectives, so that there is fairness and parity across the piece. The critical local infrastructure criteria mean that such projects need to be relevant to the community and have an impact on a range of community groups. That is why a competitive process was used.

The direct allocation process worked really well, and the SFT offered support relating to review and scrutiny. Pippa Milne mentioned in her testimony the idea of following up and following through.

The competitive process allowed us to align the national policy objectives with local priorities, with consideration given to whether a project was critical to a local area—that was the key criterion. If it was, the bid provided evidence that the project would benefit the community and wider communities. We were interested in that narrative when flushing out the process.

Jenni Minto: I thank the witnesses for coming and for the detailed evidence that they submitted. Diarmaid Lawlor started to talk about criteria. I am interested in how you weighted the different criteria when assessing the bids and in what consultation took place, specifically from an island perspective, before you decided on the criteria.

Diarmaid Lawlor: That is a great question. There are three layers to the answer. First, we

have the opportunity to participate with the islands plan delivery group, which represents island voices, island communities and island authorities, and with the islands strategic group. I sit on that group, which includes people from the community who have been directly affected by Covid and island circumstances. The first meeting of the group could not have been more conclusive: people said that we need to act on the consultations that have taken place on Covid and, in particular, on the national islands plan priorities. Those priorities are addressing depopulation, sustainable economic growth and, as Pippa Milne said, on the macro side, housing. There was a clear mandate to deliver and invest; those voices came forward from that group.

With the islands plan delivery group, it is extremely important that people go to such a forum, go back home to talk to communities and then bring the discussions back. The message there was to build on the conversations that had been had, rather than to have more conversations to get to the same position. That was really important.

A second important point relates to comparable funds such as regeneration capital grants—which sometimes land really well for islands, but sometimes do not—and the vacant and derelict land programme, which the committee heard about in earlier testimony. Building on the islands plan delivery group insights, and on the work of our colleague who is based in Tiree and the work that we are doing, we thought about whether, for authorities and communities that are bidding, we could try to align some of the criteria so that they were not new things but looked sort of familiar. That approach was intentional, so that the people who were preparing the bids had some experience of the criteria.

Another aspect was whether the weighting was sufficiently robust to account for islandness. We felt that it was not, and that it needed to focus very much on partnership and engagement in order to reflect island capacity and island interests. On deliverability, to build on Russell McCutcheon’s point on the labour force and the contract, part of it was about saying that, if something is critical to the local community, it needs to be capable of being built and run. Therefore, it is not about exclusion; it is about asking whether we are ready to get it done and run it. Those were all considerations on the weighting side.

Finally, as we moved through the islands infrastructure fund and the islands programme, we tested the process in different fora. We tested it directly with local authorities to see how it was working, we tested it in the discussion with the court of the University of the Highlands and Islands, and we talked to representatives of the

convention of the Highlands and Islands, including the mobility convenor. We spoke to a variety of people. Our colleague on Tiree and the Scottish islands forum has a wealth of information about what it is like to be an islander on an island, which they brought powerfully into the discussions.

Those three layers about building on the consultation, a review of what was going on and testing led us to the conclusions in the guidance.

The Convener: Jim Fairlie has a supplementary question, but I have a question first. Given the full answer that you gave about consultation and review, the knowledge of the issues that island communities are facing, and the evidence that we heard from the previous panel, do you still think that the competitive process is the best way forward to support islands?

Neil Rutherford: I guess that there is a balance in everything, and the islands fund is one part of a wider funding package that exists. Therefore, there are different routes for funding. For the fund itself, community involvement is a way to capture that balance, building on the experiences of some of the other funds that have been launched and where they hit. As Diarmaid Lawlor said, it is a good way to demonstrate partnership working—the community, the wider public sector and the wider private sector all come together behind a project that they can deliver and make happen.

I am probably jumping ahead slightly, but the competitive process allows us to unlock some additional resource. The witnesses on the previous panel spoke about local authority resource, but there is also community resource, some external resource and elements from organisations such as ours and HIE and others that engage on that issue. There is a quantum of resource that can help.

The Convener: Do you deal with the islands programme in isolation or, given that you can add capacity—which we have heard is almost always limited in local authorities at the moment—do you offer other advice such that resource is not specifically coming out of the islands plan money? Do you guide and assist local authorities and communities in relation to what other resources or pots of money might be available?

Neil Rutherford: Yes, very much so.

Tony Rose (Scottish Futures Trust): In the written submission that we provided, we answered a question on different pots of money, and that issue was also discussed this morning. With the islands programme, the team spent a lot of time with community groups and local authorities working out and understanding what other pots of money there were, whether they were suitable and so on. On that general broad question about the team supporting the bidding in that process, there

was consideration of the pots of money and, as we have heard, the team provided support to local authorities in putting together their bids.

The SFT more broadly has a plethora of activity in various aspects of the islands and other parts of Scotland, which we put in our submission. I will not go through that in detail, but the SFT offers broader support to island communities through particular programmes with things such as early learning, through education programmes, 4G masts on islands or health projects.

There is also the place aspect, which considers a place and not just a sector. Diarmaid Lawlor might want to comment on examples beyond the islands programme.

Diarmaid Lawlor: Absolutely. It is a great privilege to work with island authorities and communities, because of the nature of the relationship. We are doing a lot of work in Portree to consider how the public services come together and how that choreographs the work of the community development trust there and some of the emergency services. We consider how Portree, as the town on the island, relates to the whole island and we try to link to different investments.

Up in Balivanich on Benbecula, we are considering how public services come together with community services to free up space for housing, and how that then feeds into some of the investment bits, and we are looking at similar issues with Orkney Islands Council.

We try to consider the needs at local level and how those needs are expressed, as well as how that helps us to choose which money to get, and when and why.

The Convener: That is really helpful.

Jim Fairlie: I want to go back to Diarmaid Lawlor on his point about getting projects ready. The previous panel mentioned the problem of getting contractors on an island who can do the work. If contractors are not available on an island, the project cannot move forward and therefore does not get funding. Therefore, contractors will not go to an island because the funding is not there for them to do the work. I fully support the idea of a competitive tendering process, but is there not a danger of creating a catch-22 situation by doing it in that way?

Diarmaid Lawlor: We have been trying to grapple with a couple of things in that regard. I know that Tony Rose has worked more directly on the issue, and we have done some work in Shetland to consider infrastructure planning and the contractor side of that.

I will reflect on two issues from that particular experience. One is around how to build up a

pipeline of projects that shows the contractor and construction community that stuff is coming—it might not be now, but it is coming. For capacity, it is extremely important to signal confidence to the market. All the earlier witnesses talked about taking a long-term view but, to get that, you need to deal with some of the short-term issues. The competitive process is about trying to head towards building a pipeline. It also links to the capacity issue that we have just talked about and how the SFT more broadly can help.

The second issue is the intentional decision in the islands programme to focus on the idea of critical local infrastructure. That was to address two things. One is that, in the island situation, as you have laid out, if a project is below a certain threshold, it is difficult to get a contractor. Therefore, we thought that, if we pitched it at something big and measurable enough, it would be of a quantum that would mean that we could probably get it delivered and organise the tender processes.

Secondly, because the project would have gone through a competitive process, the contractors and constructors would be assured that it had already been tested, challenged, pushed and cajoled, and there would be a good chance that it would get done. I mean no disrespect to community capacity, but sometimes life just throws a curveball and you are not ready to adjust to it. We thought that if we could offer some assurance and pre-testing through the competitive process, that would show that a project was ready to go, and that there is a pipeline.

Jim Fairlie: If you have created that pipeline, which will be there for the future, I assume that it will require multiyear funding, which you can then guarantee. Has that created its own problems for you?

Diarmaid Lawlor: Multiyear funding would obviously be a fantastic approach. We feel strongly that it would be really good. There are two dimensions in that issue.

As all the witnesses have said, it takes some time—work is done years in advance—to get the projects ready. I think that it was Russell McCutcheon who talked about some of the revenue support and capacity support. It is about building project readiness. If the projects are ready, you can fund a project directly or competitively. Therefore, one part of that is about readiness and how we better organise our capacity. The second part is about using a competitive process as best we can to give assurance and confidence to the work.

Alasdair Allan: There is a lively debate about how to ensure that the experience of living on an island is represented in the public sector more

generally in Scotland. How did you ensure that island voices and the experience of living on an island were represented in the investment panel and other areas of your work? That question might be for Diarmaid Lawlor or Neil Rutherford.

Diarmaid Lawlor: I can start. Thanks, Mr Allan—that is a powerful question. We tried to break it down to the experience of someone, over a day, walking down the road in order to get to something in particular. We talked to the mobility convener. She said that, some days, it is really good and, some days, it is really not good. Some days it is really good if you are semi-able; some days it is good if you are young; some days it is good if you are old. We really wanted to understand what it is like to be you and the sequence of that experience, what happens where and who it involves. For example, when someone goes to, say, the beach or the convenience, can they get there? We are trying to engage in conversations with people and use our responsibilities to translate that into the infrastructure stuff. We listen to the lived experience and translate that into the infrastructure stuff.

The second part of that is having the opportunity to engage with young people and put things to the test through the young islanders network. We did not engage directly with that ourselves but did so through the Scottish Government islands team, which was really helpful—as was the Scottish islands forum—in enabling us to feed in to the process. We felt that our job was to listen and translate and not to do the consultation on the ground, contradict, complicate and miss.

We did that with our colleague who is well connected to the islands, the mobility group and Bòrd na Gàidhlig. There was a really interesting discussion about what it means to be a Gaelic speaker and how to access opportunities whether you are a young person with ambition or whether you are moving through. It is about trying to listen to the particularities, if you like, of “islandness” but also of different identities and, again, translating that into the infrastructure work.

Alasdair Allan: Go raibh míle maith agaibh.

Diarmaid Lawlor: Go raibh maith agad.

The Convener: Rachael Hamilton has a supplementary question.

Rachael Hamilton: How is the investment panel picked? Witnesses in the earlier evidence session said that they felt that island communities were not empowered, because they were not directly represented on the investment panel. A statement was also made that that process was removed from the spirit of the Islands (Scotland) Act 2018, which was created to put islanders at

the heart of decision making. May I start with Neil Rutherford?

Neil Rutherford: Yes, absolutely. May I first go back to Alasdair Allan's question? The submissions are based around island communities and island organisations working together to decide what they need. That was the premise of that work. Therefore, there is a wide range of participants in the submissions for those projects, which then go to the panel. The panel was put together to reflect the independent nature of the work. The bids need to be assessed, so working with organisations that might have an involvement makes it difficult to manage that process.

There is also the issue of infrastructure expertise. I will talk about the panel members in a second. We wanted to bring people with infrastructure expertise on to the panel. Finally, everyone has a connection to the islands. For some people, the connection is that they live on the islands; for others, it is about their involvement with projects and their experience.

One piece of feedback from the various groups was about the fact that, initially, the panel was quite SFT heavy and Government heavy, so the question was how we could get some wider external involvement. Robert Emmott was on the panel. He is the finance director for Dundee City Council, but he was previously the finance director in the Western Isles and he lived there. He has extensive islands infrastructure experience.

We have Angela Scott who, again, is a representative of a local authority. She is from Aberdeen City Council and is the chair of the hub territory partnering board for the north. She works closely with the islands, and a big aspect of what the board looks at is place-based approaches and the delivery of infrastructure.

From HIE, we have Douglas Cowan and Zoe Laird, through their respective roles of communities and place director and regional head of communities infrastructure.

We have a wide panel membership with understanding, knowledge, involvement and experience—the panel was built on that basis. As with a lot of what we do, we can always learn—

Rachael Hamilton: How was the panel picked? That was my question.

Neil Rutherford: In effect, the SFT and Scottish Government officials made a recommendation about the nature of people who could sit on the panel and the experience and skills that we needed. The recommendation was signed off at ministerial level.

Rachael Hamilton: Was there an interview panel that involved islanders?

Neil Rutherford: No.

Rachael Hamilton: I want to press this point. The comment was made that

“subsidiarity should be the guiding principle and that better decisions will be arrived at, and better investments delivered if the fund was devolved to local level.”

You have mentioned the panel members and stated why they were chosen by the SFT and Scottish Government officials, but you have not addressed the concerns of locals. Would you do things differently if it was done again?

Neil Rutherford: The panel is there to assess bids on the basis of the development of island communities and organisations, which comes down to elements such as deliverability, legacy and sustainability, and whether place, partnership and other things are being reflected. Outcomes are also a key part. Sorry—I have gone slightly off track.

Rachael Hamilton: I am sorry to press you on this, but comments were also made that the resources were not there to ensure that bids were made and were value for money so that there was efficient use of local authority time when compared with projects themselves. Those comments are from a monetary point of view, but there is lots of stuff to learn in here. My question is: was this the right decision and would you make a change?

Neil Rutherford: At the time, it was the right decision in terms of the timescale, where we were, the independence that we wanted for the panel and the recognition that there were a number of people who would be conflicted if they sat on the panel. It was on the basis of managing those elements. We will learn from and consider that in the future.

Diarmaid Lawlor: I absolutely take your point on subsidiarity, which is an important part of the act and the process. In our considerations, there were three levels. One was around the projects being developed at local level on islands with local people, so that it was not us instructing them. Those projects sometimes emerge from years of conversation and, sometimes, conflict. The projects must derive from the islands.

The second was that the decision to put forward projects to the island programme must come from the islands, so that it was not the Scottish Government or the Scottish Futures Trust saying that they had to have particular projects or whatever. Those are difficult decisions and, in the evidence that the committee took earlier this morning, witnesses talked about timing issues with the elections and having to go to Cabinet.

There are two levels of direct island voice, and the process is geared to that. The choice of

projects must come from communities on the islands.

To build on Pippa Milne's point about scrutiny, which comes from the direct allocation piece and the competitive piece, we took the view that, if the investment panel had island authorities on it, that might cause even more complications, because some people might have chosen to absent themselves from decision making if there was a proposal from their island. To be transparent, we made the direct decision to say that projects must come from the islands and that the decision to put forward projects must also come from the islands.

The third bit was around the investment panel and its scrutiny and support, which was offered around a supportive frame. It was not about saying what had been done wrong or right. If the narrative of what people were trying to do on the island was clear, somebody from the outside could read it and understand it. If their choice to be put forward was clear, again, somebody from the outside could read it and understand it. We also wanted to be able to offer feedback and to say, "We've looked at this and we understand it, but we think that this part might not be ready," or, "We think that these improvements could be made." That was the intention.

The other aspect is that the investment panel was strictly confined to the proposals and the narrative that was offered along with the bids. People could not think, "I know what's happening around the corner," or, "I know what someone else is doing," because they had to be fair to all the bids. The job of people on the panel is to review what they are given, to understand whether what is being offered makes sense and to decide whether they believe that it is deliverable and, if so, whether they believe that it is the best investment to deliver critical local infrastructure for the community.

Tony Rose: Rachael, you mentioned resourcing. It is absolutely the case that local authorities face resource constraints, as many areas of the public sector do. The process allowed additional support to be brought in by the SFT team and others to help with the development of projects at a pace or a scale that might otherwise have been difficult. A lot of work needed to be done on the projects to get them investable ready or fundable ready. The fact that local authorities needed to do work on the projects offered an opportunity for some resources to be focused on that support, as we have heard.

I take on board the fact that there were constraints, but the process was designed in such a way as to help authorities to bring forward projects and allocate funding to them.

Rachael Hamilton: Thank you. If I had known that, I might have asked about the resource support from the SFT—that would have been useful.

The Convener: Beatrice Wishart has a supplementary.

Beatrice Wishart: My understanding is that no one on the investment panel lives on an island. Can you confirm whether that is correct?

Neil Rutherford: There is a member of the panel who lives on an island. Erica Clarkson from the Scottish Government—I am sorry; I have forgotten her title—was involved.

Beatrice Wishart: Thank you for clarifying that.

Jenni Minto: Diarmaid, you touched on this in your previous answer. I want to ask about the timing of the application period, which was during the election period, and the relatively tight deadline. In its evidence, Argyll and Bute Council said that, as a result, there was not full council engagement. North Ayrshire Council commented that, because of that, the engagement process was much more pressurised. I would like to hear your views on that.

Diarmaid Lawlor: We are absolutely sympathetic on the point about timing. We recognise that, if there are tighter timescales, that presents a lot of challenges for authorities.

The timing was influenced by a number of factors, one of which was the process of coming to terms with the outturn of some of the implications of Covid and the world getting back to normal. Another factor was the preparation for the Scottish elections. It is also important to reference the 26th UN climate change conference of the parties—COP26—not in order to make an excuse but because there was a big national effort and a national focus on COP, which led to the displacement of various activities. I remember distinctly that, at that time, it was difficult even to have conversations with colleagues, so big an issue was COP. A series of factors were in play on the timing.

However—to go back to the opening position that I laid out on the islands delivery group, which was that we should invest and deliver—we took the view, with the Scottish Government's islands team, that the best thing to do was to get the money out.

We take the point about the timing and accept that it caused challenges. We absolutely recognise that, and we will take account of that in the learning for the long term. However, we made an intentional decision to get investing and to deal with the time. That was the position.

Jenni Minto: You talked about the ideal situation of having a pipeline of projects. What work are you continuing to do with local authorities and communities to ensure that that pipeline is kept full?

Diarmaid Lawlor: We are doing a few things on that. More broadly, as part of the Scottish Construction Leadership Forum, the SFT has built a construction pipeline, so there is a threshold. The purpose of that is to show, across Scotland, what is current, what is planned and what is emerging. That goes back to the point that I made to Mr Fairlie about indicating to the market—the aim is allow people to see it on a map, to see the values and to see who is doing it. That is at a broad SFT level, and it supports authorities and the construction sector.

11:15

That is one side. The second side is that we are working with island authorities such as Shetland Islands Council—we are working with Neil Grant up there—and the localities team to look across the islands. A lot of things are happening in islands, and sometimes there are many things and less time. We are trying to work out whether all those things do what we need them to do, how we might organise that differently and how it might work in different places. We are working with Shetland Islands Council directly on that. I mentioned Portree, and we are also working with Western Isles Council in relation to the Uists—its testimony was very kind.

We are also working with Orkney Islands Council and Highland Council on co-location of public services. That is about bringing services together, but we also look at how that relates to communities, so that we do not just have a public service answer and a negative on the community side.

Those are some examples of how we are directly working with authorities, agencies and communities to look at the current issues on the islands and to build up that pipeline. I suppose that we are then taking evidence from you and others to challenge ourselves and consider whether we are doing enough on the multiyear piece and the pipeline piece. I give an assurance that we are working on the ground with folks, and we are taking challenge and challenging ourselves to do more.

Jenni Minto: I was thinking specifically about the projects that did not succeed in the latest round, and whether you continue to work with them. However, I appreciate that we are challenged for time, so we will move on.

Diarmaid Lawlor: The idea is very much to give feedback and support. We have absolutely

identified potential projects to work with and to build readiness for.

Karen Adam: Good morning, panel. I have enjoyed listening to you describing your community engagement. In particular, Diarmaid Lawlor spoke about the real grass-roots involvement and feedback, and about ensuring that any consultation and engagement is fully representative. That threw up a question for me. The committee is looking at the issues of depopulation and population decline in the islands. Do you hear from people who have left the islands and consider the reasons for that? We know that the islands will never be able to compete on certain aspects, given the draw of the mainland and what is available there, but has anything come up with regard to why people have left and what would have been better for them in living on an island? Are those voices included?

Diarmaid Lawlor: Absolutely. In Scotland, you cannot move without meeting somebody from an island. In public life, you often meet people who yearn to go home, so I am very familiar with that idea.

There are a few things that we have been looking at on that issue. One is to take the opportunity, when it presents, to talk to people and ask why they made that choice and what prevents them from going back. Sometimes, it is about the desire for independence, which we all have, and the desire to have a different life, but sometimes it is about circumstance—perhaps an opportunity was not available on the island, or a croft or farm was not available.

In a different part of the Scottish Futures Trust, we have a piece of work called new frontiers for smarter working, which is looking at location-agnostic working, the settings and environments and how to organise differently for work. We are also looking at how that links into the digital piece, around the R100—reaching 100 per cent—programme and other measures. To bring that back to the critical local infrastructure, that means better workspace on more islands, and more shared workspace on more islands. To build on the testimony of Russell McCutcheon and others, it is about how the package wraps around, so that there is a better workspace, a home to go for and plausible services.

That is how we are looking at the issue. We need to unpack that story and look at whether the arrangements work for somebody who is returning to an island from, say, Utrecht, as well as for somebody who lives on Yell. There should not be a different story for different people. We should be bringing together the infrastructure around shared stories.

Karen Adam: You touched on the point that we want to reach out to as many diverse people as possible and on how that can be done. Are there any standout ideas from the consultation that have never been done on islands and that would attract more diverse individuals?

Diarmaid Lawlor: The standouts for me from the consultation are not about something that has never been done; they are more about the richness of what is being done.

Last night, I was at a Climate Emergency Response Group event here. The word “coherence” was used. Sometimes, it is less about new initiatives and more about co-ordination and coherence. Sometimes, to live life normally and to live well, locally, we do not need fancy things; we just need the basics to be done well and in a coherent way. That was the thinking that went forward.

Karen Adam: That is helpful. It is about enhancements.

Tony Rose: I will add something about the wider, more strategic context. The infrastructure investment plan was published 18 months ago. Within that route map, there is a series about public engagement. It is about being more active, and proactively considering the public engagement around infrastructure decision making. That important piece of work will be happening over the next two or three years, to inform the next round of infrastructure investment.

Getting the views of island communities in that public engagement is an important part of the structure for thinking about what people need, engaging with the trade-offs that they are thinking about making, and deciding how that gets built into the wider infrastructure investment plan for the next stage as well as the individual projects that are happening now in order to deliver things on the ground. From the committee’s perspective, understanding that public engagement piece and how it will inform things will be a helpful way in which you can address some of the challenges that you have just articulated.

Karen Adam: That is helpful. Thank you.

The Convener: Rachael Hamilton is next.

Rachael Hamilton: I am okay. Were you bringing me in for a supplementary question?

The Convener: Yes.

Rachael Hamilton: I asked it as part of my question, I think.

The Convener: Okay—thanks.

We had part of an answer about how the SFT helps communities generally, but we also heard about how cluttered the funding environment is.

Do you have anything to add about how you help on the wider funding packages? You may already have answered that fully.

Neil Rutherford: The wider funding environment around housing and economic investment is a big part of what the team looks at. It is about understanding people’s strategic projects, initiatives and programmes, and spending time with them to understand where in that environment the funding is available and how it fits.

We have been involved in advising on such things as the strategic aspects of the islands growth deal, but also on where projects that were not successful might sit. Recently, for example, we have been involved in Stornoway harbour—the deep water port—and, in effect, the funding route for that. We spend a lot of time looking at the wider landscape in order to understand where there is funding, and helping people with that.

Tony Rose: The focus on outcomes is an important part of the fund because, historically, funding has tended to be more sectoral and based on the outputs that are achieved by a sector. Through the national performance framework, that can be broadened out all the way through to the outcomes that it is trying to achieve.

A transition is going on. Multiple outcomes are needed from similar assets, types of investment and projects. Achieving that cuts across a number of portfolios, with different funding groups. That is becoming more important. Using the outcomes as a focus is a good way of articulating, for different policy areas, how one aspect can contribute to a particular outcome. That is an evolving process, but it is a big part of where we are.

I do not have an example from the islands. However, the Granton harbour project involves seeking multiple outputs and outcomes to regenerate that part of Edinburgh. That touches on museums, renewable heat sources, housing and traditional regeneration. Those different policy drivers need to be brought together in a single package. Working with such projects helps people to learn and can inform some of the islands work as well.

Neil Rutherford: The work that Diarmaid Lawlor talked about—starting from the place perspective—relates well to North Ayrshire Council and the island plans that Russell McCutcheon talked about. The council has a place-based and strategic approach. It creates a flow of programmes and projects, which means that it can think about funding, and people such as us can support and get involved in such things. That is a good example of how some of that could work.

The Convener: That was useful. It was worth going back to that point.

Ariane Burgess: I thank the witnesses—it is brilliant to hear about the work that you are doing. From what you have talked about, I understand that you have started the process, but it is the first year. Concerns have been raised about the competitive bid and the panel, but we are in a process. There is learning to be done from the first round, but it seems that you are taking into account the bigger picture.

In relation to the bigger picture, I was struck by the point about transformational infrastructure. Earlier, when we heard from Orkney Islands Council about that, at first I thought, “A nursery?” but it was exciting to hear Gareth Waterson speak about the impact that that would have in relation to infrastructure and how it could transform Orkney through people being able to access jobs and so on.

I would love to hear about other examples of transformational infrastructure that could be put in place in the islands. Tony Rose has just talked about potential transformational infrastructure in Edinburgh and that complexity being pulled together. Perhaps there are things in the islands that you have become aware of that we need to consider beyond housing, because we have already covered that this morning.

Diarmaid Lawlor: There is a slight irony in that transformation is not about building new stuff—it is about making better use of what we have. The difficulty with that is that a new thing sometimes looks really beautiful, powerful and engaging, but it costs a lot of money. Meanwhile, over the road, there can be an equivalent to that. That is where the work on new frontiers for smarter working comes in. How can we, on the Uists, work with Western Isles Council and Highlands and Islands Enterprise to repurpose existing spaces in Balivanich and bring together services to release space for housing?

The sequencing of that is important. We get a win, in that we make better use of an existing building, we have a better work environment for people and we are better connected digitally. That means that we have freed up certain spaces in the village, which can be used for housing, and the housing can then attract people. That is an example of the transformational piece, and that is one dimension of the issue.

Another dimension can be seen in this year’s islands programme on Eigg, where it was interesting to see how the public sector estate released space in the health estate and how the community was able to wrap it around. You can think of it as layers, with one layer moving out and another layer moving in. We are then able to get

the walls, and then we are able to get the roof. Island communities are very innovative, so they will find an opportunity before you know that it exists, and they will start to layer it through.

To go back to the phrase “critical local infrastructure”, the transformational stuff is not about shiny things; it is about what is relevant, co-ordinated and pragmatic. In the islands plan delivery group, we had a discussion about how complicated criteria around innovation sometimes lead to funding innovation and so we abandon what we have and search for a new thing. Perhaps we need sustainability, and perhaps transformation is about imagining how what we have could be different to make life better.

Ariane Burgess: As a Green, it is music to my ears to hear you talk about repurposing what we already have.

I love the term “location-agnostic working” that you used. It popped into my mind that perhaps we need something like a rural island and housing fund for workspaces, although I do not want to clutter up the funding landscape further. I am aware that Ireland is breaking through with that kind of community workspace hub.

I want to touch on the work that you are considering around the carbon neutral islands project, which feels like it is connected to your point about repurposing. Are you involved in that work in any way, or are you aware of it? Are you aligning your work with that project?

Neil Rutherford: There is involvement, but it is probably more at the alignment stage and is about how the different strands fit together. With many of those issues, we provide strategic thought and advice. We are happy to chat to anyone about programmes and the like. There is a connection, because it ultimately comes back to the place-based approach. How do all those things fit together and how does the world work? For me, connecting people such as our net zero team to the carbon neutral islands project is an important aspect—it is about the co-ordination of that work.

11:30

Tony Rose: At the moment, our role in that project is more strategic. We are looking broadly. We recently produced a net zero building standard, which is helping to guide public bodies and others that are looking to create a net zero building over the next 15 years—I think that the target for Scottish public buildings is 2038.

Ariane Burgess talked about process. That is a bit dull and dry, but it is really important, because it gives people a framework for how to work. The standard allows public bodies to see the process that they have to go through to get to a net zero

building. In the islands project that Ariane Burgess mentioned, that will be a really important component of how the islands build together and use their assets to get to a net zero place in the bigger net zero picture.

Currently, it is more about support at the guide, process and framework level than about individual islands and helping them to develop their plans.

Neil Rutherford: I think that you are right. Quite often, the world breaks down into different things, and that is understandable. Through the work that Diarmaid Lawlor has talked about, we are starting to think about the bigger picture and understand how we can all come around some of the strategic elements and figure out how some of the funding and other aspects, including resource and people, will work, and how we can enable such things to happen. It feels like a bit of a shift is coming.

That is what we do anyway in the way that we work—we always work with somebody. A partnership approach can create some of those outcomes.

Ariane Burgess: Absolutely. The repurposing of what we already have is crucial in the carbon neutrality story. I think that people lose sight of the amount of carbon that goes into building a new building. I still see buildings being built out of concrete blocks. We need an understanding that repurposing is fair.

The Convener: I am sorry, Ariane, but we need to move on.

Ariane Burgess: I really appreciate that you are doing that work. It sounds like net zero is an inherent part of the mix, which is great.

Alasdair Allan: I certainly do not hold any of you responsible for the cost of living crisis or for the questions that now exist about the UK Government's handling of that crisis. However, the crisis obviously has an impact on everything that your organisation does, as it has on the wider public sector.

The Convener: I am sorry to interrupt, Alasdair, but do you have a supplementary to Ariane Burgess's question?

Alasdair Allan: I thought that I might get my own question in at the end.

The Convener: We will see whether we have time. Do you have a supplementary to Ariane Burgess's question?

Alasdair Allan: No. I have just my own question, which was up next. I am sorry; I misunderstood you, convener.

The Convener: I beg your pardon. Beatrice Wishart has a supplementary to Ariane Burgess's question.

Beatrice Wishart: I have a brief question. On examples of transformational infrastructure, I was struck by Diarmaid Lawlor's comment about basics done well. How do you ensure that that happens?

Diarmaid Lawlor: That is a great question. I suppose that that is where the offer of assurance and support from us and how the project is designed in the first place come in. The story of the outcomes is important. What are we trying to do? The second issue is ensuring that the checking and review processes are designed in.

We have learned that it is really important in the lifecycle of a project to have two or three points at which people can come in and ask the simple question: are we still doing what we said that we were going to do at the beginning? Part of the issue is simply designing in time to ask that simple question.

Alasdair Allan: The witnesses got the preamble to my question. How do you cope with and manage that situation, given its impact in real terms on what you have to spend? How on earth do you adapt to the quickly changing situation with the cost of living, the cost of materials and inflation?

Tony Rose: You are absolutely right: the market is hot at the moment. To focus on the construction side, cost increases are happening at various sources, whether that is because of the picking up of activity post-Covid after a hiatus of 18 months—that has accelerated the supply and demand impact—the inflationary aspects on materials and wages, or labour supply. All those things are conflating to create real cost pressures around the construction element.

Variability in cost pressures—such as how much of it is materials impact and how much of it is about the cost of labour—depends on the component that you are considering. However, from an islands perspective, there are additional costs. In particular, transport is causing issues, and that is exacerbated by the mainland Scotland activity, which is significantly greater and where there are cost pressures. Subcontractors are also busy. That is causing a real issue. It might ease as we go through the year and the markets balance out, but there are challenges in that.

There are two ways of addressing the situation. One is that it might require a degree of phasing-in time and prioritisation so that we do the things that are ready to be done. Making a decision on that is an important component. The other element is something that Diarmaid Lawlor has already picked up on: the pipeline is creating the right environment to try to address those systems and problems when you procure and go out to market so that, when you procure the next time, you take

that into account and can manage it more effectively.

There are a number of ways of reacting to the situation. We are working with the construction industry and public bodies to help to address that in the islands and elsewhere.

Neil Rutherford: In the programme, the bids were allowed to propose contingency sums to manage that situation in part. Obviously, things move quickly, so we will continue to work with and review those sums. There is an element of contingency in the general programme to help with some of those issues.

Jim Fairlie: We have talked about multiyear funding and putting the pipeline in place, but we already know that the Scottish Government has a £1.7 billion deficit in its funding. What reassurances do you have that you can continue to put the funding in place? Given that the Government now has to pay for massive wage inflation and we are trying to help people with the cost of living crisis, it will cut budgets—there is simply no doubt about that. Do you have any assurances that you can continue with the funding programme?

Diarmaid Lawlor: I will take that in two ways: the SFT-specific piece and the programme-specific piece.

On the SFT side, our commitment is to work with island authorities and island communities to help to build pipelines of projects and offer support, regardless of the island programme funding. We routinely offer that on various different projects and we are committed to it.

It is important to continue that, precisely because of the reasons that you give on the funding challenges. We need to continue to build up the pipeline. We need to continue to build up a ready-to-go set of projects so that we do not have to work up projects at the moment that the money comes along. We need to do the work along the way so that we are ready to go.

That is super-important for addressing the cost of living issue because, surely, it is important to keep the money going in locally. One way of doing that is to be ready with projects that can exploit the money. The SFT is committed to working with island authorities, island communities and public bodies on that pipeline.

On the funding, we have assurance that the Scottish Government islands team wants to continue working with island communities. With the resource spending review and the budgets, those issues are working through, but we have an assurance that the Scottish Government would like us to continue to work with it and island authorities around that money.

That gives you two sides: a direct commitment by an organisation to work with island communities and authorities regardless of what happens with the money, and then a commitment to work with the Scottish Government islands team to make the best of what we have to ensure that the agenda moves forward.

Rachael Hamilton: You might be able to put this in writing, but will you give the committee a progress report on the SFT's involvement in national planning framework 4?

Obviously, one of your roles is to leverage private funding alongside public funding. Was it ever considered that the national islands plan could be modelled in that way?

Tony Rose: I am happy to put something on NPF4 in writing if you want more detail, but we have been working with the planning team. We did a piece of work on the delivery of NPF4. That will be part of the contribution to the process and we are engaged with the team.

To me, NPF4 is a starting point, not the end point. It sets out the planning framework, the strategic intent and the environment in which people can plan for the next five to 10 years, so the delivery and implementation are important. We continue to support—

Rachael Hamilton: Could you quickly talk about the aspect of leveraging private funding?

Tony Rose: I defer to Neil Rutherford on the private funding for this particular programme.

Neil Rutherford: With regard to the types of projects that are coming forward, we are interested in the leverage that private funding can bring. Some of the solutions very much require public sector funding and, given the nature of what they produce, they will not have a private sector element. However, that is not the case for all the projects, and part of the process was very much trying to understand that leverage and the outcomes that would be produced.

Rachael Hamilton: Is that the case for the islands plan—yes or no?

Neil Rutherford: Do you mean in terms of the islands programme? I am sorry, but could you repeat the question?

Rachael Hamilton: Was there ever a consideration that private funding could have been leveraged with regard to the islands funding?

Neil Rutherford: Yes. Given the nature of the projects, there is a consideration of how they can leverage private funding and other private—

Rachael Hamilton: Can you write to the committee to say whether any private funding was sourced?

Neil Rutherford: Yes.

The Convener: Thank you. Your evidence has been hugely helpful. I now have a much better understanding of your role in the islands programme. We appreciate your time.

Subordinate Legislation

Pests of Plants (Authorisations) (Amendment) Regulations 2022

11:41

The Convener: The next item of business is consideration of a consent notification relating to a United Kingdom statutory instrument. I refer members to paper 3.

Do members have any comments on the notification?

Jim Fairlie: I would like to make a point that I have raised before. Our papers say:

“The SI will be laid in the UK Parliament on 3 October and will come into force on 1 November 2022. According to the Scottish Government, it was not possible to provide the Scottish Parliament with the required 28 days to consider the notification as the ‘policy details were not able to be finalised prior to summer recess’.”

On numerous occasions in this committee, we have talked about the fact that SIs are not laid in time, and I think that it should be noted that, with this instrument, the UK Government has done that again.

The Convener: I do not think that that is accurate. The instrument could not have been laid any earlier than it has been. We are talking about a couple of days, so any delay would not have made any difference to the time that we had to consider it. However, we can certainly note your point.

Jim Fairlie: Thank you.

The Convener: Are members content with the Scottish Government’s decision to consent to the provisions that are set out in the notifications being included in UK rather than Scottish subordinate legislation?

Members *indicated agreement.*

Meeting closed at 11:43.

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